



Prime People Plc  
Annual Report and Financial Statements  
for the year ended 31 March 2019

2019

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## Chairman's Statement

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### Performance

Overall the Group delivered a strong performance in the year ended 31 March 2019. In the UK performance was broadly consistent with the prior year, holding up against the backdrop of political uncertainty and of legislative changes that continued to affect self-employed candidates in our contract division. Internationally the business has made good progress with a strong performance in Asia Pacific including a substantial contribution from our majority investment in Command Recruitment Group (H.K.) Limited, and the Rest of The World making a small positive contribution this year.

We closed the year with headline Revenue of £24.66m and Net Fee Income ("NFI") of £15.78m. NFI comprises the total fees for permanent candidates and the margin earned in the placement of contract staff. The ratio of NFI derived from contract as against permanent placements was 8:92.

Improved productivity per head of £114.40k, helped headline operating profit reach £2.47m. After adjusting for the 40% minority interest in Command, the underlying operating profit for the Group was £1.95m, helped by a positive effect from the adoption of IFRS15 in respect of administration costs.

The Group conversion rate, which compares operating profit to NFI, was 15.65%, enhanced by the winning of substantial business from an extensive set of linked real estate infrastructure projects in the Middle East. This business is undertaken by Command and is reported under our Asia Regional Performance below. The impact of this demand for the company's services greatly enhanced the Group's profitability in the year being reported. The projects are of a long-term nature and we expect that our involvement will continue throughout the current financial year.

### Cash Flow

The Group continues to maintain a strong net cash position. At the start of the year the Group had cash of £1.23m which had increased to £2.31m by the year end. The increase is principally due to the growth in the Asia Pacific business referred to above and is after taking account of cash outflows

of £1.34m. Of this £0.74m was for the purchase of assets (£0.10m was spent on a new Customer Relationship Management system and £0.44m on improving office facilities in our Hong Kong and London offices) and £0.60m related to the dividend payments to shareholders.

### Dividend

During the year, a final dividend of 3.25p per share was paid together with a slightly increased interim dividend up from 1.75p to 1.80p per share. The Board will be recommending a final dividend this year of 3.40p per share. This will result in a total dividend payment of 5.20p for the 2019 financial year against 5.00p the year before. Subject to market conditions and cash, the Group intends to continue to pay dividends on a progressive basis.

### Share Buy Back

During the year 34,000 shares were purchased at a cost of £26,360 through the Group's buyback programme. In the second half of the year 300,000 ordinary shares were sold from Treasury to satisfy obligations arising from the part paid share incentive scheme for key personnel. At the year end the Group held 195,676 shares in treasury. The Board will be seeking shareholder approval for renewal of the authority to repurchase up to 10% of the Group's issued share capital at the Annual General Meeting.

### Board

The Board believes it has continued to operate corporate governance standards appropriate to an AIM quoted 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 re-appointment by shareholders at the next AGM.

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

## **Chairman's Statement (continued)**

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### **People**

The average number of staff (excluding temporary contractors) increased from 136 last year to 138 this year.

The Group has a diverse cultural and ethnic profile within its businesses and at the end of 2019 had a global 52:48 male to 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**

In the 2019 financial year, we made significant investments in technology, our working environments and talent, reflecting our belief that success in the future will depend on our ability to attract the most able people and equip them with industry leading technology. We are confident that these investments will provide returns through increased productivity and staff retention.

Current trading is consistent with the prior year and we expect the outlook for our sectors and geographies to remain positive in the absence of any negative economic or political events. Over the last quarter our key performance indicators of instructions from clients, interviews arranged and committed business are comparable with the same period last year and all our main markets continue to experience shortages of available talent, driving demand for our services.

We are mindful of both the political inertia in the U.K. and the trade dispute between the United States and China, both of which could affect our largest markets. Consequently, the Group continues to explore new geographies and has expanded its client base into mainland Europe and Saudi Arabia.

We aim to optimise interaction between our brands to fully deliver Group benefits by being positioned to respond swiftly across all businesses to changes impacting our activity, such as regulation and candidate shortages.

The Group continues to focus on its core markets to deliver organic revenue growth, to improve productivity gains and to drive profit growth. Despite the increasing political risks that reduce business confidence in the UK and Europe, we are confident about our abilities to generate good returns and will continue to invest for the long term.

Robert Macdonald  
**Executive Chairman**

## Strategic Report

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### Overview

The Group provides permanent and contract recruitment services to selected, niche industry sectors. Our business model is built around our people, all of whom are specialists in their industry verticals. Our employees are vital to the continued success of the Group 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 built environment continues to be the Group's largest market, served through its main subsidiary, Macdonald & Company.

Operating as distinct brands, the sectors served by Prime Insight, Prime Energy and Command are technology, data and analytics; renewable energy & sustainability; and infrastructure, construction and design respectively.

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 best placed to suggest operational improvements and emergent strategies that will increase earnings.

The Group is committed to managing its talent on merit 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 Board is concerned to provide a healthy corporate culture and in pursuit of its objectives and strategy seeks regular input through open meetings with its staff.

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), Frankfurt (established in January 2019), and a franchise in South Africa (established in 2008).

Overall the UK permanent recruitment businesses performed satisfactorily with our built environment teams delivering consistent results while the contract business saw a reduction in NFI

as the changes to the tax landscape for contractors working in the public sector continued to have an effect. Looking forward, when these changes are extended to the private sector, in April 2020, we anticipate the temporary recruitment market may shift further.

In Asia NFI rose substantially, aided by the contribution in our first full year following the acquisition of Command in October 2017. Hong Kong with the combined businesses of Macdonald and Command contributed the majority of the region's NFI. Macdonald recorded reduced NFI, largely as a consequence of staff turnover in the early part of the year, an issue which has now been addressed.

Our Macdonald business in Dubai continues to face challenging market conditions and we have made changes to realign it to the expected medium-term demand. Our Command business operates across the Middle East and we are optimistic as to the future performance of the business in this region.

The Board remains committed in its pursuit of sustainable NFI growth and cash generation. Whilst costs have increased in aggregate in the year, with the contribution from Command the conversion rate has also increased. We continue to focus on improving the profitability of the business and realising cost reductions where possible.

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 political and macro-economic 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 rates, position the Group to prosper.

**Strategic Report (Continued)****Regional Performance****United Kingdom**

	<b>2019</b>	<b>2018</b>
	<b>£m</b>	<b>£m</b>
Revenue	<b>16.47</b>	17.52
Net fee income (NFI)	<b>7.60</b>	7.75
Operating profit	<b>0.92</b>	0.91
Operating profit as % of NFI	<b>12.10%</b>	11.74%
Average number of employees	<b>77</b>	80

Revenue reduced by 5.99% to £16.47m (2018: £17.52m) with NFI reducing by 1.93% to £7.60m (2018: £7.75m).

Permanent NFI decreased by 0.83% in the year and represents 85.11% (2018: 86.20%) of total UK NFI in 2019.

The UK Permanent teams serving the real estate banking and investment sector provided the strongest NFI growth for the region in the year. This was counterbalanced by performance of teams serving other sectors. In September 2018, we relocated fee earners to an office in Frankfurt, to take advantage of opportunities that the German staffing market offers in the long term.

Contract NFI reduced by 7.65% in the year compared to a reduction of 17.05% in the previous year and represents 14.55% (2018: 13.80%) of total UK NFI in 2019. Contract NFI is not affected by IFRS 15 and the reduction against the comparative period was a consequence of lower public sector client requirements resulting from ITEPA Act 2003 legislative changes.

Our diversified business sectors delivered opportunities to diminish the effect of some challenging markets and our extended spread of operations helped to make the most of market conditions.

**Strategic Report (Continued)****Asia Pacific**

	<b>2019</b>	<b>2018</b>
	<b>£m</b>	<b>£m</b>
Revenue	<b>7.77</b>	5.06
Net fee income (NFI)	<b>7.77</b>	5.06
Operating profit	<b>1.52</b>	0.49
Operating profit as % of NFI	<b>19.56%</b>	9.68%
Average number of employees	<b>57</b>	47

NFI grew by 53.55% to £7.77m (2018: £5.06m) and includes contribution from Command of £3.97m (2018: £0.84m). The region is covered by our offices in Hong Kong and Singapore and represents 49.24% of Group NFI (2018: 38.48%). Command operating profit, unadjusted for minorities, was approximately 93% of the reported operating profit in the region.

The 2018 investment in 60% of the equity of Command strengthened our presence and performance in the region particularly with its winning of substantial business from an extensive

set of linked real estate infrastructure projects in the Middle East, which represent 22.26% of reported Asia Pacific revenue. The projects are of a long-term nature and we expect that Command's involvement will continue throughout the current financial year.

With the good performance of Command, and the investment in establishing our Insight and Analytics team in the region last year, the business is now well placed to expand its reach and growth.

**Rest of the World**

	<b>2019</b>	<b>2018</b>
	<b>£m</b>	<b>£m</b>
Revenue	<b>0.42</b>	0.34
Net fee income (NFI)	<b>0.42</b>	0.34
Operating profit	<b>0.02</b>	-0.20
Operating profit as % of NFI	<b>4.76%</b>	-58.82%
Average number of employees	<b>4</b>	5

The region is covered by our offices in Dubai, Australia and South Africa. The modest, but improved performance reflects restructuring of the Dubai business and cost reductions which delivered improvements in profitability and the team is well positioned for a more positive 2020.

Peter Moore  
**Managing Director**

**Strategic Report (Continued)****Financial Review****Revenue**

As referred in our H1 2019 Interim Report, the Financial Statements for 2019 reflect the Group's adoption of IFRS 15, which has required a change in the accounting policy for revenue recognition. We are now reporting revenue based on invoices delivered as opposed to the previous treatment based on the value of contracts formed. Further detail on the impact of the IFRS 15 is set out in Note 2 of the financial statements.

The Group delivered a 7.59% increase in reported revenue to £24.66m (2018: £22.92m).

The change in accounting policy did not have any impact on the reporting of NFI of our contract business or that reported by Command.

Further detail on the impact of the IFRS 15 is set out in Note 2 of the financial statements

**Net Fee Income (NFI)**

Overall Group NFI increased by 20.00% to £15.78m (2018: £13.15m). The split of net fee income was 93% from permanent sales (2018: 91.87%) and 7.00% from contract (2018: 8.13%). The contract margin percentage was 11.09%, up from 10.92% in the prior year as we extended our contract business in higher margin sectors, as well as strengthening our focus on maintaining sustainable direct client relationships.

The Group generated 51.90% of its net fee income from outside the UK (2018: 41.07%). There were particularly strong results from Command with NFI of £3.97m (2018: £0.84m).

**Administration Costs**

Administration costs for the year increased by 11.46% to £13.32m (2018: £11.95m) reflecting the inclusion of Command operating costs, further investment in a new Customer Relationship Management system, improved information technology platforms, increased spend on staff training and higher property costs associated with our Hong Kong office which we relocated in May 2018. The increased administrative costs, we believe, will generate greater value in the long term. In the year commission, which is a constituent of administration costs, reduced by approximately £0.20m as a result of the change to the Group accounting policy on revenue recognition when adopting IFRS 15.

**Profit before Taxation**

Reported profit before taxation increased to £2.47m from £1.19m last year. After adjusting for the 40% minority interest in Command, profit before tax increased to £1.95m (2018: £1.19m).

The table below presents year on year comparisons adjusted to remove the 40% of Command not owned by the Group.

	2019	2018
	£'000	£'000
Revenue *	23,071	22,580
NFI *	14,198	12,811
Adjusted Profit Before Tax *	1,907	1,192
Conversion ratio * c/f table on next page	13.43%	9.31%

\* 2019 net of 40% not owned, as indicated above

**Taxation**

The taxation charge is £0.30m on profit before taxation of £2.47m (from ordinary activities) which gives an effective tax rate of 12.15% (2018: 14.29%). The reasons for the difference from the standard UK corporation tax rate of 19% are detailed in note 7 of the accounts.

**Earnings per Share**

Basic earnings per share increased by 58.24% to 13.72p (2018: 8.67p). The diluted earnings per share, taking into account existing share options, increased by 56.86% to 13.38p (2018: 8.53p).



**Strategic Report (Continued)****Financial Review****Balance Sheet**

Net assets at 31 March 2019 remained the same as last year at £15.00m (2018: £15.00m).

Trade receivables net of provision for doubtful debts at the year end, were up on last year at £3.54m (2018 : £2.87m) which reflects the increased average credit period taken by clients to 131 days (2018: 69 days). The increase in debtor days is explained by extended 120-day payment terms with certain Command clients in Saudi Arabia.

**Treasury Management and Currency Risk**

Approximately 66.79% of the Group's revenue in 2019 (2018: 76.44%) 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.

**Cash Flow and Cash Position**

At the start of the year the Group had cash of £1.23m. After net taxation payments of £0.11m (2018: £0.26m) cash generated from operations was £2.04m (2018: £1.06m).

During the year the Group spent £0.10m (2018: £0.23m) on its Customer Relationship Management systems; paid £0.30m for the relocation and office refit in Hong Kong; £0.22m for the purchase of treasury shares; and paid dividends to shareholders of £0.60m (2018: £0.61m). As at 31 March 2019 the Group's cash position was £2.31m.

**Operational highlights in 2019**

	2019	2018	% change
Conversion ratio (Operating profit divided by NFI) 100 % for Command	15.65%	9.07%	72.55%
Staff Productivity (NFI divided by average headcount excluding contract staff)	£114.40k	£96.26k	18.84%
Fee earner to Support Headcount ratio	3.4	3.2	6.25%
Percentage of NFI paid to Staff	68.43%	71.47%	(4.25%)
Free Cashflow post tax	£2.03m	£1.06m	91.50%

**Principal Risks and Uncertainties**

The Board has responsibility for establishing the Group's approach to risk and the effective risk management. The Group's strategy is designed to allow the business to grow without increasing risk beyond an acceptable limit. The risk fluctuates from time to time and will be assessed in line with delivering the business strategy of the Group, to safeguard shareholders' interests and improve the quality of decision making. 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 recruiting and retaining of senior management and key staff. The loss of the services of the senior management and other key people could impact trading and profitability.

## **Strategic Report (Continued)**

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### **Financial Review**

#### *Dependence on Key People (continued)*

To address this, the Group has put into 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 Board's management equity incentives present key management with equity ownership, tying them to the business for the long term.

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.

#### *Macro-economic factors*

Persistent slow growth in the global economy has effects that trigger reduced output, and with it, demand and investment. There is strong correlation between the business performance and that of the economies in which the Group operates. 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 market.

#### *Regulatory position*

The increase in regulatory scrutiny and demands on compliance are influencing 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 timely and regular training and updates on changes in legal and compliance requirements.

#### *Cyber Security and data protection*

The risk of sensitive information being accessed without authorisation has grown in the wider business environment. Any successful breach can lead to the loss of commercially sensitive data, candidate and clients' data, damage our brand reputation and lead to business disruption. With increasing regulation on data protection there is an ongoing risk of failing to comply with regulations leading to reputational damage.

In May 2018 General Data Protection legislation was introduced to promote data governance and accountability amongst organisations. The Group has reviewed its processes considering this legislation and made all required changes to ensure compliance. Policies to safeguard assets and data within the Group have been introduced.

#### *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. 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.

## **Strategic Report (Continued)**

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### **Financial Review**

#### *Foreign Exchange Risk*

The Group's international operations account for 33.20% of revenue (2018: 23.57%) and approximately 31.58% of the Group's assets (2018: 27.33%). 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. The Group's policy is not to hedge against this exposure, as there is a degree of natural hedge from the Group geographical diversification. 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 to be able to react if rates move adversely

#### *Treasury Policies, Liquidity and Financial Risk*

Surplus funds are held to support short term working capital requirements. These funds are invested using 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.

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 the counterparty will default on its contractual obligations resulting in financial loss to the Group. The principal credit risks arise 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 2019**

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The Directors submit their report and the audited Group financial statements of Prime People Plc for the year ended 31 March 2019. Prime People Plc is a public listed company, incorporated and domiciled in England and its shares are quoted on the AIM Market.

### **Directors**

The directors who served during the year were:

Robert Macdonald  
Peter Moore  
Donka Zaneva-Todorinski  
Chris Heayberd  
Sir John Lewis OBE  
Simon Murphy

As permitted by legislation, the Group has chosen to set out the information regarding likely financial risk management objectives and policies and future developments in the business of the company, which would otherwise be required to be contained in the director's report, within strategic report.

### **Substantial Shareholders**

At 20 June 2019, other than the Director's interests shown in the Directors' remuneration report on page 19 the Company were not required to notify any interests under the Disclosure Guidance and Transparency Rules.

The mid-market quotation of the Company's ordinary shares at close of business on 31 March 2019 was 79.50p. The highest and lowest mid-market quotations in the period from 1 April 2018 to 31 March 2019 were 88.82p and 74.00p.

### **Going concern**

The Group has two revenue streams permanent and temporary recruiting. The Group has experienced a 7.61% total revenue uplift in 2019 primarily as a result of an increase in permanent revenue in the year.

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; and
- Purchasing environmentally friendly materials where appropriate.

## **Report of the Directors for the Year Ended 31 March 2019**

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### **Political Donations**

The Group made no political donations during the year (2018: Nil).

### **Workplace Pensions**

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

### **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.

### **Dividend**

During the year, a final dividend of 3.25p per share was paid (2017: 3.25p) on 27 July 2018 to shareholders on the register on 13 July 2018. The final dividend was approved by shareholders on 19 July 2018. An interim dividend of 1.80p (2018: 1.75p) was paid on 7 December 2018 to shareholders on the register at close of business on 30 November 2018. The interim dividend was approved by the Board on 15 November 2018.

As outlined in the Chairman's statement, the Board propose a final dividend for 2019 of 3.40p per share which will, subject to shareholder approval at the Annual General Meeting be paid on 2 August 2019 to shareholders who are on the register on 19 July 2019, making a total dividend paid to shareholders for the year of 5.20p per ordinary share. (2018: 5.00p).

### **Annual General Meeting ("AGM")**

The AGM will be held on Wednesday 24 July 2019 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 34,000 shares (2018: 497,400 shares). The purchased shares are held in treasury and will be utilised to meet current and future obligations arising from share incentive arrangements with employees of the Company.

### **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.

**Report of the Directors for the Year Ended 31 March 2019**

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**Auditor**

Crowe U.K. LLP has expressed its willingness to continue in office and a resolution to re-appoint 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

**Peter Moore**  
Managing Director

## **Statement of Directors' Responsibilities**

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The directors are responsible for preparing the Strategic Report, the Directors' 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 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 of the company and the group and of the profit or loss of the 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are enough to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

They are further responsible for ensuring that the Strategic Report and the Report of the Directors and other information included in the Annual Report and Financial Statements is prepared in accordance with applicable law in the United Kingdom.

The maintenance and integrity of the Prime People Plc web site is the responsibility of the directors; 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 the accounts and the other information included in annual reports may differ from legislation in other jurisdictions.

## Corporate Governance

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### Statement by the Directors on Corporate Governance

The Board consider it important that appropriately high standards of corporate governance are maintained. They have therefore put in place governance structures and provide information which would be expected for a company quoted on the AIM Market of the London Stock Exchange. The Group has adopted the QCA Governance Code (the “Code”) so this report is in compliance with all required disclosures.

A statement of the Directors’ responsibilities in respect of the financial statements is set out on page 13.

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 2019 and the attendance record are summarised in the table below:

Directors	Board	Audit Committee	Remuneration Committee
Robert Macdonald – Executive Chairman	7/7 (Chair)	N	N
Peter Moore – Managing Director	7/7	N	N
Donka Zaneva-Todorinski – Finance Director	7/7	N	N
Chris Heayberd – Non-Executive Director	5/7	N	N
Sir John Lewis – Non-Executive Director	7/7	1/1	1/1 (Chair)
Simon Murphy – Non-Executive Director	7/7	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 20.

Biographical details for all the Directors are shown on pages 67 and 68.

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 Group with specific responsibility for; reviewing trading performance; resources (including key appointments); finding, setting and monitoring strategy; examining acquisition opportunities; and reporting to shareholders.



## **Corporate Governance**

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### **The Board and its Operation (continued)**

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 can 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.

Given the size of the Board, there is no separate Nomination Committee and appointments to the Board of both Executive and Non-Executive Directors are considered and approved by the full Board.

The Board has considered the matter of the independence of its Non-Executive Directors all of whom 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, standing and skill levels derived from their other directorships of its Non-Executive Directors, as set out in Biographical details for all the Directors on pages 67 and 68, it considers their level of independence to be adequate. Furthermore, no board performance evaluation is undertaken for the same reasons.

The Senior Independent Director, Sir John Lewis OBE, is the main point of contact for shareholders if there are any concerns that cannot be addressed through the Chairman or Executive Directors.

The Senior Independent Director provides advice and support to the Executive Directors, by holding monthly meetings with the Chairman.

The Company Secretary is responsible for ensuring that Board procedures are followed, that the Company complies with company law and the AIM Rules and that the Board receives the information it needs to fulfil its duties effectively. All Directors have access to the Company Secretary and their appointment (or termination of appointment) is a matter for decision by the full Board.

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 can put questions to the Board at the Company's Annual General Meeting.

## **Corporate Governance**

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### **Remuneration Committee**

The Remuneration Committee comprises the three Non-Executive Directors of the Company and is chaired by Sir John Lewis OBE.

The committee reviews the Group policy on the Executive Directors' remuneration and terms of employment; makes recommendations on this; and 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 page 20. 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 2018 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.

#### *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.

## **Corporate Governance**

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### **Internal Controls (continued)**

#### *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 wrongdoing 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.

The Board consider that the Annual Report and Accounts, in its entirety is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy.

**Robert Macdonald**

Chairman

## **Audit Committee Report**

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### **Audit Committee**

The Audit Committee comprises the three 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.

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 effectiveness and 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.

During 2019, the Committee's primary activity involved meeting with the external auditors, considering material issues and areas of judgement, and reviewing and approving the interim and year end results and accounts. The Audit Committee:

- met with the external auditors to review and approve the annual audit plan and receive their findings and report on the annual audit;
- considered significant matters and areas of judgement with the potential to have a material impact on the financial statements;
- considered the integrity of the published financial information and whether the Annual Report and Accounts taken are fair and balanced and provide the information necessary to assess the Group's performance, business model and strategy; and
- reviewed and approved the interim and year end reports and accounts

### **External Audit**

The Committee has primary responsibility for the relationship between the Group and its external auditor.

The independence of the auditor is kept under review and is reported on as part of the Audit Findings Report presented to the Committee by the auditor.

To safeguard the objectivity and independence of the external auditor, the Committee monitors the external auditor's propose scope of work and the value of fees paid, to ensure that independence is not compromised.

The Committee concluded that Crowe UK LLP are delivering the necessary audit scrutiny and that the taxation services provided did not pose a threat to their objectivity and independence.

The Committee recommended to the Board that Crowe UK LLP be re-appointed as the Group's statutory auditor for the next financial year.

### **Whistle blowing and anti-corruption Policy**

There were no "whistleblowing"(public interest) disclosures during the year.

This report was approved by the Audit Committee and the Board on 20<sup>th</sup> June 2019 and was signed on its behalf:

### **Simon Murphy**

Chairman of the Audit Committee

## **Remuneration Report**

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### **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 Sir John Lewis OBE.

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 year's 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.

### **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	Pension	2019 Total	2018 Total
		£	£	£	£	£
<b>Executive Chairman</b>						
Robert Macdonald	3	123,823	6,150	20,000	149,973	117,616
<b>Executive Directors</b>						
Peter Moore	1 & 3	198,816	7,851	24,361	231,028	200,887
Donka Zaneva-Todorinski		85,486	1,788	806	88,080	108,262
<b>Non-Executive Directors</b>						
Sir John Lewis OBE		25,835	-	-	25,835	25,000
Simon Murphy		25,835	-	-	25,835	25,000
Chris Heayberd		41,452	-	-	41,452	30,900
		501,247	15,790	45,168	562,204	507,665

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 19 March 2019. Pension includes the cash value of the Group contribution to defined contribution pension plans. Other pension payments made to directors in the year relate to the minimum required employer contribution rate of 2% set by the Pension Regulator.

## Remuneration Report

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### Directors' interests in shares

Directors' beneficial interest in the shares of the Company at 31 March 2019 was as follows:

	Ordinary shares of 10p each held at 31 March 2019	Percentage of issued share capital at 31 March 2019	Ordinary shares of 10p each held at 31 March 2018	Percentage of issued share capital at 31 March 2018
Robert Macdonald	2,794,000	22.73%	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%
Sir John Lewis	1,074,750	8.74%	1,074,750	8.74%
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 2019 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 2018	Granted	Cancelled	Exercised	Number of options 31 March 2019
Donka Zaneva-Todorinski	2013/14	10.00p	1,250	-	-	-	1,250
	2014/15	10.00p	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.

### Sir John Lewis OBE

Chairman of the Remuneration Committee

## **Independent Auditor's Report**

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### **Independent Auditor's Report to the Members of Prime People Plc**

#### **Opinion**

We have audited the financial statements of Prime People plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 March 2019, which comprise:

- the Group Statement of Comprehensive Income for the year ended 31 March 2019;
- the Group and Parent Company Statements of Financial Position as at 31 March 2019;
- the Group and Parent Company Statements of Cash Flows for the year then ended;
- the Group and Parent Company Statements of Changes in Equity for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 2019 and of the Group's profit for the period 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.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- The directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



## Independent Auditor's Report (continued)

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### Overview of our audit approach

#### *Materiality*

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Our determination of materiality decreased from £170,000 for the year ending 31 March 2018 to £125,000 for the year ending 31 March 2019. Our basis for materiality changed from 0.75% of Group revenue to 5% of the Group's profit before tax. The move to profit before tax reflects the increased focus on this metric by stakeholder and it is considered to be the most significant determinant of the Group's financial performance.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration. We agreed with the Audit Committee to report to it all identified errors in excess of £5,000 (2018: £5,000). Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

#### *Overview of the scope of our audit*

The Group's operations are mainly based in the UK, Hong Kong and Singapore. We performed a full scope audit on all trading components of the Group. The finance function is based in the UK at one central operating location. The audit team visited this location and performed a full scope audit.

#### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

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#### ***Key audit matter***

#### ***How the scope of our audit addressed the key audit matter***

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#### ***Impairment of goodwill***

The Group held goodwill of £10.5m (2018: £10.5m) at the year end. There is a risk that the carrying value of goodwill may be higher than the recoverable amount. Management has performed a full impairment review for goodwill and no impairment was recorded.

When a review for impairment is conducted, the recoverable amount is determined based on value in use calculations which rely on the directors' assumptions and estimates of future trading performance.

We evaluated and challenged the directors' future cash flow forecasts and the process by which they were drawn up and tested the underlying value in use calculations. We compared management's forecast with the latest Board approved budget and found them to be reasonable.

We challenged:

- The key assumptions for short- and long-term growth rates in the forecasts by comparing them with historical results, as well as economic and industry forecasts for the UK recruitment market; and

**Independent Auditor's Report (continued)**

<b><i>Key audit matter</i></b>	<b><i>How the scope of our audit addressed the key audit matter</i></b>
<b><i>Impairment of goodwill (continued)</i></b>	
<p>The key assumptions applied by the directors in the impairment reviews are country-specific discount rates and future growth</p>	<ul style="list-style-type: none"> <li>- The discount rate used in the calculations by assessing the cost of capital for the Group and comparable organisations.</li> </ul> <p>We performed sensitivity analysis on the key assumptions within the cash flow forecasts.</p> <p>This included sensitising the discount rate applied to the future cash flows, and the short and longer-term growth rates.</p> <p>We ascertained the extent to which a change in these assumptions, both individually or in aggregate, would result in a goodwill impairment, and considered the likelihood of such events occurring. We also ensured that sufficient and appropriate disclosure regarding such events was included in the Group's financial statements.</p>
<b><i>Revenue recognition</i></b>	
<p>The group generates revenue from the provision of recruitment consultancy services, which consists of revenue from contractors and permanent placements.</p> <p>In respect of revenue recognition, the accounting policy is described on page 37.</p> <p>The risk of material misstatement in relation to revenue recognition concerns the recognition around the year end, particularly in relation to contractor placements. Revenue is recognised for contractor placements when the service has been provided. There is a significant judgement involved at the period end as to the amount of accrued cost for these contractors that the group are liable to and therefore the amount of corresponding revenue that should be recognised.</p> <p>In view of the judgements involved and the significance of this matter to the determination of group revenue, we consider this to be an area giving rise to significant risk of material misstatement in the financial statements.</p>	<p>We performed following procedures on all trading components:</p> <ul style="list-style-type: none"> <li>- We assessed the design and implementation of key controls around all streams of revenue recognised.</li> <li>- We selected a sample of revenue transactions for detailed transaction testing to verify that the revenue recognition criteria had been met and to verify that the transaction had actually occurred and was recorded at the correct value. We performed analytical procedures.</li> <li>- We tested the accrued income associated with work performed by contractors and temporary workers before the year end, by comparing the amounts to timesheets submitted after year end.</li> <li>- We performed period-end cut off testing focusing on material items to check all revenue recognition criteria had been met and revenue had been recognised in the correct period.</li> <li>- We considered whether the revenue and cost recognition policies comply with Accounting Standards, with specific reference to IFRS 15.</li> </ul>

**Independent Auditor's Report (continued)**

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**Key audit matter****How the scope of our audit addressed the key audit matter**

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**Revenue recognition (continued)**

The year ended 31 March 2019 also represents the first year in which the financial statements are prepared under the provisions of IFRS 15 – revenue from contracts with customers. We consider that the judgements made by management in relation to the completeness and accuracy of the financial impact and disclosures on the transition from IAS 18 Revenue to IFRS 15 represent a risk of material misstatement.

Our audit procedures included comparing management's impact assessment of the adoption of IFRS 15 and its supporting documentation with the accounting standard and its disclosure requirements. We reviewed the disclosures made in the financial statements against the impact assessment and the provisions of the standard.

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**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 Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

## **Independent Auditor's Report (continued)**

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### **Matters on which we are required to report by exception (*continued*)**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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.

### **Responsibilities of the directors for the financial statements**

As explained more fully in the directors' responsibilities statement set out on page 12 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

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.

Stacy Eden (Senior Statutory Auditor)

for and on behalf of

**Crowe U.K. LLP**

Statutory Auditor

London

20<sup>th</sup> June 2019

## Consolidated Statement of Comprehensive Income

### For the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
<b>Revenue</b>	2, 3	<b>24,660</b>	22,916
Cost of sales		(8,873)	(9,769)
<b>Net fee income</b>	2	<b>15,787</b>	13,147
Administrative expenses		(13,316)	(11,954)
<b>Operating profit</b>	4	<b>2,471</b>	1,193
<b>Profit before taxation</b>		<b>2,471</b>	1,193
Income tax expense	7	(298)	(166)
<b>Profit for the year</b>		<b>2,173</b>	1,027
<b>Other comprehensive income</b> <i><u>Items that will or may be reclassified</u></i> <i><u>to profit or loss:</u></i>			
Exchange profit/(loss) on translating foreign operations		<b>106</b>	(243)
<b>Other Comprehensive income for the year, net of tax</b>		<b>106</b>	(243)
<b>Total comprehensive income for the year</b>		<b>2,279</b>	784
<b>Profit attributable to:</b>			
Equity shareholders of the parent		<b>1,660</b>	1,022
Non-controlling interest		<b>513</b>	5
<b>Total comprehensive income attributable to:</b>			
Equity shareholders of the parent		<b>1,766</b>	779
Non-controlling interest		<b>513</b>	5
<b>Earnings per share</b>	9		
Basic earnings per share		<b>13.72p</b>	8.67p
Diluted earnings per share		<b>13.38p</b>	8.53p

The above results relate to continuing operations.

## Consolidated Statement of Changes in Equity

For the year ended 31 March 2018

	Called up share capital	Capital Redemption reserve	Treasury shares	Share premium account	Merger reserve	Share option reserve	Translation reserve	Retained Earnings	Total attributable to equity holders of the parent	Non- controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 31 March 2017</b>	<b>1,229</b>	<b>9</b>	<b>(21)</b>	<b>5,371</b>	<b>173</b>	<b>280</b>	<b>733</b>	<b>7,299</b>	<b>15,073</b>	<b>-</b>	<b>15,073</b>
Total comprehensive income for the year	-	-	-	-	-	-	-	1,022	1,022	5	1,027
Other comprehensive income	-	-	-	-	-	-	(243)	-	(243)	-	(243)
Adjustment in respect of share schemes	-	-	-	-	-	34	-	60	94	-	94
Shares purchased for treasury	-	-	(408)	-	-	-	-	-	(408)	-	(408)
Shares issued from treasury	-	-	3	-	-	-	-	-	3	-	3
Acquisition of subsidiary with Non-Controlling Interest	-	-	-	-	-	-	-	-	-	70	70
Adjustment on share disposal	-	-	5	-	-	-	-	(5)	-	-	-
Dividend	-	-	-	-	-	-	-	(612)	(612)	-	(612)
<b>At 31 March 2018</b>	<b>1,229</b>	<b>9</b>	<b>(421)</b>	<b>5,371</b>	<b>173</b>	<b>314</b>	<b>490</b>	<b>7,764</b>	<b>14,929</b>	<b>75</b>	<b>15,004</b>

## Consolidated Statement of Changes in Equity

For the year ended 31 March 2019

	Called up share capital	Capital Redemption reserve	Treasury shares	Share premium account	Merger reserve	Share option reserve	Translation reserve	Retained Earnings	Total attributable to equity holders of the parent	Non- controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 31 March 2018</b>	<b>1,229</b>	<b>9</b>	<b>(421)</b>	<b>5,371</b>	<b>173</b>	<b>314</b>	<b>490</b>	<b>7,764</b>	<b>14,929</b>	<b>75</b>	<b>15,004</b>
IFRS 15 adjustment for revenue recognition	-	-	-	-	-	-	-	(1,976)	(1,976)	-	(1,976)
Total comprehensive income for the year	-	-	-	-	-	-	-	1,659	1,659	513	2,172
Other comprehensive income	-	-	-	-	-	-	106	-	106	-	106
Adjustment in respect of share schemes	-	-	-	-	-	23	-	-	23	-	23
Shares purchased for treasury	-	-	(26)	-	-	-	-	-	(26)	-	(26)
Shares issued from treasury	-	-	246	-	-	-	-	-	246	-	246
Adjustment on share disposal	-	-	40	-	-	-	-	5	45	-	45
Dividend	-	-	-	-	-	-	-	(595)	(595)	-	(595)
<b>At 31 March 2019</b>	<b>1,229</b>	<b>9</b>	<b>(161)</b>	<b>5,371</b>	<b>173</b>	<b>337</b>	<b>596</b>	<b>6,857</b>	<b>14,411</b>	<b>588</b>	<b>14,999</b>

## Consolidated Statement of Financial Position

As at 31 March 2019

	Note	2019 £'000	2018 £'000
<b>Assets</b>			
<b>Non – current assets</b>			
Goodwill	11	10,527	10,527
Property, plant and equipment	10	752	242
Deferred tax asset	16	40	45
		11,319	10,814
<b>Current assets</b>			
Trade and other receivables	13	4,646	5,616
Current tax asset		-	41
Cash at bank and in hand	21	2,309	1,234
		6,955	6,891
<b>Total assets</b>		<b>18,274</b>	<b>17,705</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	15	3,080	2,679
Current tax liability		173	-
		3,253	2,679
<b>Non-current liabilities</b>			
Deferred tax liability	16	22	22
<b>Total liabilities</b>		<b>3,275</b>	<b>2,701</b>
<b>Net assets</b>		<b>14,999</b>	<b>15,004</b>



## Consolidated Statement of Financial Position

As at 31 March 2019

	Note	2019 £'000	2018 £'000
<b>Capital and reserves attributable to the Company's equity holders</b>			
Called up share capital	17	1,229	1,229
Capital redemption reserve fund	18	9	9
Treasury shares	18	(161)	(421)
Share premium account	18	5,371	5,371
Merger reserve	18	173	173
Share option reserve	18	337	314
Translation reserve	18	596	490
Retained earnings	18	6,857	7,764
		<b>14,411</b>	<b>14,929</b>
Non-controlling interest		<b>588</b>	75
<b>Total equity</b>		<b>14,999</b>	<b>15,004</b>

The financial statements on pages 27 to 65 were approved by the Board of Directors and authorised for issue on 20<sup>th</sup> June 2019 and are signed on its behalf by:

R J G Macdonald

D Zaneva-Todorinski

## Company Statement of Financial Position

As at 31 March 2019

	Note	2019 £'000	2018 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	12	11,213	11,190
		<b>11,213</b>	11,190
<b>Current assets</b>			
Trade and other receivables	13	124	9
Cash and cash equivalents	21	322	15
		<b>446</b>	24
<b>Total assets</b>		<b>11,659</b>	11,214
<b>Liabilities</b>			
<b>Current liabilities</b>			
Other payables	15	1,125	791
<b>Total liabilities</b>		<b>1,125</b>	791
<b>Net assets</b>		<b>10,534</b>	10,423
<b>Capital and reserves attributable to the Company's equity holders</b>			
Called up share capital	17	1,229	1,229
Capital redemption reserve fund	18	9	9
Treasury shares	18	(161)	(421)
Share premium account	18	5,371	5,371
Merger reserve	18	173	173
Share option reserve	18	337	314
Retained earnings	18	3,576	3,748
<b>Total equity</b>		<b>10,534</b>	<b>10,423</b>

The Company's retained earnings includes profit for the year of £458,173 (2018: £386,536).

The financial statements of Prime People Plc, Company Number 01729887 were approved by the Board and authorised for issue on 20<sup>th</sup> June 2019 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 2019

Company	Called up share capital £'000	Capital Redemption reserve £'000	Treasury shares £'000	Share premium account £'000	Merger reserve £'000	Share option reserve £'000	Retained earnings £'000	Total £'000
<b>At 1 April 2017</b>	<b>1,229</b>	<b>9</b>	<b>(21)</b>	<b>5,371</b>	<b>173</b>	<b>280</b>	<b>3,978</b>	<b>11,019</b>
Total comprehensive income for the year	-	-	-	-	-	-	387	387
Shares purchased for treasury	-	-	(408)	-	-	-	-	(408)
Shares issued from treasury	-	-	3	-	-	-	-	3
Adjustment on share disposal	-	-	5	-	-	-	(5)	-
Investment in subsidiaries	-	-	-	-	-	34	-	34
Dividend	-	-	-	-	-	-	(612)	(612)
<b>At 31 March 2018</b>	<b>1,229</b>	<b>9</b>	<b>(421)</b>	<b>5,371</b>	<b>173</b>	<b>314</b>	<b>3,748</b>	<b>10,423</b>
Total comprehensive income for the year	-	-	-	-	-	-	458	458
Shares purchased for treasury	-	-	(26)	-	-	-	-	(26)
Shares issued from treasury	-	-	246	-	-	-	-	246
Adjustment on share disposal	-	-	40	-	-	-	(35)	5
Investment in subsidiaries	-	-	-	-	-	23	-	23
Dividend	-	-	-	-	-	-	(595)	(595)
<b>At 31 March 2019</b>	<b>1,229</b>	<b>9</b>	<b>(161)</b>	<b>5,371</b>	<b>173</b>	<b>337</b>	<b>3,576</b>	<b>10,534</b>

## Group and Company Cash Flow Statement

For the year ended 31 March 2019

		<b>Group</b>		<b>Company</b>	
	Note	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cash generated from (used in) underlying operations</b>	<b>20</b>	<b>2,146</b>	1,320	<b>241</b>	(43)
Income tax paid		<b>(111)</b>	(256)	<b>(9)</b>	(11)
<b>Net cash from/(used by) operating activities</b>		<b>2,035</b>	1,064	<b>232</b>	(54)
<b>Cash flows from/(used in) investing activities</b>					
Net purchase of property, plant and equipment		<b>(727)</b>	(209)	-	-
Purchase of subsidiary, net of cash acquired		-	(771)	-	-
Dividend received		-	-	<b>450</b>	450
<b>Net cash from / (used in) investing activities</b>		<b>(727)</b>	(980)	<b>450</b>	450
<b>Cash flows from financing activities</b>					
Issue of ordinary share capital		-	-	-	-
Shares issued from treasury		<b>260</b>	-	<b>246</b>	3
Shares purchased for treasury		-	(408)	<b>(26)</b>	(408)
Dividend paid to shareholders		<b>(595)</b>	(612)	<b>(595)</b>	(612)
<b>Net cash used in financing activities</b>		<b>(335)</b>	(1,020)	<b>(375)</b>	(1,017)
<b>Net (decrease)/ increase in cash and cash equivalents</b>		<b>973</b>	(936)	<b>307</b>	(621)
<b>Cash and cash equivalents at beginning of the year</b>		<b>1,234</b>	2,409	<b>15</b>	636
Effect of foreign exchange rate changes		<b>102</b>	(239)	-	-
<b>Cash and cash equivalents at the end of the year</b>	<b>21</b>	<b>2,309</b>	1,234	<b>322</b>	15

## **Notes to the Financial Statements**

### **For the year ended 31 March 2019**

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#### **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 01729887.

#### **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 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 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 to include any items at fair value, as required by accounting standards.

The consolidated financial statements for the year ended 31 March 2019 (including comparatives) are presented in GBP '000.

The accounting policies applied by the Group in these consolidated financial statements are the same as those applied in its consolidated financial statements as at and for the year ended 31 March 2018, except for revenue recognition which is covered in more detail in Note 2(a) and are described below.

a) The Group adopted IFRS 15 standard- Revenue from Contracts with Customers from 1st April 2018. Under the standard, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange of transferring goods or services to a customer.

## Notes to the Financial Statements

### For the year ended 31 March 2019

#### Summary of Significant Accounting Policies (continued)

The Group has applied IFRS 15 using the cumulative effect method – i.e. by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 1 April 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11. The following table summarise the impacts of adopting IFRS 15 on the Group's consolidated report for the year ending 31 March 2019.

	Reported as at 31 March 2019 £'000	Adjustments Under IFRS 15 £'000	Balance without adopting IFRS 15 £'000
Revenue	24,660	(322)	24,338
Accrued Income	-	1,654	1,654
Retained Earnings	6,857	1,654	8,511
Retained profit for basic and diluted earnings per share	1,659	(322)	1,337
Basic earnings per share	13.72p	(2.73p)	11.05p
Diluted earnings per share	13.38p	(1.60p)	10.78p

The resulting changes in the timing of revenue and cost recognition aligns the financial results more closely with the timing of the delivery of services to our clients. The standard introduces a direct link between the value provided to a client and the timing of revenue recognition, as revenue is recognised when a candidate starts an assignment.

Permanent revenue is recognised from permanent placements based on a percentage of candidate's remuneration package. The impact of the transition to IFRS 15 resulted in revenue recognised at the point that the candidate starts the job, as opposed to the previous policy which recognised permanent revenue at the date an offer is made. A provision is made against cancellation of placements shortly after commencement of employment. The transition to IFRS 15 on permanent revenue has been accounted for under the cumulative effect method.

Contract revenue, which represents amounts billed for the services of temporary staff, including the salary costs of these staff, is recognised when the service has been provided. This basis of revenue recognition is consistent with IFRS 15 with no effect on revenue earned on temporary placements.

## **Notes to the Financial Statements**

### **For the year ended 31 March 2019**

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#### **Summary of Significant Accounting Policies (continued)**

##### **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. The effective dates below are for reporting periods beginning on or after that point:

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

- IFRIC 23 Uncertainty over Income Tax Treatments (Issued on 7 June 2017, effective 1 January 2019)
- IFRS 16 Leases (issued on 13 January 2016, effective 1 January 2019)

##### **IFRS 16 – Leases**

On adoption of IFRS 16 the Group will recognise within the balance sheet a right of use asset and a corresponding lease liability for all applicable leases. Within the income statement, operating lease rentals payable will be replaced by depreciation and interest expense. This will result in an increase in operating profit and an increase in finance costs.

If IFRS 16 had been applied in the current accounting period, assets and liabilities would have increased by approximately £2.2m with an immaterial impact on the reported results.

##### **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.

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.

**Notes to the Financial Statements  
For the year ended 31 March 2019**

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**Summary of Significant Accounting Policies (continued)**

**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; and
- Revenue from permanent placements, which is based on a percentage of the candidate’s remuneration package and is derived from both retained assignments (where income is recognised on completion of defined stages of work) and non-retained assignments. The Group has changed its revenue-recognition policy from April 2018 in accordance with IFRS 15, Revenue from Contracts with Customers. This requires revenue to be recognised once value has been received by the customer and when the performance obligations have been satisfied. Revenue from non-retained, permanent-placement assignments is now recognised when a candidate commences employment, whereas previously recognition was at the date an offer was accepted by a candidate and where a start date had been determined. There has been no effect on either contract placements or retained, permanent-placement assignments.

The change resulted in a deferral of revenue from the previous period to the current one and a reduction in the retained earnings of the Group from the previous period of £2.0m.

**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 and the margin earned on the placement of contract candidates.

**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.



## **Notes to the Financial Statements**

### **For the year ended 31 March 2019**

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#### **Summary of Significant Accounting Policies (continued)**

##### (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 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.

#### **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:

- 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 within profit and loss.

#### **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).

## **Notes to the Financial Statements**

### **For the year ended 31 March 2019**

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#### **Summary of Significant Accounting Policies (continued)**

##### **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, 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 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 a lease is spread evenly over the lease term.

##### **j) Pension Costs**

The Group operates a defined contribution pension scheme. The Group adopts both the minimum legally required employer contribution rate of 2% of qualifying earnings, and the maximum earning threshold for automatic enrolment for 2018-19, 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 day of each month.

##### **k) Segmental Reporting**

IFRS8 requires operating segments to be identified based on 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.

## **Notes to the Financial Statements**

### **For the year ended 31 March 2019**

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#### **Summary of Significant Accounting Policies (continued)**

##### **m) Financial assets**

The Group's financial assets comprise cash and various other receivable balances that arise from its operations. All of the Group's financial assets are held within a business model whose objective is to collect contractual cash flows which are solely payments of principals and interest and therefore classified as subsequently measured at amortised cost.

With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

The Group assesses on a forward-looking basis the expected credit losses ("ECL"), defined as the difference between the contractual cash flows and the cash flows that are expected to be received. For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs and recognises a loss allowance based on lifetime ECLs at each reporting date. For all other financial assets, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets except for trade receivables, where the carrying amount is reduced using 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.

Cash and cash equivalents include 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.

##### **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. Financial liabilities are subsequently measured at amortised cost. The Group's financial liabilities comprise trade payables, 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.

## **Notes to the Financial Statements**

### **For the year ended 31 March 2019**

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#### **Summary of Significant Accounting Policies (continued)**

##### **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.

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 commences employment.

##### **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.

##### **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, considering 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.

## Notes to the Financial Statements

### For the year ended 31 March 2019

### 3 Segment Reporting

#### a) Revenue and Net Fee Income, by Geographical Region

Information provided to the Board is focused on regions and as a result, reportable segments are on a regional basis.

	Revenue		Net fee income	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
UK	16,472	17,515	7,599	7,746
Asia	7,770	5,060	7,770	5,060
Rest of World	418	341	418	341
	<b>24,660</b>	22,916	<b>15,787</b>	13,147

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	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Permanent				
-UK	6,501	6,551	6,493	6,548
-Asia	7,770	5,060	7,770	5,060
-Rest of World	418	341	418	341
Contract (UK)	9,971	10,964	1,106	1,198
Total	<b>24,660</b>	22,916	<b>15,787</b>	13,147

## Notes to the Financial Statements

### For the year ended 31 March 2019

#### 3 Segment Reporting (continued)

##### c) Profit before Taxation by Geographical Region

	2019 £'000	2018 £'000
UK	928	906
Asia	1,523	489
Rest of World	20	(202)
Operating Profit	2,471	1,193
Net finance income	-	-
Profit before taxation	2,471	1,193

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 £0.83m (2018: £0.72m) for the UK, and charges of £0.77m (2018: £0.63m) for Asia and £0.06m (2018: £0.09m) for the rest of the world.

Intersegmental revenue and charges relate to transfer of services from one subsidiary of the Group to another. They are based on arm's length calculations and in proportion to segmental headcount as percentage of the total Group headcount.

##### d) Segment Assets and Liabilities by Geographical Region

	Total assets		Total liabilities	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
UK	12,502	12,896	2,036	1,382
Asia	5,375	3,562	1,159	950
Rest of World	397	1,247	80	369
Total	18,274	17,705	3,275	2,701

The analysis above is of the carrying amount of reportable segment assets and liabilities. Segment assets and liabilities include items directly attributable to a segment and include income tax assets and liabilities.

## Notes to the Financial Statements

### For the year ended 31 March 2019

#### 4 Profit on ordinary activities before taxation

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Profit for the year is arrived at after charging:		
Depreciation - owned assets	<b>220</b>	123
Operating lease rentals - land and buildings	<b>586</b>	740
(Profit)/loss on disposal of fixed assets	<b>(1)</b>	-
Exchange rate loss	<b>3</b>	(5)
The analysis of auditor's remuneration is as follows:		
Audit of Company	<b>23</b>	25
Audit of subsidiaries	<b>36</b>	35
<b>Total audit fees</b>	<b>59</b>	<b>60</b>

#### 5 Directors' emoluments

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Emoluments for qualifying services	<b>562</b>	508
	<b>562</b>	508
Highest paid Director:		
Emoluments for qualifying services	<b>231</b>	201

Details of Directors' emoluments and interests, which form part of these financial statements, are provided in the Director's Remuneration report on pages 20 to 21.

## Notes to the Financial Statements

### For the year ended 31 March 2019

#### 6 Employees

Group	2019 Number	2018 Number
The average monthly number of employees of the Group during the year, including Directors, was as follows:		
Consultants	106	104
Management and administration	32	32
Temporary staff	37	43
	<b>175</b>	<b>179</b>

Company	2019 Number	2018 Number
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The average monthly number of employees of the Company during the year, including Directors, was as follows:

Management	5	6
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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	2019 £'000	2018 £'000
Wages and salaries	8,360	8,612
Social security costs	709	704
Pension contributions	84	(14)
Share option charge	57	94
	<b>9,210</b>	<b>9,396</b>
Remuneration of key management	2019 £'000	2018 £'000
Short-term employee benefits	1,139	1,129
Social security costs	115	118
Share-based payments	33	25
Pension contributions	49	2
	<b>1,336</b>	<b>1,274</b>

Key management includes executive Directors and senior divisional managers.



## Notes to the Financial Statements

### For the year ended 31 March 2019

#### 7 Taxation on Profits on Ordinary Activities

	2019 £'000	2018 £'000
<b>a) Analysis of tax charge in the year</b>		
<b>Current tax</b>		
UK Corporation tax	173	134
Foreign tax	129,107	12
Foreign tax over-provision in prior years	-	-
<b>Total current tax</b>	<b>302</b>	<b>146</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	-	22
Deferred tax on fair value share option charge	(4)	(2)
<b>Total charge on profit for the year</b>	<b>298</b>	<b>166</b>

UK corporation tax is calculated at 19% (2018: 19%) 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:**

	2019 £'000	2018 £'000
<b>Profit before taxation</b>	<b>2,471</b>	<b>1,193</b>
Tax at UK corporation tax rate of 19% (2018: 19%) on profit on ordinary activities	470	227
Effects of:		
Expenses not deductible for tax purposes	8	28
Depreciation for the period less than capital allowances	(26)	(20)
Tax losses not utilised/(utilised)	2	6
Tax rate differences	(125)	(11)
Temporary differences recognised	(34)	(20)
Permanent timing differences	(2)	-
Share option charge/exercised	5	-
Overprovision in prior years	-	(64)
Group relief	-	-
<b>Total current tax</b>	<b>298</b>	<b>146</b>
<b>Deferred Tax</b>		
Origination and reversal of temporary differences	-	20
<b>Tax charge for the year</b>	<b>298</b>	<b>166</b>

## Notes to the Financial Statements

### For the year ended 31 March 2019

#### 8 Dividends

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Final dividend for 2018: 3.25p per share (2017: 3.25p per share)	<b>383</b>	398
Interim dividend for 2019: 1.80p per share (2018: 1.75p per share)	<b>212</b>	214
	<b>595</b>	612

A final dividend of 3.25p (2017: 3.25p) was paid on 27 July 2018 to shareholders on the register on 20 July 2018.

An interim dividend of 1.80p (2018: 1.75p) was paid on 7 December 2018 to shareholders on the register at the close of business on 30 November 2018. The interim dividend was approved by the Board on 15 November 2018.

A final dividend of 3.40p per share will, subject to shareholder approval at the Annual General Meeting, be paid on 2 August 2019 to shareholders who are on the register on 19 July 2018, making a total dividend paid to shareholders for the year of 5.20p per ordinary share. (2018: 5.00p)

## Notes to the Financial Statements

### For the year ended 31 March 2019

#### 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 potentially dilutive existing options.

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

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Profit for the year and earnings used in basic and diluted earnings per share	<b>1,660</b>	1,022
	<b>Number</b>	<b>Number</b>
Weighted average number of shares used for basic earnings per share	<b>12,094,523</b>	11,784,523
Dilutive effect of share options	<b>307,031</b>	184,146
Diluted weighted average number of shares used for diluted earnings per share	<b>12,401,554</b>	11,968,669
	<b>Pence</b>	<b>Pence</b>
Basic earnings per share	<b>13.72p</b>	8.67p
Diluted earnings per share	<b>13.38p</b>	8.53p

## Notes to the Financial Statements

### For the year ended 31 March 2019

#### 10 Property, Plant and Equipment

Group	Fixtures, fittings and equipment £'000	Total £'000
<b>Cost</b>		
At 1 April 2017	1,075	1,075
Additions	209	209
Acquisition	115	115
Disposals	-	-
Exchange difference	(31)	(31)
At 1 April 2018	1,368	1,368
Additions	727	727
Acquisition	-	-
Disposals	(133)	(133)
Exchange difference	18	18
<b>At 31 March 2019</b>	<b>1,980</b>	<b>1,980</b>
<b>Depreciation</b>		
At 1 April 2017	939	939
Provision for the year	123	123
Acquisition	91	91
Disposals	0	0
Exchange difference	(27)	(27)
At 1 April 2018	1,126	1,126
Provision for the year	220	220
Acquisition	-	-
Disposals	(133)	(133)
Exchange difference	15	15
<b>At 31 March 2019</b>	<b>1,228</b>	<b>1,228</b>
<b>Net book value</b>		
<b>At 31 March 2019</b>	<b>752</b>	<b>752</b>
At 31 March 2018	242	242
At 31 March 2017	136	136

## Notes to the Financial Statements

### For the year ended 31 March 2019

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#### 11 Goodwill

**£'000**

##### Cost

At 1 April 2018 **10,527**

**At 31 March 2019** **10,527**

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The total carrying value of goodwill is £10.53m, which relates to the acquisition of the Macdonald & Company Group in January 2006 and Command Recruitment Group (H.K.) Limited in October 2017. It has been tested for impairment with the recoverable amount being determined from value-in-use calculations.

The assessment for Macdonald & Company Group 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 assumption in calculating the value in use was that the Group would meet its budgeted growth in UK net fee income of 14.42% in the year to 31 March 2020. For the year after the end of the period covered by the budget a growth rate of 2.00% is applied. This is followed by an assumed growth rate of 2.00%, which is deemed reasonable and represents the average rate of growth in the markets in which the Group operates. A discount rate of 6.60% has been applied, representing the weighted average cost 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) exceeds the carrying amount by £1.62m. A few 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 8.63% or if there were no future growth. Management believes the assessment is reasonable based on average UK operating profit achieved for the past three years above £1.43m.

The assessment of Command Recruitment Group (H.K) Limited is based on projected results in Hong Kong and Dubai. The approach is the same as that used for Macdonald & Company Group. In assessing value in use, the estimated future cash flows are calculated by preparing cash flow forecasts derived from the most recent financial budget and projections for five years, followed by an assumed growth rate of 0% which does not exceed the long-term average growth rate of the relevant markets. This analysis does not indicate any material impairment. Several potential sensitivity scenarios have been considered and these would only indicate material impairment in the carrying value of goodwill if the discount rate were to be increased to 27% and if the budgeted operating profit is underachieved by 50%. Management believes that both scenarios are unlikely as Command continues to perform in line with management expectations. As a result, the Group has continued to make significant investments in the business to accelerate its growth in line with the Group's strategy to build a strong presence in Hong Kong and maximise the long-term growth opportunities available in the market.

## Notes to the Financial Statements

### For the year ended 31 March 2019

#### 12 Investments

Company shares in subsidiary undertakings	2019	2018
	£'000	£'000
<b>Cost</b>		
At 1 April 18	11,190	11,156
Increase/ (decrease) in shares from subsidiary from share option reserve	23	34
<b>At 31 March 19</b>	<b>11,213</b>	<b>11,190</b>

#### Non-Controlling Interest

The following table summarises the information relating to Command, that is a subsidiary with material non-controlling interest ("NCI"), before any intra-group eliminations.

	2019	2018
	£'000	£'000
<b>NCI percentage</b>	<b>40%</b>	<b>40%</b>
Non-current assets	110	17
Current assets	2,237	855
Non-current liabilities	-	-
<b>Net assets</b>	<b>2,347</b>	<b>872</b>
Net assets attributable to NCI	939	349
Revenue	3,972	840
Operating profit	907	3
Other comprehensive income/(loss)	20	-
<b>Total comprehensive income</b>	<b>1,414</b>	<b>843</b>
Operating profit allocated to NCI	566	1
Other comprehensive income allocated to NCI	8	-
Cash flows from operating activities	2,585	222
Cash flows from investment activities	-	-
Cash flows from financing activities (dividends to NCI: nil)	-	-
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,585</b>	<b>222</b>

The Group acquired 60% holding of Command on 11 October 2017, and it became a subsidiary from that date. Accordingly, the comparative information for 2018 for Command is only for period 11 October 2017 to 31 March 2018.

## Notes to the Financial Statements

### For the year ended 31 March 2019

#### 12 Investments (continued)

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

	<b>Country of incorporation</b>	<b>Principal activity</b>	<b>Registered address</b>
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 & Company (Overseas) Limited	England and Wales	Dormant	2 Harewood Place, Hanover Square, London, W1S 1BX
Macdonald & Company Ltd	Hong Kong	Recruitment	29th Floor 3 Lockhart Road Wan Chai, Hong Kong
Ru Yi Consulting Limited	Hong Kong	Dormant	29th Floor 3 Lockhart Road Wan Chai, 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	Recruitment	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
Command Recruitment Group (H.K.) Limited	Hong Kong	Recruitment	29th Floor 3 Lockhart Road Wan Chai, Hong Kong

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 except in the case of Command Recruitment Group (H.K.) Limited, where it owns 60%. 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 2019

#### 13 Trade and other receivables

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Current</b>				
Trade receivables	4,156	3,050	-	-
Allowance for doubtful debts	(621)	(178)	-	-
Other receivables	243	111	119	4
Prepayments and accrued income	868	2,633	5	5
	<b>4,646</b>	<b>5,616</b>	<b>124</b>	<b>9</b>

At 31 March 2019, the average credit period taken on sales of recruitment services was 131 days (2018: 69 days) from the date of invoicing. An allowance of £621,000 (2018: £178,000) 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.

A Provision for impairment of trade receivables has been made. In reviewing the appropriateness of the provision, consideration has been given to the ageing of the debt and the potential likelihood of default, taking into account current economic conditions.

The ageing of trade receivables at the reporting date was:

	Gross trade receivables	Provisions	Gross trade receivables	Provisions
	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Not past due 0 -30days	1,654	68	1,861	41
Past due 30-90 days	1,435	157	956	83
Past due more than 90 days	1,067	396	233	54
	<b>4,156</b>	<b>621</b>	<b>3,050</b>	<b>178</b>



## Notes to the Financial Statements

### For the year ended 31 March 2019

#### 13 Trade and other Receivables (continued)

Movement in allowance for doubtful debts:

	2019 £'000	2018 £'000
1 April 2018	178	24
Impairment losses recognised	621	178
Amounts written off as uncollectable	(117)	(10)
Amounts paid by the client	(61)	(14)
Impairment losses reversed	-	-
<b>31 March 2019</b>	<b>621</b>	<b>178</b>

#### 14 Financial Instruments

	Note	Group		Company	
		2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Loans and receivables</b>					
Trade and other receivables	13	4,261	4,638	124	5
Cash and cash equivalents		2,309	1,234	322	15
		<b>6,570</b>	<b>5,872</b>	<b>446</b>	<b>20</b>

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.

	Note	Group		Company	
		2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Financial liabilities and fair value through profit and loss</b>					
Trade and other payables	15	1,123	614	1,092	1
		<b>1,123</b>	<b>614</b>	<b>1,092</b>	<b>1</b>

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 2019

#### 15 Trade and other Payables

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Current</b>				
Trade payables	316	307	3	-
Other payables	807	307	1	1
Amount owed to subsidiary undertakings	-	-	1,093	748
Taxation and social security	730	845	6	13
Accruals	1,227	1,220	27	29
	<b>3,080</b>	<b>2,679</b>	<b>1,130</b>	<b>791</b>

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)	Other temporary differences £'000	Total £'000
At 1 April 2017	-	-
Credit to income	22	22
At 31 March 2018	22	22
Debit to income	-	-
<b>At 31 March 2019</b>	<b>22</b>	<b>22</b>

  

Group (Asset)	Share Options £'000	Total £'000
At 1 April 2017	43	43
Credit to income	2	2
At 31 March 2018	45	45
Debit to income	(5)	-
<b>At 31 March 2019</b>	<b>40</b>	<b>45</b>

## Notes to the Financial Statements

### For the year ended 31 March 2019

#### 17 Share Capital

	2019		2018	
	Number	£'000	Number	£'000
ALLOTTED CALLED UP				
Ordinary shares of 10p each				
As at 1 April 2018 and 31 March 2019	12,290,199	1,229	12,290,199	1,229

Share capital includes unpaid shares of (2018: nil).

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 19 July 2018, 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 2019 on 24 July 2019.

#### 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 adjusts 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 made purchases of its own shares which are held as Treasury Shares.

## Notes to the Financial Statements

### For the year ended 31 March 2019

#### 17 Share Capital (continued)

##### Employee Share Schemes

The Company operates two share options schemes with one of them, the Save as You Earn scheme, being dormant.

##### Enterprise Management Incentive Share Option Scheme

At 31 March 2019 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 2018	Granted	Exercised	Forfeited	Number of Options 31 March 2019
2011/12	68.00	2014-2019	3,000	-	-	-	3,000
2013/14	Nil	2016-2021	12,000	-	-	-	12,000
	Nil	2019-2021	65,250	-	(5,000)	(20,000)	40,250
2014/15	10.00	2016-2021	35,000	-	(5,000)	(10,000)	20,000
	10.00	2019-2021	267,500	-	-	(38,000)	229,500
2015/16	10.00	2017-2022	20,000	-	(20,000)	-	-
	10.00	2020-2022	30,000	-	-	-	30,000
	58.00	2017-2022	40,000	-	-	(15,000)	25,000
	58.00	2020-2022	85,000	-	-	(25,000)	60,000
2016/17	50.00	2019-2024	15,000	-	-	-	15,000
	50.00	2022-2027	45,000	-	-	-	45,000
	90.00	2019-2024	20,000	-	-	-	20,000
	90.00	2022-2027	25,000	-	-	-	25,000
2018/19	10.00	2020-2028	-	90,000	-	(10,000)	80,000
<b>Total 2019</b>			<b>662,750</b>	<b>90,000</b>	<b>(30,000)</b>	<b>(118,000)</b>	<b>604,750</b>
<b>Weighted average exercise price 2019 (pence)</b>			<b>28.37p</b>	<b>-</b>	<b>10.00p</b>	<b>10.00p</b>	<b>27.84p</b>
Total 2018			743,750	-	(10,000)	(71,000)	662,750
Weighted average exercise price 2018 (pence)			30.37p	-	34.00p	48.54p	28.37p

## Notes to the Financial Statements

### For the year ended 31 March 2019

There were 604,750 options outstanding at 31 March 2019 (2018: 662,750) which had a weighted average price per share of 28.37p (2018: 30.37p) and a weighted average contractual life of 5.4 years. 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 several key performance measures of the group, measured at a regional and consolidated level for the financial years 2018 and 2019. 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.

	2019	2018
Option pricing model used	<b>Black-Scholes</b>	Black-Scholes
Weighted average share price at grant date (in pence)	<b>76.00 &amp; 74.00</b>	-
Exercise price (in pence)	<b>10.00</b>	-
Fair value of options granted during the year	<b>68.98</b>	-
Expected volatility (%)	<b>20.00</b>	-
Risk-free interest rate (%)	<b>4.00</b>	-
Expected life of options (years)	<b>2 &amp; 5</b>	-

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

The share-based payment expense recognised within the income statement during the period was £57,306 (2018: expense £94,315).

## Notes to the Financial Statements

### For the year ended 31 March 2019

#### 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 2019, the total number of ordinary shares of 10p held in Treasury and their values were as follows:

	2019		2018	
	Number	£'000	Number	£'000
As at 1 April	505,676	421	18,276	21
Shares purchased for treasury	34,000	26	497,400	408
Shares issued from treasury	(344,000)	(246)	(10,000)	(3)
Equity reclassification on disposal of treasury shares	-	-	-	(5)
Loss on treasury shares disposal		(40)		
<b>As at 31 March</b>	<b>195,676</b>	<b>161</b>	<b>505,676</b>	<b>421</b>
<hr/>				
Nominal value		20		51
Market value		156		397

The maximum number of shares held in treasury during the year was 509,676 shares representing 4.1% of the called-up ordinary share capital of the Company (2018: 505,676 representing 4.1% 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 2019

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#### 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 2019 the Group was committed to making the following total payments in respect of non-cancellable operating leases:

	<b>Land and buildings 2019 £'000</b>	<b>Land and buildings 2018 £'000</b>
Amounts payable:		
Within one year	<b>532</b>	571
Within one to two years	<b>469</b>	471
Within two to five years	<b>816</b>	1,200
After five years	-	-
	<b>1,817</b>	2,242

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 2019

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

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Profit before taxation</b>	<b>2,471</b>	1,193	<b>10</b>	(54)
Adjust for:				
Depreciation	<b>220</b>	123	-	-
Share-based payment expense	<b>38</b>	94	-	-
(Profit)/Loss on sale of tangible asset	<b>1</b>	-	-	-
<b>Operating cash flow before changes in working capital</b>	<b>2,730</b>	1,410	<b>10</b>	(54)
IFRS 15 adjustment on reserves b/f	<b>(1,976)</b>			
(Increase)/decrease in receivables	<b>976</b>	(434)	<b>(115)</b>	(4)
Increase/(decrease) in payables	<b>416</b>	344	<b>346</b>	15
<b>Cash generated from / (used by) underlying operations</b>	<b>2,146</b>	1,320	<b>241</b>	(43)

#### 21 Analysis of Cash less overdrafts

Group	At 1 April 2018 £'000	Cash flow £'000	At 31 March 2019 £'000
Cash at bank and in hand	1,234	1,075	<b>2,309</b>
<b>Total cash</b>	1,234	1,075	<b>2,309</b>

Company	At 1 April 2018 £'000	Cash flow £'000	At 31 March 2019 £'000
Cash at bank and in hand	15	307	<b>322</b>
<b>Total cash</b>	15	307	<b>322</b>



## Notes to the Financial Statements

### For the year ended 31 March 2019

#### 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 31.53% (2018: 23.37%) of revenue and approximately 29.64% (2018: 23.88%) of the Group's assets and consequently the Group has a degree of translation exposure in accounting for overseas operations.

The Group exposure to foreign currency risk is as follows:

<b>As at 31 March 2019</b>	<b>Euro</b>	<b>USD</b>	<b>HK\$</b>	<b>S\$</b>	<b>AED</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash at bank	78	32	645	95	805
Trade and other receivables	-	-	648	140	1,389
Trade and other payables	-	-	(27)	(4)	-
Net exposure	<b>78</b>	<b>32</b>	<b>1,266</b>	<b>231</b>	<b>2,194</b>
<b>As at 31 March 2018</b>	<b>Euro</b>	<b>USD</b>	<b>HK\$</b>	<b>S\$</b>	<b>AED</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash at bank	92	215	278	228	203
Trade and other receivables	-	-	690	167	436
Trade and other payables	-	-	(12)	(4)	(4)
Net exposure	<b>92</b>	<b>215</b>	<b>956</b>	<b>391</b>	<b>635</b>

## Notes to the Financial Statements

### For the year ended 31 March 2019

#### Financial Risk Management (continued)

##### Sensitivity analysis – currency risk

A 10% weakening of Sterling against the above currencies at 31 March 2019 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis is applied currency by currency in isolation, i.e. ignoring the impact of currency correlation, and assumes that all other variables, interest rates, remain constant. The amounts generated from the sensitivity analysis are forward-looking estimates of market risk assuming certain adverse market conditions occur. Actual results in the future may differ materially from those projected, due to developments in the global financial markets which may cause fluctuations in interest and exchange rates to vary from the hypothetical amounts disclosed in the table below, which therefore should not be considered a projection of likely future events and losses.

	2019 equity £'000	2019 PTB £'000	2018 equity £'000	2018 PBT £'000
Euro	(7)	(7)	(8)	(8)
US Dollar	(3)	(3)	(20)	(20)
Hong Kong Dollar	(115)	(115)	(87)	(87)
Singapore Dollar	(21)	(21)	(36)	(36)
UAE Dirham	(199)	(199)	(58)	(58)

A 10% strengthening of Sterling against the above currencies at 31 March 2019 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

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 have significant credit risk exposure to one single client in Saudi Arabia which represents 32.45% of the Group trade receivables balance. Although there is no indication that the debts are uncollectable, the Directors are of the opinion that adequate provision is in place to cover any potential default by this client. Apart from this exposure, at the year-end no other customer represented more than 4.86% (2018: 6.95%) 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, considering current economic conditions.

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

## **Notes to the Financial Statements**

### **For the year ended 31 March 2019**

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#### **Financial Risk Management (continued)**

##### **Liquidity Risk**

The Group manages its 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 15, all due within one year of the year end.

The Group has net funds of £2.31m (2018: £1.23m) which the Board consider are more than adequate to meet future working capital requirements and to take advantage of business opportunities.

##### **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 £215k (2018: £215k). The balance owed to the subsidiary undertakings at the year-end is £1.09m (2018: £0.75m).

The Company also provides corporate guarantees on the subsidiary bank accounts. At 31 March 2019 amounts overdrawn by subsidiary bank accounts were £nil (2018: £nil).

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 £359,697 (2018: £355,249).

## **Directors and Advisers**

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### **Directors**

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

### **Secretary and Registered Office**

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

### **Registered Number**

01729887

### **Nominated Adviser & Broker**

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

### **Solicitors**

Charles Russell Speechlys LLP, 5 Fleet Place, London EC4M 7RD

### **Auditor**

Crowe U.K. LLP, St Bride's House, 10 Salisbury Square, London, EC4Y 8EH

### **Principal Bankers**

HSBC Bank PLC, Oxford Circus, 196 Oxford Street, Fitzrovia, London W1D 1NT

### **Registrars**

Neville Registrars Limited, Neville House, Steelpark Road, Halesowen, West Midlands, B62 8HD

## **Board of Directors**

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### **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. Led 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 Chartered 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. Led 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 FCCA – 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 and was awarded fellowship status in January 2019. 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 Group Finance Director in October 2015. She is a member of the Finance & Management Faculty of ICAEW.

#### **Chris Heyberd BA ACA – Non-executive Directors**

Chris qualified as a Chartered Accountant in 1980 and after that date held a few financial positions in a broad range of industries. Since 1989 his 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 remained on the Board in a non-executive capacity.

#### **Sir John Lewis OBE LLB (Hons) - Non-executive Director**

John is a solicitor (Non-practising) previously served as a partner in Lewis Lewis & Co which became part of Eversheds (to which he was a Consultant until 2019) 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.

**Board of Directors**

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**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 Executive Officer of Battersea Power Station Development Company and a Director of several private companies including OPD Group Limited an investment company with holdings in several recruitment businesses.



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