Prime People

Prime People Plc

Annual Report and Financial Statements

for the year ended 31 March 2017

2017

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Chairman's Statement

Performance

The year ended 31 March 2017 was overall an encouraging one with our clients continuing to compete for scarce talent. In the UK, the referendum to remain or leave the EU occurring at the end of our first quarter slowed activity both sides of 23 June 2016 but, with a good recovery in the second half we achieved a full year NFI broadly in line with 2016. NFI comprises the total placement fees of permanent candidates and the margin earned in the placement of contract staff. Our businesses in Asia performed particularly well with both NFI and profit contribution being well ahead of the prior year.

I am pleased to report we closed the year with Revenue of £24.21m (2016: £20.76m) and NFI of £13.10m. This is a 6.68% increase on last year (2016: £12.28m). NFI in the second half of the year of £6.77m was 7.00% higher than the first half of 2017, and it is encouraging to see a second half increase over the comparable period in 2016 of 11.55%.

There were a number of good performances within UK property. In particular, Contract and Residential teams generated improved NFI. Our Asia business, particularly Singapore, continued to develop strongly.

There was a reduction in operating profit for the year from £2.15m in 2016 to £1.90m in 2017. In the UK, our core business in property was particularly affected in quarters one and two by the considerable negative sentiment for the sector surrounding the uncertainties of the EU referendum. Our Prime Energy business, servicing the renewable market in the UK suffered difficulty following the change in government subsidy for the sector. The Group supported the team to refocus on expanding its reach in new territories. There were also costs associated with conserving talent and, whilst total headcount increase was limited, there was investment in staff to support future productivity across the Group.

The conversion rate, which compares operating profit to NFI, decreased from 17.50% to 14.54% which is in line with the costs mentioned above.

During the year NFI productivity per head rose to £102.33k (2016: £99.03k).

The ratio of NFI derived from contract as against permanent placements has slightly increased in the year from 9:91 in 2016 to 10:90, as a result of increase in the contract team size.

Cash Flow

The Group continues to maintain a strong net cash position. At the start of the year the Group had cash of £0.95m which increased to £2.40m by the end of the year. The increase is primarily due to growth in the contract business and Asia’s positive performance. Contract NFI grew by 28.32% to £1.45m (2016: £1.13m) and Asia NFI increased by 39.94% to £5.08m (2016: £3.63m).

Dividend

During the year, an interim dividend of 1.75p per share (2016: 1.75p) was paid to shareholders. The Board will be recommending a final dividend of 3.25p (2016: 0.00p) per share. This will result in a total dividend payment of 5.00p for the 2017 financial year (2016: 8.84p – which included a special interim dividend of 4.00p and a second interim dividend of 3.09p).

Share Buy Back

During the year 129,500 shares were purchased at a cost of £111,390 through the Group’s buyback programme (2016: nil shares purchased). The Board will be seeking shareholder approval for renewal of the authority to repurchase up to 10% (2016: 10%) of the Group’s issued share capital at the Annual General Meeting.

New Issue of Ordinary Shares

During the year the Company did not apply to issue new shares for admission on AIM (2016: 96,250).

Board

The Board believes it has continued to operate corporate governance standards appropriate to an AIM listed company of its size. There have been no changes to the Board during the year. Although not required to do so, the Directors have resolved that they will retire at least once every three years and seek reappointment by shareholder at the next AGM.

The Board members have a mix of skills, experience, gender and backgrounds that are considerable support to the business.

Chairman's Statement *(continued)*

People

The average number of staff increased from 124 last year to 128 this year and we anticipate that headcount at the end of the current financial year will have increased further.

The Group has a diverse cultural and ethnic profile within the business and at the end of 2017 had a global 54:46 (2016: 52:48) male: female gender ratio.

The success of the Group is dependent on having competent and committed people and the Board would like to thank all the members of our staff for their hard work, commitment and contribution over the last year.

Current trading and outlook

Current activity is encouraging and we are confident the business is well positioned to exploit opportunities as they arise. We have continued to advance our overseas strategy by extending our reach in Asia. The Group has strong and well-established client relationships and committed talent ready to exploit current and new opportunities.

The Board is conscious of macro-economic uncertainties, such as the effects for us of the negotiations over the UK's departure from EU membership and possible turbulence in our overseas markets that may affect our clients' hiring plans. The Group continues to seek opportunities for expansion, reacting swiftly to market conditions as they affect individual revenue lines. The Group will continue to invest in people and the technology that allows us to grow shareholders returns by offering our clients innovative approaches to recruitment and globally connected service.

Robert Macdonald
Executive Chairman

Strategic Report

Overview

The Group provides permanent and contract recruitment services to selected, niche industry sectors. The built environment continues to be the Group's largest market, served through its main subsidiary, Macdonald & Company. As distinct brands, Prime Insight and Prime Energy serve the data analysis & customer insight and renewable energy & sustainability sectors respectively.

Our employees are vital to the continued success of the business and we invest heavily in them. As such, we take time to find and train the best talent that shares our ambition - to be the best, not simply the biggest.

The business is organised into teams of specialist consultants, each managed by a team leader who is responsible for performance within the operating framework approved by the Board. The Group operates a policy of open communication in the belief that its employees are well placed to suggest operational improvements and emergent strategies that will increase earnings.

The Group is committed to managing its talent on merit alone and provides equal opportunities for all current and future employees. It gives full and fair consideration to applications for employment from disabled persons, where a disabled person may adequately carry out the requirements of any position within the physical constraints of the Company's offices.

The Group has two locations in the UK, the London head office and Manchester, with offices in Hong Kong (established in 2007), Dubai (established in 2008), Singapore (established in 2012), and a franchise in South Africa (established in 2008).

Group Revenue and NFI improved in 2017. However, as referred to in the Chairman's Statement, set against this were the operational issues faced by some of our UK teams. As property sector sentiment was disturbed by the referendum in quarters one and two it was decided to hold on to staff and this together with expense associated with repositioning the Prime Energy team in the UK were major contributors to our delivering a reduced operating profit of £1.90m (2016: £2.15m). The recovery in the second half in property sector performance justified our decision in the first half of the year to maintain headcount.

The UK permanent recruitment market was adversely affected by the uncertainty in the UK property sector caused by the EU referendum. However, performance in the UK was supported by increased NFI from our Contract and Residential teams as well as a good performance from our recently established Real Estate Banking and Investment team.

From the twelve UK and Overseas teams, under which the Group operates, Hong Kong and Singapore, were the leading contributors to Group NFI, and made substantial contributions to overall Group profit.

Our Dubai business saw a decline in its revenue, as a result of general instability in the region.

As indicated above, our Asia businesses continued to mature and finished the year strongly, with the Prime Insight team there contributing materially to the growth of business in the region.

The Board remains committed in its pursuit of sustainable NFI growth and cash generation. It continues to maintain careful control on expenditure in the pursuit of profitability. Cultivating strong client relationships, investing in the best technology and employing the best people are the foundations of the Group's success. With uncertain global growth and a world economy increasingly exposed to risk it is important that we remain flexible, able to serve our clients wherever demand may be, and that we closely monitor individual NFI performance against costs. Tight management control of remuneration and expenditure, together with a focus on improved productivity per head and conversion ratios, position the Group to prosper.

Strategic Report *(Continued)*

Regional Performance

UK

	2017 £m	2016 £m
Revenue	18.56	16.25
Net fee income (NFI)	7.44	7.77
Operating profit	0.82	1.53
Operating profit as % of NFI	11.02%	19.69%
Average number of employees	87	84

UK revenue increased by 14.22% to £18.56m (2016: £16.25m) with a decrease in NFI of 4.25% to £7.44m (2016: £7.77m).

Contract represented 17.36% (2016: 14.52%) of total UK NFI in 2017 while permanent NFI declined by 9.84%

NFI for the region was flat largely as a consequence of the lack of performance in quarters one and two of our property business, affected by referendum uncertainty. As mentioned in the Chairman's Report, there were difficulties for the Prime Energy team as a result of the change in government policy which gave rise to material costs involved in the refocusing of the team.

Additionally, we suffered staff turnover in our Manchester office causing revenue delay and profit impact.

Our Contract, Residential and Real Estate Banking & Investment teams delivered strong NFI growth during the year and performed in line with profit expectations.

Asia

	2017 £m	2016 £m
Revenue	5.08	3.63
Net fee income (NFI)	5.08	3.63
Operating profit	1.04	0.46
Operating profit as % of NFI	20.47%	12.67%
Average number of employees	33	33

NFI grew by 39.94% to £5.08m (2016: £3.63m).The region is covered by our offices in Hong Kong and Singapore and represents 38.78% of Group NFI (2016: 29.56 %).

Both Asia teams benefited from increased productivity and maturing business lines. In 2017, we expanded our Prime Insight team in Singapore which offers our clients broader service range and better ability to serve markets in mainland China and the region.

Rest of the World

	2017 £m	2016 £m
Revenue	0.58	0.88
Net fee income (NFI)	0.58	0.88
Operating profit	0.05	0.16
Operating profit as % of NFI	8.62%	18.18%
Average number of employees	4	7

The region is covered by our offices in Dubai and South Africa.

Whilst the regions covered made a small profit this year, with NFI declining and a conversion rate of 8.62%, the outlook for the regions in the new financial year looks stable and are expected to be profitable

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Peter Moore
Managing Director

Financial Review

Revenue

The Group achieved a 16.62% increase in revenue to £24.21m (2016: £20.76m).

Net Fee Income (NFI)

Overall the Group delivered a 6.68% increase in total NFI to £13.10m (2016: £12.28m). NFI from permanent business increased by 5.92% to £11.81m (2016: £11.15m). Fees from our contract business, which represents 9.85% of total NFI (2016: 9.20%), increased to £1.29 million from £1.13m last year.

NFI from international placements, which is included in our permanent business, increased by 25.50% to £5.66m (2016: £4.51m). UK NFI of £7.44m reduced 4.26% (2016: £7.77m) affected by the referendum.

Administration Costs

Administration costs for the year increased by 10.46% to £11.19m (2016: £10.13m). The increase primarily related to higher staff costs.

Profit before Taxation

Profit before taxation decreased by 11.62% to £1.90m (2016: £2.15m).

Taxation

The taxation charge is £0.29m on profit before taxation of £1.90m (from ordinary activities) which gives an effective tax rate of 15.26% (2016: 21.40%). The reasons for the difference from the standard UK corporation tax rate of 20% are detailed in note 7 of the accounts.

Earnings per Share

Basic earnings per share decreased by 5.05 % to 13.14p (2016: 13.84p). The diluted earnings per share, taking into account existing share options, decreased by 4.07% to 12.97p (2016: 13.52p).

Dividend

An interim dividend of 1.75p (2016: 1.75p) was paid on 25 November 2016 to shareholders on the register at close of business on 18 November 2016. The interim dividend was approved by the Board on 8 November 2016.

As outlined in the Chairman's statement, the Board propose a final dividend of 3.25p per share which will, subject to shareholder approval at the Annual General Meeting be paid on 28th July 2017 to shareholders who are on the register on 21st July 2017, making a total dividend paid to shareholders for the year of 5.00p per ordinary share. (2016: 8.84p – included a special dividend of 4.00p).

Balance Sheet

Net assets at 31 March 2017 have increased to £15.06m (2016: £13.42m).

Trade receivables at the year end, were down on last year at £2.44m (2016: £2.71m) which reflects the decreased credit period taken by clients to 45 days (2016: 55 days).

Treasury Management and Currency Risk

Approximately 76.66% of the Group's revenue in 2017 (2016: 78.27%) was denominated in Sterling. Consequently the Group has a degree of currency exposure in accounting for overseas operations.

Currently, the Group policy is not to hedge against this exposure but it does seek to minimise the effect by converting into Sterling all cash balances in foreign currency that are not required for local short term working capital needs.

The Group operates a centralised treasury function, with no borrowing facilities, and is confident the net cash within the Group is sufficient to meet current and foreseeable liabilities as they fall due.

Cash Flow and Cash Position

At the start of the year the Group had cash of £0.95m. After net taxation payments of £0.52m (2016: £0.41m) cash generated from operations was £1.46m (2016: £1.96m).

During the year the Group spent £0.05m (2016: £0.09m) on its Customer Relationship Management systems and paid dividends to shareholders of £0.21m (2016: £1.95m).

As at 31 March 2017 the Group cash was £2.40m.

Financial Review *(Continued)*

Measurements of performance in 2017

Whilst the Group considers Net Fee Income (NFI) to be the key indicator of the performance of the business there are other measures which were reported to senior management as follows:

- Conversion ratio (operating profit divided by NFI) decreased to 14.54% (2016: 17.50 %)
- Productivity (NFI divided by total average headcount) increased to £102.33k (2016: £99.03k)
- Ratio of billing headcount to support headcount slightly reduced to 3.2 (2016: 3.4)
- Percentage of NFI paid to staff increased to 66.26% (2016: 63.69%)

These key performance indicators form the basis for reviewing the progress of the business.

Principal Risks and Uncertainties

Risk management is an important part of the management process throughout the group. The composition of the Board is structured to give balance and expertise when considering the principal risks and uncertainties of the Group.

The Group's strategy is designed to allow the business to grow without increasing risk beyond an acceptable limit. The profile of risks fluctuates from time to time and, whilst the Group cannot eliminate risk altogether, the actions being taken to manage and control risks are intended to mitigate the effects on the business. According to latest industry surveys persistent slow growth continues across the recruitment profession and a number of difficult to predict challenges remain of concern for the sector. The Board reviews the principal risks and uncertainties facing the Group on a regular basis. The Board's approach is to ascertain the key risks and develop plans to reduce the potential effects of these risks on the business. The principal risks identified are as follows:

Dependence on Key People
The sustainable success of the Group is dependent on the continued service of senior management and key people. The loss of the services of the senior management and other key people could have a material effect on the business. To address this, the Group has put in to place an internal talent acquisition function and invested in management information systems, training and development programmes, competitive pay structures and long-term remuneration plans, the aim of which is to retain the key employees. The Group is fortunate to have the loyalty of the senior management team which allows the business to progress, even in uncertain markets.

Competitors
The Group's focus is on specialist, niche sectors where clients need expert knowledge and high levels of service. We concentrate on markets where there is a shortage of supply of suitable candidates and opportunities to build strong and fruitful long-term relationships with clients. The Directors believe that the Group is well positioned in its chosen markets. Whilst the Group seeks to continue to improve its competitive positions, the actions of current, or indeed potential, competitors may adversely affect the Group's business.

Strength of Property Markets
The market for built environment recruitment services, from which the Group obtains the major part of its revenue, is expected to be unpredictable in the United Kingdom given the uncertainties around Brexit. The effect of Brexit on the property market could have a material adverse effect on profitability and cash flows of the business depending on the outcome of the negotiations within the Eurozone. That said, the performance in the revenue line has settled at a profitable level post 23rd June referendum. Our contract business remains focused in the public sector and recent introduction of additional IR35 legislation will have an impact on this business line in the short term and possibly long term. Our Contract business has strengthened its position in the private sector in order to reduce the impact of IR35 legislation on our total contract book. The Group is using business models that evolve to operate in more innovative ways.

Financial Review *(Continued)*

The Group seeks to maximise its potential by understanding its position in the market, which will ultimately help turn further challenges into potential opportunities.

Macro economic factors
Slow growth in the global economy has effects that trigger reduced output, and with it, demand and investment. A return of financial turmoil, impairing confidence globally in the next twelve months could hamper job creation in our business areas. The Board sees opportunities for development and will continue to invest in areas where growth can be delivered at acceptable levels of profitability, increasing cash generation and growing Group revenue. The Group is geographically diversified, spanning over different countries which reduces the reliance on the success of any particular market.

Regulatory position
The increase in regulatory scrutiny and demands on compliance are having an effect on hiring. The Group is aware of continuing challenges as procurement practice evolves, but remains committed to being fully compliant in each of the regions in which it operates. In order to reduce the legal and compliance risks, fee earners and support staff receive regular training and updates on changes in legal and compliance requirements.

Information Technology
The Group is highly dependent on certain technology systems and the infrastructure on which they operate in order to maintain its client and candidate database. These systems rely on specific suppliers who provide the technology infrastructure and disaster recovery solutions. The performance of these suppliers is continually monitored to ensure that the services are available and maintained. The Group is aware of the increasing potential challenges to data integrity and security from both internal and external sources. Therefore, the systems and infrastructure are regularly reviewed and upgraded to ensure appropriate provision of functionality and resilience to support the business as it develops.

Foreign Exchange Risk
The Group's international operations account for 23.36% of revenue (2016: 21.71%) and approximately 26.00% of the Group's assets (2016: 19.85%). Consequently, the Group has a degree of translation exposure in accounting for overseas operations and expects this to increase in line with the growth of the Group outside the United Kingdom. Currently, the Group's policy is not to hedge against this exposure. However, the Group seeks to minimise this exposure by converting into sterling all cash balances received in foreign currency that are not required for local short term working capital needs. The Group will continue to monitor its policies in this area.

Treasury Policies, Liquidity and Financial Risk
Surplus funds are held to support short term working capital requirements. These funds are invested through the use of short term and period deposits, with a policy of maximising fixed interest returns, whilst providing the flexibility required to fund on-going operations and to invest cash safely and profitably. It is not a Group policy to invest in financial derivatives.

Although the financial risks to which the Group is exposed are currently considered to be minor, future interest rate, liquidity and foreign currency risks could arise. An additional bout of exchange rate depreciations in emerging market economies and a sharp decline in capital inflows could force a rapid compression of domestic demand. The depreciation of Sterling might have tangible impact on UK business. The Board continues to focus on cash flow forecasting and to manage financial and foreign exchange risk in order to define and understand the Group foreign exchange exposures and to ensure the quality of information on each exposure. The Board will continually review its existing policies and make changes as required to limit the financial risks of the business.

Credit Risk Management
Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The principal credit risk arises from the Group's trade receivables. Client credit terms and cash collections are managed carefully and cash balances and cash flow forecast are reviewed weekly. Monthly credit evaluation is performed on the financial condition of accounts receivable based on payment history and third-party credit references with appropriate provisions being made.

Donka Zaneva-Todorinski
Finance Director

Report of the Directors for the Year Ended 31 March 2017

The Directors submit their report and the audited Group financial statements of Prime People Plc for the year ended 31 March 2017. Prime People Plc is a public listed company, incorporated and domiciled in England and its shares are quoted on the AIM Market.

Substantial Shareholders

At 21 June 2017, other than the Director's interests shown in the Directors' remuneration report on page 16 the Company had been notified of the following interests disclosed under the Disclosure and Transparency Rules:

	Number of 10p ordinary shares	Percent of issued share capital %
Peter Hearn	719,500	5.90

The mid market quotation of the Company's shares at close of business on 31 March 2017 was 89.00p. The highest and lowest mid market quotations in the period from 1 April 2016 to 31 March 2017 were 104.00p and 84.00p respectively.

Going concern

The Group has two revenue streams permanent and temporary recruiting. The Group has experienced 16.66% revenue growth in 2017 which has been driven by growth in both the permanent and contract businesses
The Directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of the financial statements. After reviewing these forecasts and having made appropriate enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue operating for the foreseeable future. The Group continues to adopt the going concern basis when preparing the financial statements.

Environmental Policy

The Group recognises its responsibilities for the environment and gives due consideration to the possible effects of its activities on the environment. As such, our environmental impact comes from the running of our business generating carbon emissions through the consumption of gas and electricity, transport activities and commuting, as well as office based waste such as paper and toners. We do not consider that the Group's activities have a major effect on the environment. However, it is the Group's aim to reduce the environmental impact of its activities and to operate in an environmentally responsible manner. We are, therefore, committed to the following principles to ensure the business operates in an environmentally sensitive manner:

- Encouraging the re-use and re-cycling of products and waste from our offices
- Ensuring efficient use of materials and energy
- Purchasing environmentally friendly materials where appropriate

Political Donations

The Group made no political donations during the year (2016: Nil).

Report of the Directors for the Year Ended 31 March 2017

Workplace Pensions

In line with the law on workplace pensions the Group continues to operate a defined contribution plan and automatically enrols certain UK employees into NEST pension scheme.

In 2017 the Group provided contribution to defined pension schemes on behalf of two of its executive directors, details of which are set out in the Remuneration Report on page 16.

Capital Structure

Details of the allotted and issued share capital are shown in note 17. The Company has one class of ordinary shares which carry no right to fixed income and which represents 100% of the total issued nominal value of all share capital. Each share carries the right to one vote at general meetings of the company.

Details of employee share schemes are set out in note 17.

Annual General Meeting ("AGM")

The AGM will be held on Monday 24 July 2017 at 11.00am at 2 Harewood Place, London, W1S 1BX. All shareholders are encouraged to attend. The resolutions to be put forward to the AGM are detailed in the Notice of AGM, which is being circulated separately to all shareholders.

Authority to purchase own shares

The Directors were given authority at last year's AGM to purchase through the market, up to 10% of the Company's issued share capital, subject to certain restrictions on price. A request for renewal of the authority is included in the resolutions for this year's AGM.

During the year the company purchased 129,500 shares (2016: nil shares).

Statement as to disclosure of information to auditors

The Directors, who were in office on the date of approval of these financial statements, have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware. The Directors have confirmed that they have taken appropriate steps to make them aware of any relevant audit information and to establish that it has been communicated to the auditors.

Post Balance sheet events

To facilitate further growth and sustainable success, on 11 April 2017 Macdonald and Company Freelance Limited (UK subsidiary of the Group) entered into 12 months agreement with HSBC Invoice Finance (UK) Limited for the purchase of its contract debts.

Auditor

Crowe Clark Whitehill LLP has expressed its willingness to continue in office and a resolution to reappoint the firm as Auditor and authorising the Directors to set their remuneration will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Donka Zaneva- Todorinski
Finance Director

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose, with reasonable accuracy at any time, the financial position of the Company and its Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website; the work carried out by the auditors does not involve the consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred in the accounts since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Corporate Governance

Statement by the Directors on Corporate Governance

The Board of the Company is committed to achieving high standards of corporate governance, professional integrity and ethics. The Board gives due regard to the 'UK Corporate Governance Code' published by the Financial Reporting Council and the Quoted Companies Alliance (QCA) Corporate Governance Code for small and Mid-Size Quoted Companies. As a company with its securities admitted to trading on AIM, the company is not required to follow the UK Corporate Governance Code, however, it does so as far as is practicable and appropriate for the nature and size of the Group, as further set out below.

A statement of the Directors' responsibilities in respect of the financial statements is set out on page 11.

The Board has established two committees being the Audit Committee and the Remuneration Committee each of which operates with defined terms of reference.

Membership of these committees as at the date of this report, the number of meetings held in 2017 and the attendance record are summarised in the table below:

Directors	**Board**	**Audit Committee**	**Remuneration Committee**
Robert Macdonald – Executive Chairman	6/6 (Chair)	N	N
Peter Moore – Managing Director	6/6	N	N
Donka Zaneva-Todorinski – Finance Director	6/6	N	N
Chris Heayberd – Non-Executive Director	6/6	N	N
John Lewis – Non-Executive Director	6/6	1/1	1/1 (Chair)
Simon Murphy – Non-Executive Director	6/6	1/1(Chair)	1/1

Below is a brief description of the role of the Board and its Committees, followed by a statement regarding the Group's system of internal controls.

The Board and its Operation

The Board of Prime People Plc is the body responsible for corporate governance, establishing policies and objectives, and reviewing the management of the Group's resources.

The Board consists of an executive Chairman, Robert Macdonald, two other Executive Directors and three Non-Executive Directors.

The Non-Executive Directors are John Lewis, Simon Murphy and Chris Heayberd. They receive a fixed fee for their services and their interests in the shares of the Company are set out in the Remuneration Report on page 16.

Biographical details for all the Directors are shown on page 56 and 57.

Corporate Governance

The Board and its Operation *(Continued)*

The Board meets at least five times each year, or more frequently where business needs require, and the Directors receive monthly management accounts detailing the performance of the Group. The Board has a general responsibility for overseeing all day to day matters of the Company with specific responsibility for; reviewing trading performance; resources (including key appointments); finding, setting and monitoring strategy; examining acquisition opportunities; and reporting to shareholders. The non-executive Directors have a responsibility to ensure the strategies proposed by the executive Directors are fully considered and to bring their judgment to bear in this role.

To enable the Board to function effectively and Directors to discharge their responsibilities, full and timely access is given to all relevant information. In the case of Board meetings, this consists of a comprehensive set of papers, including monthly business progress reports and discussion documents regarding specific matters.

Directors are free to, and regularly make further enquiries where they feel it is necessary and they are able to take independent professional advice as required at the Company's expense. This is in addition to the access which every Director has to the Company secretary.

The Board considers itself to be a "small board", and therefore has not set up a separate Nomination Committee. Appointments to the Board of both executive and non-executive Directors are based on approval by the full Board.

The Board has considered the matter of the independence of its non-executive directors who have served for more than 5 years or have had previous executive roles. As the Board considers itself to be a "small board" and having regard to the professional qualifications and standing of its non-executive directors as set out in Biographical details for all the Directors on pages 56 and 57 it has been resolved to disregard the QCA Guidelines Appendix A for the time being.

Any Director appointed during the year is required, under the provisions of the Company's Articles of Association, to retire and seek reappointment by shareholders at the next Annual General Meeting. The Articles also require that one-third of the Directors retire by rotation each year and seek reappointment at the Annual General Meeting.

The Directors have resolved that they will retire at least once every three years even though not required by the Company's Articles.

The executive Directors abstain from any discussion or voting at full board meetings on Remuneration Committee recommendations where the recommendations have a direct bearing on their own remuneration package.

Remuneration of non-executive Directors is determined by the Board. Non-executive Directors abstain from discussions concerning their own remuneration.

The Company publishes a full annual report and financial statements which are available on the Prime People website, to shareholders on request and to other parties who have an interest in the Group's performance.

All shareholders have the opportunity to put questions at the Company's Annual General Meeting.

Audit Committee

The Audit Committee comprises the two non-executive Directors of the Company and is chaired by Simon Murphy. During the year the committee met once which was considered sufficient by both committee members to deal with matters referred to it in the year. By invitation, the meetings are also attended by the Finance Director.

Corporate Governance *(Continued)*

Audit Committee *(Continued)*

The Audit Committee's principal tasks are to ensure the integrity of the Company's Financial Reporting process, review the effectiveness of the Group's internal controls including risk management, review the scope of the work of the external auditor and their independence, consider issues raised by the external auditor, review audit effectiveness and review the half-yearly and annual accounts focusing in particular on accounting policies and compliance and on areas of management judgement and estimates.

Remuneration Committee

The Remuneration Committee comprise the two non-executive Directors of the Company and is chaired by John Lewis.

The committee reviews the Group policy on the Executive Directors' remuneration and terms of employment; makes recommendations on this; and also approves the provision of policies for the remuneration of senior employees, including share schemes.

The principal terms of reference of the committee are set out in the Remuneration Report on pages 16 to 18. The report also contains full details of Directors' remuneration and a statement of the Company's remuneration policy. The committee meets when required to consider all aspects of the executive Directors' remuneration, drawing on outside advice as necessary.

Internal Controls

The Directors are responsible for the Group's system of internal control and for reviewing its effectiveness which, by its nature, can only provide reasonable and not absolute assurance against material misstatement or loss.

When undertaking their review the Directors have considered all material controls including operational, compliance and risk management, as well as financial.

The Board has assessed the effectiveness of the Group's internal control systems for the period 1 April 2016 to the date of approval of the financial statements and believes it has the procedures in place to safeguard the Group's assets and to ensure the reliability of information used within the business and for publication.

Key elements of the system of internal control are as follows:

Group Organisation
The Board of Directors meets up to six times a year and more frequently when required focusing mainly on strategic issues, operational and financial performance. The Directors have in place an organisational structure with clearly defined levels of responsibility and delegation of authority.

The Operational Management Board meets quarterly. It acts as a conduit between the Board of Directors and the Group subsidiaries by providing information, advice and guidance to all staff. It has responsibilities for setting up, monitoring and control of the business operations globally.

Annual Business Plan
The Group has a comprehensive budgeting system with an annual budget approved by the Board.

Monthly Forecasting
The Group prepares monthly fee income forecasts by individual businesses which are compared to budget.

Corporate Governance

Internal Controls *(continued)*

Financial Reporting
Detailed monthly reports are produced showing a comparison of results against budget, forecast and the prior year with performance monitoring and explanations provided for significant variances. Any significant adverse variances are examined and remedial action taken where necessary.

Capital Expenditure
Capital expenditure requests are reviewed by the Board. Appropriate due diligence work will be carried out if a business is to be acquired.

Levels of authority
There are clear levels of authority, delegation and management structure.

Risk Management
The Directors and operating Company management have a clear responsibility for identifying risks facing each of the businesses and for putting in place procedures to mitigate and monitor risks. Risks are assessed during the annual budget process, which is monitored by the Board, and the ongoing Group strategy process.

Whistle blowing Policy

The Company is committed to maintaining the highest ethical standards and the personal and professional integrity of its employees, suppliers, contractors and consultants. It encourages all individuals to raise any concerns that they may have about the conduct of others in the business or the way in which the business is run. The aim of the policy is to ensure that, as far as is possible, our employees are able to tell us about any wrong doing at work which they believe has occurred or is likely to occur.

Dialogue with shareholders

Many of those who continue to hold shares in the Company are, or have been, employed within the business. The original owners of Macdonald & Company Group still hold considerable share interests and retain a strong interest in the company's success and reputation.

Robert Macdonald
Chairman

Remuneration Report

The role of the Remuneration Committee

The Remuneration Committee met once this year and comprises John Lewis and Simon Murphy. The Committee is chaired by John Lewis.

The purpose of the Remuneration Committee is to review, on behalf of the Board, the remuneration policy for the Chairman, Executive Directors and other Senior Executives and to determine the level of remuneration, incentives and other benefits, compensation payments and terms of employment of the Executive Directors and other Senior Executives. It seeks to provide a remuneration structure that strongly aligns the interests of management with those of shareholders.

Remuneration Policy

The main aim of the Committee is to attract, retain and motivate high calibre individuals with a compensation comprising of basic salary, incentives and rewards which are linked to the overall performance of the Group and which are comparable to pay levels in companies of similar size and in similar business sectors.

Directors' Service Contracts

The Executive Chairman and Managing Director have service contracts which contain a notice period of one year which are terminable by either party giving one years notice. The service contracts also contain restrictive covenants preventing them from competing with the Group for one year following the termination of employment and preventing both Directors from soliciting key employees, clients and candidates of the employing Group and Group companies for 12 months following termination of employment. There are no provisions for liquidated damages on the early termination of any of the Directors' service contracts, nor provisions for mitigating damages.

The Finance Director has a service contract which contains a notice period of 3 months which is terminable by either party giving 3 months notice. The service contract also contains restrictive covenants preventing her from competing with the Group for 3 months following the termination of employment and preventing her from soliciting key employees, clients and candidates of the employing Group and Group companies for 3 months following termination of employment. There are no provisions for liquidated damages on the early termination of any of the Directors' service contracts, nor provisions for mitigating damages.

Non-Executive Directors' Remuneration and Terms of Services

All Non-Executive Directors have letters of appointment which entitle either party to give three months notice. The remuneration of the Non-Executive Directors is determined by the Board. The Non-Executive Directors do not receive any pension or other benefits, other than out of pocket expenses, from the Group, nor do they participate in any bonus schemes.

The remuneration agreed by the Committee for the Executive Directors contains some or all of the following elements: a base salary and benefits, defined pension contributions, an annual bonus reflecting Group and individual performance and share options.

Base Salary and Benefits

The Committee establishes salaries and benefits by reference to those prevailing in the employment market generally for Executive Directors of companies of comparable status and market value. Reviews of such base salary and benefits are conducted annually by the committee.

Remuneration Report

Emoluments of Directors

The aggregate emoluments of Directors who served during the year are shown in the table below. Emoluments include management salaries, pension contributions, fees as Directors and benefits. Emoluments shown are in respect of each Director's period in office during the year as a Board member of Prime People Plc, and include emoluments from the Company and its subsidiary undertakings.

	Notes	Salaries and fees	Benefits	Gain on Option Exercise	Pension	2017 Total	2016 Total
		£	£	£	£	£	£
Executive Chairman							
Robert Macdonald	3	116,171	4,791	-	21,000	141,962	140,011
Executive Directors							
Peter Moore	1 & 3	186,529	7,469	-	35,372	229,370	229,015
Donka Zaneva-Todorinski		94,890	1,719	11,475	372	108,456	33,617
Chris Heayberd			-	-	-	-	26,227
Non-Executive Directors							
John Lewis		19,768	-	-	-	19,768	19,435
Simon Murphy		19,768	-	-	-	19,768	19,435
Chris Heayberd		25,378	-	-	-	25,378	14,038
		462,504	13,979	11,475	56,744	544,702	481,778

Notes to the emoluments:

1. Peter Moore is the highest paid Director,
2. Benefits include subscriptions, medical and travel allowance,
3. Executive Directors' Pension Contribution to two executive directors was approved by the Board on 7 March 2017
   Pension includes the cash value of the Group contribution to defined contribution pension plans

Remuneration Report

Directors' interests in shares

Directors' beneficial interest in the shares of the Company at 31 March 2017 was as follows:

	Ordinary shares of 10p each held at 31 March 2017	Percentage of issued share capital at 31 March 2017	Ordinary shares of 10p each held at 31 March 2016	Percentage of issued share capital at 31 March 2016
Robert Macdonald	2,780,000	22.62%	2,780,000	22.62%
Peter Moore	2,907,721	23.66%	2,907,721	23.66%
Donka Zaneva-Todorinski	1,250	0.01%	1,250	0.01%
John Lewis	1,062,000	8.64%	1,019,000	8.29%
Simon Murphy	330,000	2.70%	330,000	2.70%
Chris Heayberd	24,000	0.20%	24,000	0.20%

Share option schemes

As at 31 March 2017 Directors' options on ordinary shares of 10p each granted under the Prime People Enterprise Management Incentive Scheme, were as follows:

Director	Year of grant	Exercise price	Number of options 31 March 2016	Granted	Cancelled	Exercised	Number of options 31 March 2017
Donka Zaneva-Todorinski	2013/14	10.00p	1,250	-	-	-	1,250
	2014/15	10.00p	30,000	-	-	(15,000)	15,000
	2015/16	58.00p	10,000	-	-	-	10,000

Directors' Insurance

Directors' and officers' liability insurance is provided at the cost of the Group for all Directors and Officers.

Annual Resolution

Shareholders will be given the opportunity to approve the Remuneration report at the Annual General Meeting.

John Lewis
Chairman of the Remuneration Committee

Independent Auditor’s Report to the Members of Prime People Plc

We have audited the financial statements of Prime People Plc for the year ended 31 March 2017 which comprise Group and Parent Company Statements of Financial Position, the Group Statement of Comprehensive Income, the Group and Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and the related notes numbered 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council’s website at www.frc.org.uk/auditscopeukprivate .

Opinion on Financial Statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group’s and of the parent Company's affairs as at 31 March 2017 and of the Group‘s and parent Company’s profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Independent Auditor's Report (continued)

Opinion on other Matter Prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report and Strategic report have been prepared in accordance with applicable legal requirements.

Matters on which we are Required to Report by Exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Stacy Eden
Senior Statutory Auditor
For and on behalf of
Crowe Clark Whitehill LLP
Statutory Auditor
St Bride's House
10 Salisbury Square
London
EC4Y 8EH

Consolidated Statement of Comprehensive Income
For the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Revenue	2, 3	**24,213**	20,755
Cost of sales		**(11,115)**	(8,475)
Net fee income		**13,098**	12,280
Administrative expenses		**(11,194)**	(10,131)
Operating profit	4	**1,904**	2,149
Profit before taxation		**1,904**	2,149
Income tax expense	7	**(292)**	(459)
Profit for the year		**1,612**	1,690
Other comprehensive income			
<u>Items that will or may be reclassified to profit or loss:</u>			
Exchange profit on translating foreign operations		**270**	21
Other Comprehensive income for the year, net of tax		**270**	21
Total comprehensive income for the year		**1,882**	1,711
Attributable to:			
Equity shareholders of the parent		**1,880**	1,711
Earnings per share	9		
Basic earnings per share		**13.14p**	13.84p
Diluted earnings per share		**12.97p**	13.52p

The above results relate to continuing operations

Consolidated Statement of Changes in Equity
For the year ended 31 March 2017

	Called up share capital £'000	Capital Redemp-tion reserve £'000	Treasury shares £'000	Share premium account £'000	Merger reserve £'000	Share option reserve £'000	Trans-lation reserve £'000	Retained Earnings £'000	Total £'000
At 1 April 2015	**1,219**	**9**	**(21)**	**5,370**	**173**	**212**	**442**	**6,070**	**13,474**
Profit for the year	-	-	-	-	-	-	-	1,690	1,690
Other comprehensive income	-	-	-	-	-	-	21	-	21
Adjustment in respect of share schemes	-	-	-	-	-	88	-	78	166
Issues of ordinary shares	10	-	-	1	-	-	-	-	11
Dividend	-	-	-	-	-	-	-	(1,946)	(1,946)
At 31 March 2016	**1,229**	**9**	**(21)**	**5,371**	**173**	**300**	**463**	**5,892**	**13,416**
Profit for the year	-	-	-	-	-	-	-	1,612	1,612
Other comprehensive income	-	-	-	-	-	-	270	-	270
Adjustment in respect of share schemes	-	-	-	-	-	(20)	-	108	88
Shares purchased for treasury	-	-	(111)	-	-	-	-	-	(111)
Shares issued from treasury	-	-	13	-	-	-	-	-	13
Adjustment on share disposal	-	-	98	-	-	-	-	(98)	-
Dividend	-	-	-	-	-	-	-	(215)	(215)
At 31 March 2017	**1,229**	**9**	**(21)**	**5,371**	**173**	**280**	**733**	**7,299**	**15,073**

Consolidated Statement of Financial Position
As at 31 March 2017

	Note	2017 £'000	2016 £'000
Assets			
Non – current assets			
Goodwill	11	**9,769**	9,769
Property, plant and equipment	10	**136**	229
Deferred tax asset	16	**43**	-
		9,948	9,998
Current assets			
Trade and other receivables	13	**5,101**	4,939
Cash at bank and in hand	21	**2,409**	953
		7,510	5,892
Total assets		**17,458**	15,890
Liabilities			
Current liabilities			
Trade and other payables	15	**2,310**	2,216
Current tax liabilities		**75**	249
		2,385	2,465
Non-current liabilities			
Deferred tax liabilities	16	**-**	9
		-	9
Total liabilities		**2,385**	2,474
Net assets		**15,073**	13,416

Consolidated Statement of Financial Position
As at 31 March 2017

	Note	2017 £'000	2016 £'000
Capital and reserves attributable to the Company's equity holders			
Called up share capital	17	**1,229**	1,229
Capital redemption reserve fund	18	**9**	9
Treasury shares	18	**(21)**	(21)
Share premium account	18	**5,371**	5,371
Merger reserve	18	**173**	173
Share option reserve	18	**280**	300
Translation reserve	18	**733**	463
Retained earnings	18	**7,299**	5,892
Total equity		**15,073**	13,416

The financial statements on pages 21 to 54 were approved by the Board of Directors and authorised for issue on 21 June 2017 and are signed on its behalf by:

R J G Macdonald D Zaneva-Todorinski

Company Statement of Financial Position
As at 31 March 2017

	Note	2017 £'000	2016 £'000
Assets			
Non-current assets			
Investment in subsidiaries	12	**11,156**	11,176
Deferred tax asset	16	**-**	-
		11,156	11,176
Current assets			
Trade and other receivables	13	**6**	14
Cash and cash equivalents	21	**636**	633
		642	647
Total assets		**11,798**	11,823
Liabilities			
Current liabilities			
Other payables	15	**779**	959
Total liabilities		**779**	959
Net assets		**11,019**	10,864
Capital and reserves attributable to the Company's equity holders			
Called up share capital	17	**1,229**	1,229
Capital redemption reserve fund	18	**9**	9
Treasury shares	18	**(21)**	(21)
Share premium account	18	**5,371**	5,371
Merger reserve	18	**173**	173
Share option reserve	18	**280**	300
Retained earnings	18	**3,978**	3,803
Total equity		**11,019**	10,864

The Company's retained earnings includes profit for the year of £487,456 (2016: £890,249).

The financial statements of Prime People Plc, Company Number 1729887 were approved by the Board and authorised for issue on 21 June 2017 and are signed on its behalf by:

R J G Macdonald D Zaneva-Todorinski

Company Statement of Changes in Equity
For the year ended 31 March 2017

Company	Called up share capital £'000	Capital Redemp-tion reserve £'000	Treasury shares £'000	Share premium account £'000	Merger reserve £'000	Share option reserve £'000	Retained earnings £'000	Total £'000
At 1 April 2015	**1,219**	**9**	**(21)**	**5,370**	**173**	**15**	**4,844**	**11,609**
Total comprehensive income for the year	-	-	-	-	-	-	890	890
Issue of ordinary shares	10	-	-	1	-	-	-	11
Adjustment in respect of share options	-	-	-	-	-	(15)	15	-
Investment in subsidiaries	-	-	-	-	-	300	-	300
Dividend	-	-	-	-	-	-	(1,946)	(1,946)
At 31 March 2016	**1,229**	**9**	**(21)**	**5,371**	**173**	**300**	**3,803**	**10,864**
Total comprehensive income for the year	-	-	-	-	-	-	488	488
Shares issued from treasury	-	-	13	-	-	-	-	13
Shares purchased for treasury	-	-	(111)	-	-	-	-	(111)
Adjustment on share disposal	-	-	98	-	-	-	(98)	-
Investment in subsidiaries	-	-	-	-	-	(20)	-	(20)
Dividend	-	-	-	-	-	-	(215)	(215)
At 31 March 2017	**1,229**	**9**	**(21)**	**5,371**	**173**	**280**	**3,978**	**11,019**

Group and Company Cash Flow Statement

For the year ended 31 March 2017

		Group		Company	
		2017	**2016**	**2017**	**2016**
	Note	**£'000**	**£'000**	**£'000**	**£'000**
Cash generated from (used in) underlying operations	**20**	**1,981**	2,369	**(126)**	1,278
Income tax paid		**(521)**	(411)	**(10)**	(6)
Net cash from/(used by) operating activities		**1,460**	1,958	**(136)**	1,272
Cash flows from investing activities					
Net purchase of property, plant and equipment		**(53)**	(97)	**-**	**-**
Dividend received		-	-	**450**	850
Net cash (used in)/from investing activities		**(53)**	(97)	**450**	850
Cash flows from financing activities					
Issue of ordinary share capital		**2**	11	**2**	11
Shares issued from treasury		**115**	-	**13**	-
Shares purchased for treasury		**(111)**	-	**(111)**	-
Dividend paid to shareholders		**(215)**	(1,946)	**(215)**	(1,946)
Net cash used in financing activities		**(209)**	(1,935)	**(311)**	(1,935)
Net increase/ (decrease) in cash and cash equivalents		**1,198**	(74)	**3**	(187)
Cash and cash equivalents at beginning of the year		**953**	1,009	**633**	446
Effect of foreign exchange rate changes		**258**	18	-	**-**
Cash and cash equivalents at the end of the year	**21**	**2,409**	953	**636**	633

Notes to the Financial Statements
For the year ended 31 March 2017

1 Nature of Operations

Prime People Plc ('the Company') and its subsidiaries (together 'the Group') is an international recruitment services organisation with offices in the United Kingdom, the Middle East and the Asia Pacific region from which it serves an international client base. The Group offers both permanent and contract specialist recruitment consultancy for large and medium sized organisations.

The Company is a public limited company which is quoted as an AIM Company and is incorporated and domiciled in the UK. The address of the registered office and the principal place of business is 2 Harewood Place, London W1S 1BX. The registered number of the Company is 1729887.

2 Summary of Significant Accounting Policies

Basis of Preparation

The financial statements of Prime People Plc consolidate the results of the Company and all its subsidiary undertakings. As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the Company has not been included as part of these financial statements. The amount of profit after tax and before dividends dealt within the financial statements of the parent is £487,456 (2016: £890,249). The financial statements have been prepared on a going concern basis.

The consolidated financial statements of Prime People Plc have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union and also comply with IFRIC interpretations and Company Law applicable to Companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention modified as necessary so as to include any items at fair value, as required by accounting standards.

The consolidated financial statements for the year ended 31 March 2017 (including comparatives) are presented in GBP '000.

The accounting polices applied by the Group in these consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 March 2017 and are described below.

International Accounting Standards (IAS/IFRS) and Interpretations in issue but not yet EU approved

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective. These have not been adopted early by the Group and the initial assessment indicates that either they will not be relevant or will not have a material impact on the Group:

Standards
- IFRS 14 Regulatory Deferral Accounts (Issued January 2014, effective date 1 January 2016)
- IFRS 16 Leases (Issued January 2016, effective date 1 January 2019)

Amendments (Effective date for all amendments is deferred indefinitely)
- Amendments to IFRS 10 and IAS 28: Sales or Contribution of Assets between an Investor and its Associate or Joint Venture (Issued on 11 September 2014)

Notes to the Financial Statements
For the year ended 31 March 2017

2 Summary of Significant Accounting Policies *(continued)*

International Accounting Standards (IAS/IFRS) and Interpretations in issue but not yet EU approved (continued)

Amendments (Effective date for all amendments listed is 1 January 2017)
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (Issued January 2016)
- Amendments to IAS 7: Disclosure Initiative (Issued January 2016)

Amendments (Effective date for all amendments listed is 1 January 2018)

- Clarifications to IFRS 15 Revenue from Contracts with Customers (issued on 12 April 2016)

- Clarifications to IFRS 15 Revenue from Contracts with Customers (Issued April 2016, effective date 1 January 2018)

- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (issued on 20 June 2016)

- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on 12 September 2016)

- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016)

- Amendments to IAS 40: Transfers of Investmenty Property (issued on 8 December 2016)

International Accounting Standards (IAS/IFRS) and Amendments (and EU adopted) but not yet effective

- IFRS 9 Financial Instruments (Issued on 24 July 2014, effective date 1 January 2018)
- IFRS 15 Revenue from Contracts with Customers (issued on 28 May 2014) including amendments to IFRS 15: Effective date of IFRS 15 (issued on 11 September 2015), effective date for both is 1 January 2018

The directors do not expect the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements of the Group in future periods, except for disclosure of IFRS 15 that may have an impact on revenue recognition and related disclosures. Beyond the information above it is not practicable to provide a reasonable estimate of the impact of IFRS 15 until a detailed review has been completed.

Consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Notes to the Financial Statements
For the year ended 31 March 2017

Consolidation *(Continued)*

Business combinations are accounted for using the acquisition method of accounting. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Inter-Company transactions and balances on transactions between Group companies are eliminated in preparing the consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Going Concern

The Directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of the financial statements and have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Revenue recognition

a) Revenue

Revenue, which excludes value added tax ("VAT"), constitutes the value of services undertaken by the Group from its principal activities, which are recruitment consultancy and other ancillary services. These consist of:

- Revenue from contract placements, which represents amounts billed for the services of contract staff, including the salary of these staff. This is recognised when the service has been provided;
- Revenue from permanent placements, which is based on a percentage of the candidate's remuneration package and is derived from both retained assignments (income recognised on completion of defined stages of work) and non-retained assignments (income recognised at the date an offer is accepted by a candidate, a start date has been agreed but employment has not yet commenced). The latter includes revenue anticipated but not invoiced at the balance sheet date, which is correspondingly accrued on the balance sheet within prepayments and accrued income. A provision is made against accrued income based on past historical experience for possible cancellations of placements prior to, or shortly after, the commencement of employment; and
- Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

b) Cost of Sales

Cost of sales consists of the salary cost of contract staff and costs incurred on behalf of clients, principally advertising costs.

c) Net Fee Income

Net fee income represents revenue less cost of sales and consists of the total placement fees of permanent candidates, the margin earned on the placement of contract candidates and the margin on advertising income.

Notes to the Financial Statements
For the year ended 31 March 2017

d) Foreign Currency Translation

(i) Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Sterling, which is the Company's functional and presentation currency.

(ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

(iii) Group Companies

On consolidation the results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each year end presented are translated at the closing rate of that year end;
- income and expenses for each statement of comprehensive income are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

e) Intangible Assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'.

As permitted by the exception in IFRS1 'First time adoption of International Reporting Standards', the Group has elected not to apply IFRS3 'Business combinations' to goodwill arising on acquisition that occurred before the date of transition to IFRS.

Separately recognised goodwill is reviewed annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value.

(ii) Computer Software

Computer software acquired by the Group is stated at cost. These costs are amortised to write the cost off in equal annual instalments over three years.

Notes to the Financial Statements

For the year ended 31 March 2017

f) Property, Plant and Equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation less provisions for impairment. Depreciation is provided on all property, plant and equipment using the straight-line method at rates calculated to write off the cost less estimated residual values over their estimated useful lives, as follows:

- Leasehold improvements over the expected period of the lease.
- Furniture, fittings and computer equipment 25% – 33%

The gain or loss arising on disposal or retirement of an asset is determined by comparing the sales proceeds with the carrying amount of the asset and is recognised as income.

g) Impairment of Assets

Assets that have an indefinite useful economic life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

h) Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

i) Leased Assets and Obligations

All of the Group's leases are operating leases and the annual rentals are charged to profit and loss on a straight line basis over the lease term.

The benefit of rent free periods received for entering into a lease is spread evenly over the lease term.

Notes to the Financial Statements
For the year ended 31 March 2017

j) Pension Costs

The Group operates defined contribution pension scheme. The Group adopts the minimum legally required employer contribution rate of 1% of qualifying earnings and up to the maximum earning threshold for automatic enrolment for 2016-17, as set by the Pension Regulator.
The assets of the scheme are held separately from those of the Group in independently administered workplace pension -NEST. The pension costs charged to the income statement represent the contributions payable by the Group to Nest during the year.

The Pension liabilities at the Balance Sheet date represent employer and employee pension contributions, that are payable to the pension provider by the 22nd date of each month.

k) Segmental Reporting

IFRS8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Board of Directors to allocate resources to the segment and to assess their performance.

l) Financial instruments

Financial assets and liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provision of the instrument.

m) Financial assets

The Group's financial assets comprise cash and various other receivable balances that arise from its operations. Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially measured at fair value and subsequently at amortised cost using the effective interest rate method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial assets are assessed for impairment at each balance sheet date, and are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the profit or loss account. If in a subsequent period the amount of the impairment loss decreases and the decreases can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit and loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents includes cash in hand and bank deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts are classified with current liabilities in the statement of financial position.

Notes to the Financial Statements
For the year ended 31 March 2017

2 Summary of Significant Accounting Policies *(continued)*

n) Financial liabilities and equity

Financial liabilities and equity instruments are initially measured at fair value and are classified according to the substance of the contractual arrangements entered into. Financial liabilities are subsequently measured at amortised cost. The Group's financial liabilities comprise trade payables, borrowings, bank overdrafts and other payable balances that arise from its operations. They are classified as 'financial liabilities measured at amortised cost'.

o) Share-Based Compensation

The Group operates equity-settled share-based compensation plans.

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). At the balance sheet date the number of outstanding options is adjusted to reflect those options that have been granted during the year or have lapsed in the year.

p) Dividend Distribution

A final dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividend distributions are recognised in the period in which they are approved and paid.

q) Critical Accounting Estimates and Judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and judgements. It also requires management to exercise judgement in the process of applying the Company's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described below:

Revenue Recognition

Revenue from permanent placements is recognised when a candidate formally accepts an offer of employment, a start date has been agreed, but employment has not commenced. A 'fall-through' provision is made by management, based on historical experience, for the proportion of those placements where the offer of employment is not taken up. Management have reviewed the past assumptions made with respect to the 'fall-through' provisions and consider that they remain reasonable. The fall through provision is estimated at 18.90% of those offers where employment has yet to commence (2016: 20.02%). The Directors consider that a change in the range of possible outcomes, or sensitivity, would not have a material impact on the business.

Goodwill Impairment

The Group's determination of whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill is allocated. This requires estimation of future cash flows and the selection of a suitable discount rate details of which are disclosed in note 11.

Notes to the Financial Statements
For the year ended 31 March 2017

2 Summary of Significant Accounting Policies (continued)

q) Critical Accounting Estimates and Judgements (continued)

Trade Receivables

There is uncertainty regarding customers who may not be able to pay as their debts fall due. In reviewing the appropriateness of the provisions in respect of recoverability of trade receivables, consideration has been given to the ageing of the debt and the potential likelihood of default, taking into account current economic conditions. Details of the total amount of receivables past due and the movement in allowance for doubtful debts are disclosed in note 13.

3 Segment Reporting

a) Revenue and Net Fee Income, by Geographical Region

	Revenue		**Net fee income**	
	2017 £'000	**2016 £'000**	**2017 £'000**	**2016 £'000**
UK	**18,558**	16,249	**7,443**	7,774
Asia	**5,075**	3,626	**5,075**	3,626
Rest of World	**580**	880	**580**	880
	24,213	20,755	**13,098**	12,280

All revenues disclosed by the Group are derived from external clients and are for the provision of recruitment services. The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment profit before taxation represents the profit earned by each segment after allocations of central administration costs.

b) Revenue and Net Fee Income, by Classification

	Revenue		**Net fee income**	
	2017 £'000	**2016 £'000**	**2017 £'000**	**2016 £'000**
Permanent				
-UK	**6,004**	6,653	**5,991**	6,645
-Asia	**5,075**	3,626	**5,075**	3,626
-Rest of World	**580**	880	**580**	880
Contract (UK)	**12,554**	9,596	**1,452**	1,129
Total	**24,213**	20,755	**13,098**	12,280

Notes to the Financial Statements
For the year ended 31 March 2017

3 Segment Reporting *(continued)*

c) Profit before Taxation by Geographical Region

	2017 £'000	2016 £'000
UK	**823**	1,527
Asia	**1,035**	460
Rest of World	**46**	162
Operating Profit	**1,904**	2,149
Profit before taxation	**1,904**	2,149

Operating profit is the measure of profitability regularly reviewed by the Board, which collectively acts as the Chief Operating Decision Maker. Consequently, no segmental analysis of interest or tax expenses is provided.

Segment operating profit is the profit earned by each operating unit and includes inter segment revenues totalling £0.76m (2016 £0.71m) for the UK, and charges of £0.68m (2016 £0.60m) for Asia and £0.08m (2016 £0.11m) for the rest of the world.

d) Segment Assets and Liabilities by Geographical Region

	Total non-current assets		Total liabilities	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
UK	**9,934**	9,962	**1,286**	1,441
Asia	**19**	27	**1,019**	910
Rest of World	**3**	9	**73**	121
Total	**9,956**	9,998	**2,378**	2,472

The analysis above is of the carrying amount of reportable segment assets, liabilities and non-current assets. Segment assets and liabilities include items directly attributable to a segment and include income tax assets and liabilities. Non-current asset include property, plant and equipment and computer software.

Notes to the Financial Statements
For the year ended 31 March 2017

4 Profit on ordinary activities before taxation

		2017 £'000	2016 £'000
Profit for the year is arrived at after charging:			
Depreciation	- owned assets	**158**	188
Operating lease rentals	- land and buildings	**521**	487
Loss on disposal of fixed assets		**1**	-
Exchange rate loss		**26**	33
The analysis of auditors remuneration is as follows:			
Audit of company		**21**	21
Audit of subsidiaries		**24**	23
Total audit fees		**45**	44
Advisory Services (related to FRS102 transition)		**-**	4
Total fees		**45**	48

5 Directors' emoluments

	2017 £'000	2016 £'000
Emoluments for qualifying services	**544**	482
	544	482
Highest paid Director:		
Emoluments for qualifying services	**229**	229

Details of Directors' emoluments and interests, which form part of these financial statements, are provided in the Director's Remuneration report on pages 16 to 18.

Notes to the Financial Statements
For the year ended 31 March 2017

6 Employees

Group	**2017 Number**	**2016 Number**
The average monthly number of employees of the Group during the year, including Directors, was as follows:		
Consultants	**95**	91
Management and administration	**25**	26
Temporary staff	**8**	7
	128	124

Company	**2017 Number**	**2016 Number**
The average monthly number of employees of the Company during the year, including Directors, was as follows:		
Management	**5**	5

Staff costs for all employees, including Directors, but excluding contract staff placed with clients are as follows and have been included in Administration expenses in the consolidated statement of comprehensive income:

Group	**2017 £'000**	**2016 £'000**
Wages and salaries	**7,860**	6,984
Social security costs	**655**	598
Pension contributions	**75**	73
Share option charge	**89**	166
	8,679	7,821

Remuneration of key management	**2017 £'000**	**2016 £'000**
Short term employee benefits (excluding social security costs)	**1,195**	1,090
Share based payments	**24**	35
	1,219	1,125

Key management includes executive Directors and senior divisional managers.

Notes to the Financial Statements
For the year ended 31 March 2017

7 Taxation on Profits on Ordinary Activities

	2017 £'000	2016 £'000
a) Analysis of tax charge in the year		
Current tax		
UK Corporation tax	**209**	375
Foreign tax	**107**	87
Foreign tax over provision in prior years	**28**	(4)
Total current tax	**344**	458
Deferred tax		
Origination and reversal of temporary differences	**(9)**	1
Deferred tax on fair value share option charge	**(43)**	-
Total charge on profit for the year	**292**	459

UK corporation tax is calculated at 20% (2016: 20%) of the estimated assessable profits for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

b) The charge for the year can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

	2017 £'000	2016 £'000
Profit before taxation	**1,904**	2,149
Tax at UK corporation tax rate of 20% (2016: 20%) on profit on ordinary activities	**381**	430
Effects of:		
Expenses not deductible for tax purposes	**22**	8
Capital allowances for the period less than depreciation	**14**	11
Tax losses not utilised/utilised	**(2)**	21
Tax rate differences	**(35)**	(19)
Temporary differences recognised	**9**	19
Overprovision in prior years	**(28)**	(4)
Tax exemption	**(17)**	-
Total current tax	**344**	466
Deferred Tax		
Origination and reversal of temporary differences	**(52)**	(7)
Tax charge for the year	**292**	459

Notes to the Financial Statements
For the year ended 31 March 2017

8 Dividends

	2017 £'000	2016 £'000
Special second interim dividend for 2017: 0.00p per share (2016: 3.09p per share)	-	488
Final dividend for 2016: 0.00p per share (2015: 3.09p per share)	-	376
Interim dividend for 2017: 1.75p per share (2016: 1.75p per share)	**215**	212
Special dividend for 2017: 0.00p per share (2016: 4.00p per share)	-	490
Second Interim dividend for 2017: 0.00p per share (2016: 3.09p per share)	-	380
	215	1,946

An interim dividend of 1.75p (2016: 1.75p) was paid on 25 November 2016 to shareholders on the register at the close of business on 18 November 2016. The interim dividend was approved by the Board on 8 November 2016.

A final dividend of 3.25p per share which will, subject to shareholder approval at the Annual General Meeting be paid on 28th July 2017 to shareholders who are on the register on 21st July 2017, making a total dividend paid to shareholders for the year of 5.00p per ordinary share. (2016: 8.84p).

9 Earnings per share

Earnings per share are calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

Fully diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares by existing share options assuming dilution through conversion of all existing options.

Earnings and weighted average number of shares from continuing operations used in the calculations are shown below.

	2017 £'000	2016 £'000
Profit for the year and earnings used in basic and diluted earnings per share	**1,612**	1,690
	Number	**Number**
Weighted average number of shares used for basic earnings per share	**12,271,923**	12,211,950
Dilutive effect of share options	**195,634**	290,730
Diluted weighted average number of shares used for diluted earnings per share	**12,467,557**	12,502,680
	Pence	**Pence**
Basic earnings per share	**13.14p**	13.84p
Diluted earnings per share	**12.97p**	13.52p

Notes to the Financial Statements
For the year ended 31 March 2017

10 Property, Plant and Equipment

	Fixtures, fittings and equipment	
Group	**£'000**	**£'000**
Cost		
At 1 April 2015	1,057	1,057
Additions	97	97
Disposals	(44)	(44)
Exchange difference	8	8
At 1 April 2016	1,118	1,118
Additions	53	53
FinDisposals	(124)	(124)
Exchange difference	28	28
At 31 March 2017	**1,075**	**1,075**
Depreciation		
At 1 April 2015	741	741
Provision for the year	188	188
Disposals	(44)	(44)
Exchange rate loss	4	4
At 1 April 2016	889	889
Provision for the year	158	158
Disposals	(123)	(123)
Exchange rate gain	15	15
At 31 March 2017	**939**	**939**
Net book value		
At 31 March 2017	**136**	**136**
At 31 March 2016	229	229
At 31 March 2015	316	316

Notes to the Financial Statements
For the year ended 31 March 2017

11 Goodwill

	£'000
Cost	
At 1 April 2015, 1 April 2016 and **31 March 2017**	**9,769**

The total carrying value of goodwill is £9.77m, which relates to the acquisition of the Macdonald & Company Group of companies in January 2006, has been tested for impairment with the recoverable amount being determined from value in use calculations.

The assessment is based on UK projected results. The recoverable amount is determined on a value in use basis utilising the value of cash flow projections over five years with terminal value added for the UK business segment. The first year of the projections is based on detailed budgets prepared and approved by management. Subsequent years are based on extrapolations.

The key assumptions in calculating the value in use is that the Group will meet its budgeted growth in UK net fee income of 25.88% in the year to 31 March 2018. After the end of the period covered by the budget a 2.50% growth rate is applied. This growth rate represents the average rate of growth in the markets in which the Group operates. A discount rate of 6.60% has been applied which represents the weighted average costs of capital for the Group.

Based upon this analysis the asset has not been impaired since the 'recoverable amount' (being the greater of the net realisable value and the value in use) is in excess of its carrying amount by £3.79m. A number of potential sensitivity scenarios have been considered and these would indicate impairment in the carrying value of goodwill if the discount rate were to be increased to 11.59% or if the operating profit reduced to £1.07m with no future growth. Management believes the assessment is reasonable based on average UK operating profit achieved for the past 3 years above £1.1m.

12 Investments

Company	**Shares in subsidiary undertakings £'000**
Cost	
At 1 April 2015 and 1 April 2016	**11,176**
Decrease in investment in subsidiaries from share option reserve charge	**(20)**
As at 31 March 2017	**11,156**

The share option reserve relates to employee share option arrangements provided to employees of the Group subsidiary companies.

12 Investments *(continued)*

The following are subsidiary undertakings at the end of the year and have all been included in the consolidated financial statements:

	Country of incorporation	Principal Activity	Registered Address
Macdonald & Company Group Limited	England and Wales	Holding Company	2 Harewood Place Hanover Square London W1S 1BX
Macdonald & Company Property Limited	England and Wales	Recruitment	2 Harewood Place Hanover Square London W1S 1BX
Macdonald and Company Freelance Limited	England and Wales	Recruitment	2 Harewood Place Hanover Square London W1S 1BX
Macdonald and Company (Overseas) Limited	England and Wales	Dormant	2 Harewood Place Hanover Square London W1S 1BX
Macdonald & Company Ltd	Hong Kong	Recruitment	Room 601,6/F., Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong
Ru Yi Consulting Limited	Hong Kong	Dormant	Room 601,6/F., Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong
Macdonald and Company Pte Limited	Singapore	Recruitment	63 Market Street #05-02, Bank of Singapore Centre, Singapore 048942
Macdonald & Company Pty Ltd	Australia	Dormant	Storey Blackwood & Co Level 4,222 Clarence Street, Sydney NSW 2000 Australia
Macdonald & Company Recruitment Proprietary Ltd	South Africa	Dormant	1 Emfuleni, 79 Crassula Crescent, Woodmead, Johannesburg, 2052 South Africa
The Prime Organisation Ltd	England and Wales	Dormant	2 Harewood Place Hanover Square London W1S 1BX

For all undertakings listed above, the country of operation is the same as its country of incorporation.
The Group holds 100% of all classes of issued share capital. The percentage of the issued share capital held is equivalent to the percentage of voting rights for all companies.

Notes to the Financial Statements
For the year ended 31 March 2017

13 Trade and other Receivables

	Group		Company	
	2017	**2016**	**2017**	**2016**
	£'000	**£'000**	**£'000**	**£'000**
Current				
Trade receivables	**2,435**	2,706	**-**	-
Allowance for doubtful debts	**(24)**	(40)	**-**	-
Other receivables	**72**	69	**3**	-
Prepayments and accrued income	**2,618**	2,204	**3**	14
	5,101	4,939	**6**	14

At 31 March 2017, the average credit period taken on sales of recruitment services was 45 days (2016: 55 days) from the date of invoicing. An allowance of £24,000 (2016: £40,000) has been made for estimated irrecoverable amounts. Due to the short-term nature of trade and other receivables, the Directors consider that the carrying value approximates to their fair value.

Prepayments and accrued income principally comprise amounts to be billed for permanent placements with a start date within three months from the start of the new financial year.

The Group does not provide against receivables solely on the basis of the age of the debt, as experience has demonstrated that this is not a reliable indicator of recoverability. The Group provides fully against all receivables where it has positive evidence that the amount is not recoverable.

The ageing of trade receivables at the reporting date was:

	Gross trade receivables	Provisions	Gross trade receivables	Provisions
	2017	**2017**	**2016**	**2016**
	£'000	**£'000**	**£'000**	**£'000**
Not past due	**1,598**	**15**	1,607	33
Past due 0-30 days	**657**	**2**	630	-
Past due 30-90 days	**166**	**-**	469	7
Past due more than 90 days	**14**	**7**	-	-
	2,435	**24**	2,706	40

Notes to the Financial Statements
For the year ended 31 March 2017

13 Trade and other Receivables *(continued)*

Movement in allowance for doubtful debts:

	2017 £'000	2016 £'000
1 April 2016	**40**	102
Impairment losses recognised	**24**	40
Amounts written off as uncollectable	**(31)**	(97)
Amounts paid by the client	**(6)**	(5)
Impairment losses reversed	**(3)**	-
31 March 2017	**24**	40

14 Financial Instruments

		Group		Company	
	Note	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Loans and receivables					
Trade and other receivables	13	**4,092**	4,087	**2**	5
Cash and cash equivalents		**2,409**	953	**636**	633
		6,501	5,040	**638**	638

Cash is held either on current account or on short term deposits at floating rates of interest determined by the relevant bank's prevailing base rate.

		Group		Company	
	Note	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Financial liabilities and fair value through profit and loss					
Trade and other payables	15	**438**	452	**1**	2
		438	452	**1**	2

The Group has not renewed its borrowing facilities with Barclays Bank Plc as the Board consider that the net cash within the Group is sufficient to meet existing and foreseeable liabilities as they fall due.
There is no material difference between the book values of the Group's financial assets and liabilities and their fair values.

The Group and the Company do not hold any derivative financial instruments.

Notes to the financial statements
For the year ended 31 March 2017

15 Trade and other Payables

	Group		Company	
	2017 £'000	**2016 £'000**	**2017 £'000**	**2016 £'000**
Current				
Trade payables	**108**	267	**-**	1
Other payables	**330**	185	**1**	-
Amount owed to subsidiary undertakings	**-**	**-**	**739**	923
Taxation and social security	**667**	664	**14**	9
Accruals and deferred income	**1,205**	1,100	**25**	26
	2,310	2,216	**779**	959

Due to the short-term nature of the trade and other payables, the Directors consider that the carrying value approximates to their fair value. Trade payables are generally on 30–60 day terms. No payables are past their due date.

16 Deferred Tax

Group (Liability)	**Share Options £'000**	**Total £'000**
At 1 April 2015	16	16
Credit to income	(7)	(7)
At 31 March 2016	9	9
Credit to income	**(9)**	**(9)**
At 31 March 2017	**-**	**-**

Group (Asset)	**Share Options £'000**	**Total £'000**
At 1 April 2016	**-**	**-**
Credit to income	**43**	**43**
At March 2017	**43**	**43**

Notes to the Financial Statements

For the year ended 31 March 2017

17 Share Capital

	2017		2016	
	Number	**£'000**	**Number**	**£'000**
ALLOTTED CALLED UP Ordinary shares of 10p each				
As at 1 April	**12,290,199**	**1,229**	12,193,949	1,219
Shares issued during the year	**-**	**-**	96,250	10
At 31 March	**12,290,199**	**1,229**	12,290,199	1,229

Share capital includes unpaid shares of 33,000 (2016: 93,250)

The Company has one class of ordinary shares which carries no right to fixed income and which represents 100% of the total issued nominal value of all share capital.

Each share carries the right to one vote at general meetings of the company. No person has any special rights of control over the company's share capital and all its issued shares are fully paid.

Pursuant to shareholder resolutions at the AGM of the Company on 20 July 2016, the Company has the following authorities during the period up to the next AGM.

- to issue new/additional ordinary shares to existing shareholders through a rights issue up to a maximum nominal amount of £409,632 representing one third of the then issued share capital of the Company;

- to issue new/additional ordinary shares to new shareholders up to a maximum nominal amount of £409,632 representing one third of the issued shares capital of the Company

- to allot equity securities for cash, without the application of pre-emption rights, up to a maximum nominal amount of £61,451 representing 5% of the then issued share capital of the Company; and

- to purchase through the market up to 10% of the Company's issued share capital, subject to certain restrictions on price.

Shareholders will be asked to renew these authorities at the AGM in 2017 on 24 July 2017.

Capital Risk Management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising returns to shareholders through the optimisation of debt and equity balances. The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent comprising issued capital reserves and earnings.

The Group manages the capital structure and makes adjustments to it in the light of changes to economic conditions and risks. In order to manage capital the Group has continued to consider and adjust the level of dividends paid to shareholders and also made purchases of its own shares which are held as Treasury Shares. As part of its strategy of seeking to optimise the Group's debt and equity balance the Group also considers the appropriate level of external borrowing and, as disclosed in Note 14, has taken the decision not to renew its overdraft facilities with Barclays Bank.

Notes to the Financial Statements
For the year ended 31 March 2017

17 Share Capital *(continued)*

Employee Share Schemes

The Company operates two share options schemes.

Enterprise Management Incentive Share Option Scheme

At 31 March 2017 the following options had been granted and remained outstanding in respect of the Company's ordinary shares:

Year of grant	Exercise Price Pence	Exercise Period	Number of options 31 March 2016	Granted	Exercised	Forfeited	**Number of Options 31 March 2017**
2008/9	20.77	2011-2016*	48000	-	-	(48,000)	**-**
	31.50	2014-2019*	100,000	-	-	(100,000)	**-**
2009/10	42.00	2013-2018	8,000	-	(5,000)		**3,000**
2011/12	68.00	2014-2019	3,000	-	-	-	**3,000**
2013/14	Nil	2016-2021	19,000	-	(7,000)	-	**12,000**
	Nil	2019-2021	81,250	-	-	(13,000)	**68,250**
2014/15	10.00	2016-2021	184,500	-	(120,500)	(16,000)	**48,000**
	10.00	2019-2021	340,500	-	-	(61,000)	**279,500**
2015/16	10.00	2017-2022	20,000	-	-	-	**20,000**
	10.00	2020-2022	30,000	-	-	-	**30,000**
	58.00	2017-2022	52,000	-	-	(7,000)	**45,000**
	58.00	2020-2022	103,000	-	-	(13,000)	**90,000**
2016/17	50.00	2019-2024	-	25,000	-	-	**25,000**
	50.00	2022-2027	-	55,000	-	-	**55,000**
	90.00	2019-2024	-	25,000	-	-	**25,000**
	90.00	2022-2027	-	40,000	-	-	**40,000**
Total 2017			**989,250**	**145,000**	**(132,500)**	**(258,000)**	**743,750**
Weighted average exercise price 2017 (pence)			**19.64p**	**67.93p**	**11.21p**	**0.24p**	**30.37p**
Total 2016			984,734	205,000	(96,250)	(104,234)	989,250
Weighted average exercise price 2016 (pence)			15.27p	46.29p	1.31p	0.48p	19.64p

Notes to the Financial Statements
For the year ended 31 March 2017

*These options have fully vested

There were 743,750 options outstanding at 31 March 2017 (2016: 989,250) which had a weighted average price per share of 30.37p (2016: 19.64p). The options vest over a period of two to five years conditional upon the option holders continued employment with the Company.

The conditions applying to those options which are fully vested have been achieved. The number of outstanding options that will vest is dependent on the achievement of a number of key performance measures of the group, measured at a regional and consolidated level for the financial years 2016 and 2017. The fair value of the employee services received in exchange for the grant of the share options is charged to the profit and loss account over the vesting period of the share option, based on the number of options which are expected to become exercisable.

	2017	2016
Option pricing model used	Black-Scholes	Black-Scholes
Weighted average share price at grant date (in pence)	**94.00, 96.30 & 91.55**	116.00
Exercise price (in pence)	**50 & 90**	10 & 58
Fair value of options granted during the year	**41.12**	104.81
Expected volatility (%)	**20.0 & 24.0**	30.0
Risk-free interest rate (%)	**4.25**	4.0
Expected life of options (years)	**2 & 5**	2 & 5

Expected volatility was determined by reference to historical volatility of the Company’s share price.

The share based payment credit recognised within the income statement during the period was £88,632 (2016: expense £170,000).

Notes to the Financial Statements
For the year ended 31 March 2017

18 Reserves

Capital Redemption Reserve Fund

The capital redemption reserve relates to the cancellation of the Company's own shares.

Treasury Shares

At 31 March 2017, the total number of ordinary shares held in Treasury and their values were as follows:

	2017		2016	
	Number	£'000	Number	£'000
As at 1 April	**21,276**	**21**	21,276	21
Shares purchased for treasury	**129,500**	**111**	-	-
Shares issued from treasury	**(132,500)**	**(13)**	-	-
Equity reclassification on disposal of treasury shares	**-**	**(98)**	-	-
As at 31 March	**18,276**	**21**	21,276	21
Nominal value		**2**		2
Market value		**16**		21

The maximum number of shares held in treasury during the year was 18,276 shares representing 0.15% of the called-up ordinary share capital of the Company (2016: 21,276 representing 0.2% of the called-up ordinary share capital of the Company).

Merger Reserve

The merger reserve represents the fair value of the consideration given in excess of the nominal value of the ordinary shares issued to acquire subsidiaries.

Share Option Reserve

The reserve represents the cumulative amounts charged to profit in respect of employee share option arrangements where the scheme has not yet been settled by means of an award of shares to an individual.

Share Premium Account

The balance on the share premium account represents the amounts received in excess of the nominal value of the ordinary shares.

Notes to the Financial Statements
For the year ended 31 March 2017

18 Reserves *(continued)*

Translation Reserve

The foreign currency translation reserve comprises all presentation foreign exchange differences arising from translation of the financial statements of foreign operations into the presentation currency of the Group accounts.

Retained Earnings

The balance held on this reserve is the accumulated retained profits of the Group.

19 Operating Lease Commitments

As at 31 March 2017 the Group was committed to making the following total payments in respect of non-cancellable operating leases:

	Land and buildings 2017 £'000	**Land and buildings 2016 £'000**
Amounts payable		
Within one year	**545**	448
Within one to two years	**294**	408
Within two to five years	**696**	660
After five years	**169**	602
	1,704	2,118

The Group leases various offices under non-cancellable operating lease agreements. The leases have varying terms as disclosed above.

Notes to the Financial Statements
For the year ended 31 March 2017

20 Reconciliation of Profit before Tax to Net Cash Inflow from Operating Activities

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Profit before taxation	**1,904**	2,149	**48**	50
Adjust for:				
Depreciation	**158**	188	**-**	-
Share based payment expense	**(13)**	166	**-**	-
(Profit)/Loss on sale of tangible asset	**1**	-	**-**	-
Operating cash flow before changes in working capital	**2,050**	2,503	**48**	50
(Increase)/decrease in receivables	**(163)**	(401)	**9**	484
Increase/(decrease) in payables	**94**	267	**(183)**	744
Cash generated from / (used by) underlying operations	**1,981**	2,369	**(126)**	1,278

21 Analysis of Cash less overdrafts

Group	At 1 April 2016	Cash flow	At 31 March 2017
	£'000	£'000	£'000
Cash at bank and in hand	953	1,456	**2,409**
Total cash	953	1,456	**2,409**

Company	At 1 April 2016	Cash flow	At 31 March 2017
	£'000	£'000	£'000
Cash at bank and in hand	633	3	**636**
Total cash	633	3	**636**

Notes to the Financial Statements
For the year ended 31 March 2017

22 Financial Risk Management

The Board of Directors has overall responsibility for the risk management policies that are applied by the business to identify and control the risks faced by the Group.

The Group has exposure from its use of financial instruments to foreign currency risk, credit risk and liquidity risk.

Foreign Currency

The Group publishes its consolidated financial statements in Sterling. The functional currencies of the Group's main operating subsidiaries are Sterling, the Singapore Dollar, the Hong Kong Dollar and the UAE Dirham.

The Group's international operations account for approximately 23.37% (2016: 21.72%) of revenue and approximately 19.70% (2016: 19.85%) of the Group's assets and consequently the Group has a degree of translation exposure in accounting for overseas operations.

Currently the Group's policy is not to hedge against this exposure but it does seek to minimise this exposure by converting into sterling all cash balances in foreign currency that are not required for capital monetary needs. The settlement of intercompany balances held with foreign operations is neither planned nor likely to occur in the foreseeable future. Therefore, exchange differences arising from the translation of the net investments are recognised in Other Comprehensive income.

Credit Risk

The Group's principal financial assets are bank balances, trade and other receivables. The Group's credit risk is primarily in respect of trade receivables. Credit risk refers to the risk that a client will default on its contractual obligations resulting in financial loss to the Group. The Group does not have any significant credit risk exposure to any individual client. At the year end no customer represented more than 9.07% (2016: 6.82%) of the total balance of trade receivables.

In reviewing the appropriateness of the provisions in respect of recoverability of trade receivables, consideration has been given to the ageing of the debt and the potential likelihood of default, taking into account current economic conditions.

It is the Directors' opinion that no further provision for doubtful debts is required.

Liquidity Risk

The Group manages it liquidity risk by maintaining adequate cash and or credit facilities to meet forecast cash requirements of the Group. Management monitors its forecasted cash flow requirements at a Group level based on monthly returns made by the Group's operating units.

The Group has no financial liabilities other than short term trade payables and accruals as disclosed in note 16, all due within one year of the year end.

The Group has net funds of £2.40m (2016: £0.95m) which the Board consider are more than adequate to meet future working capital requirements and to take advantage of business opportunities.

Notes to the Financial Statements
For the year ended 31 March 2017

23 Related Party Transactions

Prime People Plc provides various management services to its subsidiary undertakings. These services take the form of centralised finance and operations support. The total amount charged by the Company to its subsidiaries during the year is £200k (2016: £205k). The balance owed to the subsidiary undertakings at the year end is £739k (2016: £923k).

The Company also provides corporate guarantees on the subsidiary bank accounts. At 31 March 2017 amounts overdrawn by subsidiary bank accounts were £nil (2016: £222,350).

The Directors receive remuneration from the Group, which is disclosed in the Directors' Remuneration Report. As shareholders, the Directors also received dividends in the year from the Company amounting to £120,312 (2016: £605,384).

Directors and Advisers

Directors

Robert Macdonald	(Executive Chairman)
Peter Moore	(Managing Director)
Donka Zaneva-Todorinski	(Finance Director)
Chris Heayberd	(Non-Executive Director)
John Lewis OBE	(Non-Executive Director)
Simon Murphy	(Non-Executive Director)

Secretary and Registered Office

Donka Zaneva-Todorinkski, 2 Harewood Place, London, W1S 1BX.

Registered Number

1729887

Stockbrokers & Nominated Advisers

Cenkos Securities Plc, 6.7.8 Tokenhouse Yard, London, EC2R 7AS

Auditor

Crowe Clark Whitehill LLP, St Bride's House, 10 Salisbury Square, London, EC4Y 8EH

Principal Bankers

Barclays Bank Plc, Corporate Banking, 1 Churchill Place, London E14 5HP

Registrars

Neville Registrars Limited, Neville House, Laurel Lane, Halesowen, West Midlands, B63 3DA.

Board of Directors

Directors' Biographies

Robert Macdonald - Executive Chairman

Robert has held senior positions within the recruitment industry since 1973 when he founded Reuter Simkin Limited, a recruitment business in both the legal and property sectors. Reuter Simkin had both Kleinwort Benson Development Capital and Charterhouse Development Capital as investors. After the sale of Reuter Simkin in 1989, he acquired shares in and was Chairman of two other recruitment companies one of which acquired the legal business of Reuter Simkin in the West of England from PSD in 1992 and traded as Macdonald & Company. In 1994, he established Macdonald & Company as a specialist property recruitment consultancy in London. Lead by Robert and Peter Moore, Macdonald & Company Group Ltd completed the reverse takeover of Prime People Plc in January 2006.

Peter Moore MRICS - Managing Director

Peter graduated from the Royal Agricultural University and then worked with Strutt & Parker from 1992 to 1995, qualifying as a Charted Surveyor in 1994. He joined Macdonald & Company in 1995 and was appointed Managing Director in 1996. Under Peter's management Macdonald & Company became the largest and most respected real estate focused recruitment provider in the market and the RICS's preferred recruitment partner. Lead by Robert Macdonald and Peter Moore, Macdonald & Company Group Ltd completed the reverse takeover of Prime People Plc in January 2006. Since then Peter has been instrumental in developing Prime People into a global specialist recruitment business spanning real estate, energy & environmental and insight & analytics.

Donka Zaneva-Todorinski ACCA – Finance Director

Donka qualified with a Business Administration and Finance Degree from St Paul's College in 2007. She has been a member of the Association of Chartered Certified Accountants since December 2013. Donka began her professional career in 2003 and since has held accounting positions in the recruitment, media and publishing industries. She joined Macdonald & Company in 2011 as a Management Accountant. In 2013 Donka was promoted to be Financial Controller and was then appointed to the Board of Prime People as Finance Director in October 2015. She is a member of the Finance & Management Faculty of ICAEW.

John Lewis OBE LLB (Hons) - Non-executive Director

John is a solicitor (Non-practising) and a consultant to Eversheds LLP (solicitors). Previously he served as a partner in Lewis Lewis & Co which became part of Eversheds after a series of mergers. John is currently Chairman of Photo-Me International Plc and several private companies. He has served as Chairman of Cliveden Plc and Principal Hotels Plc and as deputy Chairman of John D Wood & Co Plc, retiring in each case when the Company was sold.

Simon Murphy BSc ACA - Non-executive Director

Simon qualified as a Chartered Accountant with Coopers & Lybrand. He was previously a Managing Director in the global investment banking division of HSBC. He was Chief Executive of Prime People from May 2005 until the acquisition of Macdonald & Company Group Ltd. He is Chief Financial Officer of Battersea Power Station Development Company and a Director of a number of private companies including OPD Group Limited an investment company with holdings in a number of recruitment businesses.

Board of Directors

Chris Heayberd BA ACA – Non-executive Directors

Chris qualified as a Chartered Accountant in 1980 and after that date held a number of financial positions in a broad range of industries. Since 1989 his main focus has been the business services sector. This included 4 years as Finance Director of PSD Group plc, during which time the company was admitted to trading on the London Stock Exchange. Chris joined the Board of Prime People in June 1995 and for a period of five years combined the role of Finance Director with other business interests. In May 2005 he took up a full time role as Finance Director of Prime People retiring from this post in 2015 but remaining on the Board in a non-executive capacity.

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