



Prime People Plc
Annual Report and Financial Statements
for the year ended 31 March 2018

2018

Annual Report and Financial Statements for the Year Ended 31 March 2018

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Chairman's Statement

Performance

Overall the year ended 31 March 2018 was a good one for us in the UK where our permanent business performed well, and UK contract business held up in the face of IR35 realignments. However, in contrast, our international business fell below the performance levels that we were hoping for making a lower contribution than in the previous year.

In October 2017 we were pleased to announce the acquisition of 60% of the equity of Command Recruitment Group (HK) Limited (CMD) a recruitment group focussed in the Architecture, Design, construction and engineering sectors. The new business has allowed the company to continue to advance its international strategy by extending its reach and capability both in Asia and the Middle East. CMD is trading in line with our expectations.

We closed the year with Revenue of £22.92m (2017: £24.21m) and NFI of £13.15m. NFI comprises the total placement fees of permanent candidates and the margin earned in the placement of contract staff. This is a 0.38% increase on last year (2017: £13.10m). NFI in the second half of the year of £7.00m was 13.83% higher than the first half of 2018, and it is encouraging to see a second half increase over the comparable period in 2017 of 3.40%.

There were number of good performances within the UK permanent property business and, in particular, Real Estate Banking and Investment generated improved NFI as did our Special Projects team.

Increased staff costs across the group, including hiring and establishments costs of a new Hong Kong Insights Team, together with an exceptional investment to maintain and improve our Customer Relationship Management systems impacted on operating profit which was £1.19m, (2017: £1.9m).

The conversion rate, which compares operating profit to NFI, was 9.08% (2017:14.54%) primarily because of the increased costs mentioned above.

During the year NFI productivity per head was £96.26k (2017: £102.33k).

The ratio of NFI derived from contract as against permanent placements was 9:91 (2017:10:90).

Cash Flow

The Group continues to maintain a good net cash position. At the start of the year the Group had cash of £2.40m and £1.23m at the year end. This is after the consideration and professional and other costs of approximately £1m paid for the purchase of Command Group and the £0.41m purchase of shares into treasury, referred to below.

Dividend

During the year, a final dividend of 3.25p per share was paid (2016:0.00p) and an interim dividend of 1.75p per share (2017: 1.75p) was paid to shareholders. The Board will be recommending a final dividend of 3.25p (2017: 3.25p) per share. This will result in a total dividend payment of 5.00p for the 2018 financial year (2017: 5.00p). Subject to market conditions and cash, the Group intends to continue to pay dividend on a progressive basis.

Share Buy Back

During the year 497,400 shares were purchased at a cost of £408,107 through the Group's buyback programme (2017:129,500). At year end the Group held 565,676 shares in treasury (2017: 18,276). The Board will be seeking shareholder approval for renewal of the authority to repurchase up to 10% (2017: 10%) of the Group's issued share capital at the Annual General Meeting.

Chairman's Statement (continued)

Board

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

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

People

The average number of staff (excluding temporary contractors) increased from 120 last year to 136 this year.

The Group has a diverse cultural and ethnic profile within the business and at the end of 2018 had a global 54:46 male to female gender ratio (2017: 54:46).

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.

Robert Macdonald
Executive Chairman

Current trading and outlook

We have continued to advance our overseas strategy by extending our reach in Asia and expect an increase in contribution from this area in 2019. The Group retains strong and well-established client relationships and committed talent ready to exploit current and new opportunities.

Whilst the Board is alert to macro-economic uncertainties, such as the effects of the UK's departure from the EU and possible turbulence in our overseas markets, the Group will continue to react swiftly to market conditions. The Group continues to invest in people and the technology to allow it to grow shareholders' returns by offering its clients innovative approaches to recruitment and a globally connected service.

Strategic Report

Overview

The Group provides permanent and contract recruitment services to selected, niche industry sectors.

The built environment continues to be the Group's largest market, served through its main subsidiary, Macdonald & Company. During this year the Company's acquisition of Command Recruitment Group (HK) limited extended the Group's capabilities and reach in the built environment sector both in Asia and the Middle East.

As distinct brands, Prime Insight and Prime Energy serve the data analysis & customer insight and renewable energy & sustainability sectors respectively.

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

The business is organised into teams of specialist consultants, each managed by a team leader who is responsible for performance within the operating framework approved by the Board. The Group operates a policy of open communication in the belief that its employees are 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 Group has two locations in the UK, the London head office and Manchester, with offices in Hong Kong (established in 2007), Dubai (established in 2008), Singapore (established in 2012), and a franchise in South Africa (established in 2008).

Group Revenue fell by 5.36% in the year to £22.92m (2017: £24.21m) primarily due to a lower level of contract business as contractors realigned to PAYE status under IR35.

NFI for the Group increased by 0.374% to £13.15m (2017: £13.1m) but after taking account of increased administration costs the business delivered a reduced operating profit of £1.19m (2017: £1.9m).

Overall the UK permanent recruitment businesses performed well supported by increased NFI from our Real Estate Banking & Finance team and continued growth in our Residential team. Against this our contract business saw a reduction in NFI as a consequence of realignment of contractors to PAYE status under IR35.

Both Hong Kong and Singapore experienced difficult and uncertain market conditions each business seeing a reduction in NFI in the year. Against this our newly acquired Command business helped to minimise the reduction such that by the end of the year NFI was broadly the same as last year.

Our Dubai business continued to face challenging market conditions and we have made changes to realign it to expected medium term demand. We are monitoring the office's establishment closely in the light of the needs of Command, whose business operates across the Middle East, given they are optimistic as to future performance of their business in this region.

The Board remains committed in its pursuit of sustainable NFI growth and cash generation. Whilst costs have increased in the year we continue to focus on improving the profitability of the business and 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 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

Regional Performance

UK

	2018 £m	2017 £m
Revenue	17.52	18.56
Net fee income (NFI)	7.75	7.44
Operating profit	0.91	0.82
Operating profit as % of NFI	11.74%	11.02%
Average number of employees	80	87

UK revenue decreased by 5.60% to £17.52m (2017: £18.56m) whereas NFI increased by 4.17% to £7.75m (2017: £7.44m).

Permanent NFI increased by 8.61% in the year compared to a reduction of 7.4% in the previous year and represents 86.2% (2017: 82.64%) of total UK NFI in 2018.

The UK Permanent teams supporting the built environment and energy sectors provided the strongest NFI growth for the Group in the year. This was not the case for our UK Prime Insight team where NFI in the year reduced by 50% and consequently we have re-deployed the UK Insights team members to other parts of the UK business. For the forthcoming year our Insights business

will be and are focusing on strong activity in the Asia market.

Contract NFI reduced by 17.05% in the year compared to an increase of 14.16% in the previous year and represents 13.8% (2017: 17.36%) of total UK NFI in 2018.

Despite the turbulence resulting from the changes in legislation during the year, which created uncertainties for number of contractors, our contract business has reacted well. We are encouraged by the increase in those contractors who have chosen to become pay-rolled employees and we are confident that this trend will continue.

Strategic Report**Asia**

	2018 £m	2017 £m
Revenue	5.06	5.08
Net fee income (NFI)	5.06	5.08
Operating profit	0.49	1.04
Operating profit as % of NFI	9.68%	20.47%
Average number of employees	47	33

NFI decreased by 0.39% to £5.06m (2017: £5.08m). £5.06m also includes contribution from Command of 0.84m. The region is covered by our offices in Hong Kong and Singapore and represents 38.48% of Group NFI (2017: 38.78 %).

In 2018, we established our Insight and Analytics team in Hong Kong offering our clients a broader service range and better ability to serve key markets in mainland China and the region. The

substantial investment in establishing the Insights and Analytics team in Hong Kong is showing promise of providing a base for improved performance in 2019.

Rest of the World

	2018 £m	2017 £m
Revenue	0.34	0.58
Net fee income (NFI)	0.34	0.58
Operating profit	-0.20	0.05
Operating profit as % of NFI	-58.82%	8.62%
Average number of employees	5	4

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

Strategic Report

Financial Review

Revenue

Group revenue declined by 5.33% to £22.92m (2017: £24.21m).

Net Fee Income (NFI)

Overall the Group delivered a 0.38% increase in total NFI to £13.15m (2017: £13.10m). NFI from permanent business increased by 2.29% to £12.08m (2017: £11.81m). Fees from our contract business, which represents 8.13% of total NFI (2017: 9.85%), decreased to £1.07 million from £1.29m last year.

NFI from international placements, which is included in our permanent business, decreased by 4.59% to £5.40m (2017: £5.66m). UK NFI of £7.75m increased 4.17% (2017: £7.44m).

Administration Costs

Administration costs for the year increased by 6.79% to £11.95m (2017: £11.19m). The increase primarily related to higher staff costs.

Profit before Taxation

Profit before taxation decreased by 37.37% to £1.19m (2017: £1.90m).

Taxation

The taxation charge is £0.17m on profit before taxation of £1.19m (from ordinary activities) which gives an effective tax rate of 14.29% (2017: 15.26%). 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 decreased by 33.64% to 8.72p (2017: 13.14p). The diluted earnings per share, considering existing share options, decreased by 33.85% to 8.58p (2017: 12.97p).

Balance Sheet

Net assets at 31 March 2018 have decreased to £14.54m (2017: £15.06m).

Trade receivables net of provision for doubtful debts at the year end, were up on last year at £2.86m (2017: £2.41m) which reflects the

increased credit period taken by clients to 69 days (2017: 45 days).

Treasury Management and Currency Risk

Approximately 76.44% of the Group's revenue in 2018 (2017: 76.66%) was denominated in Sterling. Consequently, the Group has a degree of currency exposure in accounting for overseas operations.

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

The Group operates a centralised treasury function.

During the year we moved our main banking arrangements from Barclays to HSBC and took the opportunity to establish a confidential invoice discounting arrangement with them in the UK to provide flexibility for cashflow and treasury management.

The Group is confident that the net cash within the Group is sufficient to meet current and foreseeable liabilities as they fall due.

Cash Flow and Cash Position

At the start of the year the Group had cash of £2.41m. After net taxation payments of £0.26m (2017: £0.52m) cash generated from operations was £1.06m (2017: £1.46m).

Strategic Report

Financial Review

Cash Flow and Cash Position (cont)

During the year the Group spent £0.23m (2017: £0.05m) on its Customer Relationship Management systems; paid £0.78m for the purchase of a 60% interest in Command Recruitment Group (HK) Limited; paid £0.41m for the purchase of treasury shares and paid dividends to shareholders of £0.61m (2017: £0.21m). As at 31 March 2018 the Group cash was £1.23m.

Measurements of performance in 2018

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

- Conversion rate (operating profit divided by NFI) decreased to 9.08% (2017: 14.54 %)
- Productivity (NFI divided by total average headcount excluding temporary staff) decreased to £96.26k (2017: £102.33k)
- Ratio of billing headcount to support headcount stayed the same at 3.2 (2017: 3.2)
- Percentage of NFI paid to staff increased to 71.47% (2017: 66.26%)

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

Principal Risks and Uncertainties

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

The Group's strategy is designed to allow the business to grow without increasing risk beyond an acceptable limit. The profile of risks fluctuates from time to time and, whilst the Group cannot eliminate risk altogether, the actions being taken to manage and control risks are intended to mitigate the effects on the business. The Board reviews the principal risks and uncertainties facing the Group on a regular basis. The Board's approach is to ascertain the key risks and develop plans to reduce the potential effects of these risks on the business. The principal risks identified are as follows:

Dependence on Key People

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

Competitors

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

Strength of Property Markets

The market for built environment recruitment services, from which the Group obtains the major part of its revenue, is expected to be unpredictable in the United Kingdom given the uncertainties around leaving the EU. The effect of this on the property market is uncertain but it could have material adverse effects on profitability and cash flows of the business. That said, the performance in the revenue line has settled at a profitable level post 23rd June 2016 referendum. Our contract business has some reliance on the public sector and this with recent introduction of additional IR35 legislation could have an impact on this business line in the short term and possibly also the long term.

The Group is using business models that evolve to operate in more innovative ways.

Strategic report

Financial Review

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

Macro-economic factors

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

Regulatory position

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

Information Technology

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

Foreign Exchange Risk

The Group's international operations account for 23.57% of revenue (2017: 23.36%) and approximately 27.33% of the Group's assets (2017: 26.00%). Consequently, the Group has a

degree of translation exposure in accounting for overseas operations and expects this to increase in line with the growth of the Group outside the United Kingdom. Currently, the Group's policy is not to hedge against this exposure. However, the Group seeks to minimise this exposure by converting into sterling all cash balances received in foreign currency that are not required for local short term working capital needs. The Group will continue to monitor its policies in this area.

Treasury Policies, Liquidity and Financial Risk

Surplus funds are held to support short term working capital requirements. These funds are invested through the use of short term and period deposits, with a policy of maximising fixed interest returns, whilst providing the flexibility required to fund on-going operations and to invest cash safely and profitably.

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

Credit Risk Management

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

Peter Moore
Managing Director

Report of the Directors for the Year Ended 31 March 2018

The Directors submit their report and the audited Group financial statements of Prime People Plc for the year ended 31 March 2018. 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
John Lewis
Simon Murphy

As permitted by legislation, the company 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 21 June 2018, 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 and Transparency Rules.

The mid-market quotation of the Company's shares at close of business on 31 March 2018 was 78.50p. The highest and lowest mid-market quotations in the period from 1 April 2017 to 31 March 2018 were 110.00p and 78.5p.

Going concern

The Group has two revenue streams permanent and temporary recruiting. The Group has experienced a 5.33% revenue decline in 2018 primarily as a result of a reduction in contract 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 2018

Political Donations

The Group made no political donations during the year (2017: 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 (2016:0.00p) on 28 July 2017 to shareholders on the register on 21 July 2017. The final dividend was approved by shareholders on 24 July 2017. An interim dividend of 1.75p (2017: 1.75p) was paid on 21 November 2017 to shareholders on the register at close of business on 17 November 2017. The interim dividend was approved by the Board on 8 November 2017.

As outlined in the Chairman's statement, the Board propose a final dividend for 2018 of 3.25p per share which will, subject to shareholder approval at the Annual General Meeting be paid on 27th July 2018 to shareholders who are on the register on 13th July 2018, making a total dividend paid to shareholders for the year of 5.00p per ordinary share. (2017: 5.00p).

Annual General Meeting ("AGM")

The AGM will be held on Monday 19 July 2018 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 497,400 shares (2017: 129,500 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 2018

Auditor

Crowe Clark Whitehill 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

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 state of affairs 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 sufficient 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

Statement by the Directors on Corporate Governance

The Board of the Company is committed to achieving high standards of corporate governance, professional integrity and ethics. The Directors have developed governance policies appropriate for the size of the group, with reference to the main provisions of the Corporate Governance Guidelines for Smaller Quoted Companies published by the Quoted Companies Alliance and the UK Corporate Governance Code.

A statement of the Directors' responsibilities in respect of the financial statements is set out on page 12.

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 2018 and the attendance record are summarised in the table below:

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

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

The Board and its Operation

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

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

The Non-Executive Directors are John Lewis, Simon Murphy and Chris Heayberd. They receive a fixed fee for their services and their interests in the shares of the Company are set out in the Remuneration Report on page 17.

Biographical details for all the Directors are shown on pages 66 and 67.

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

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 are able to take independent professional advice as required at the Company's expense. This is in addition to the access which every Director has to the Company secretary.

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

The Board has considered the matter of the independence of its Non-Executive Directors who have served for more than 5 years or have had previous executive roles. As the Board considers itself to be a "small board" and having regard to the professional qualifications and standing of its Non-Executive Directors as set out in Biographical details for all the Directors on pages 66 and 67.

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

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

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

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

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

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

Audit Committee

The Audit Committee comprises the 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 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.

Corporate Governance

Remuneration Committee

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

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

The principal terms of reference of the committee are set out in the Remuneration Report on page 17. 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 2017 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

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 wrong doing at work which they believe has occurred or is likely to occur.

Dialogue with shareholders

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

The Board consider that the Annual Report and Accounts, taken as a whole 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

Remuneration Report

The role of the Remuneration Committee

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

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

Remuneration Policy

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

Directors' Service Contracts

The Executive Chairman and Managing Director have service contracts which contain a notice period of one year which are terminable by either party giving one 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	2018 Total	2017 Total
		£	£	£	£	£
Executive Chairman						
Robert Macdonald	3	113,284	4,332	-	117,616	141,962
Executive Directors						
Peter Moore	1 & 3	192,386	8,116	385	200,887	229,370
Donka Zaneva-Todorinski		106,000	1,871	391	108,262	108,456
Non-Executive Directors						
John Lewis		25,000	-	-	25,000	19,768
Simon Murphy		25,000	-	-	25,000	19,768
Chris Heyberd		30,900	-	-	30,900	25,378
		492,570	14,319	776	507,665	544,702

Notes to the emoluments:

1. Peter Moore is the highest paid Director,
2. Benefits include subscriptions, medical and travel allowance,
3. The Group operates a defined contribution pension scheme. Pension payments made to directors in the year relate to the minimum required employer contribution rate of 1% set by the Pension Regulator.

Remuneration Report

Directors' interests in shares

Directors' beneficial interest in the shares of the Company at 31 March 2018 was as follows:

	Ordinary shares of 10p each held at 31 March 2018	Percentage of issued share capital at 31 March 2018	Ordinary shares of 10p each held at 31 March 2017	Percentage of issued share capital at 31 March 2017
Robert Macdonald	2,780,000	22.62%	2,780,000	22.62%
Peter Moore	2,907,721	23.66%	2,907,721	23.66%
Donka Zaneva-Todorinski	1,250	0.01%	1,250	0.01%
John Lewis	1,074,750	8.74%	1,062,000	8.64%
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 2018 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 2017	Granted	Cancelled	Exercised	Number of options 31 March 2018
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.

John Lewis

Chairman of the Remuneration Committee

Independent Auditor's Report

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 2018, which comprise:

- the Group Statement of Comprehensive Income for the year ended 31 March 2018;
- the Group and Parent Company Statements of Financial Position as at 31 March 2018;
- 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 2018 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)

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.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be £170,000 (FY17 £180,000), based on 0.75% of Group revenue.

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 (2017: £10,000). 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.

<i>Key audit matter</i>	<i>How the scope of our audit addressed the key audit matter</i>
--------------------------------	-------------------------------------------------------------------------

Impairment of goodwill

The Group held goodwill of £10.5m (2017: £9.8m) at the year end. There is a risk that the carrying value of goodwill may be higher than the recoverable amount. Management has performed an assessment 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)

<i>Key audit matter</i>	<i>How the scope of our audit addressed the key audit matter</i>
<i>Impairment of goodwill (continued)</i>	
<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"> - The discount rate used in the calculations by assessing the cost of capital for the Group and comparable organisations. <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>

Revenue recognition for permanent placements

The Group has reported permanent placement revenues of £11.95m (2017: £11.66m).

For permanent placements revenue is recognised at the date of acceptance. There is a risk around the timing of the recognition of revenue as a contract may be agreed with a customer and candidate several months in advance of the start of employment. Consequently, there is a risk that:

- revenue recognition may occur before revenue recognition criteria have been met
- revenue is not recognised in the correct period
- the placement is not taken up as agreed, which could result in the reversal of previously recorded revenue

We performed following procedures on all trading components:

- Updated our understanding of the revenue processes.
- Selected a sample of permanent placement 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.
- Performed period-end cut off testing focusing on material items to check all revenue recognition criteria for the placements had been met and revenue had been recognised in the correct period.
- Compared the level of actual permanent placement revenue reversals, which occur as a result of non-completion of contractual placements, to the provision recorded against accrued income to determine if the provision was appropriate.

Independent Auditor's Report (continued)

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.

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.

Independent Auditor's Report (continued)

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. 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 Clark Whitehill LLP

Statutory Auditor

London

21st June 2018

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Revenue	2, 3	22,916	24,213
Cost of sales		(9,769)	(11,115)
Net fee income	2	13,147	13,098
Administrative expenses		(11,954)	(11,194)
Operating profit	4	1,193	1,904
Profit before taxation		1,193	1,904
Income tax expense	7	(166)	(292)
Profit for the year		1,027	1,612
Other comprehensive income			
<i>Items that will or may be reclassified to profit or loss:</i>			
Exchange (loss)/profit on translating foreign operations		(243)	270
Other Comprehensive income for the year, net of tax		(243)	270
Total comprehensive income for the year		784	1,882
Attributable to:			
Equity shareholders of the parent		779	1,880
Non-controlling interest		5	-
Earnings per share	9		
Basic earnings per share		8.72p	13.14p
Diluted earnings per share		8.58p	12.97p

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
At 1 April 2016	1,229	9	(21)	5,371	173	300	463	5,892	13,416	-	13,416
Profit for the year	-	-	-	-	-	-	-	1,612	1,612	-	1,612
Other comprehensive income	-	-	-	-	-	-	270	-	270	-	270
Adjustment in respect of share schemes	-	-	-	-	-	(20)	-	108	88	-	88
Shares purchased for treasury	-	-	(111)	-	-	-	-	-	(111)	-	(111)
Shares issued from treasury	-	-	13	-	-	-	-	-	13	-	13
Adjustment on share disposal	-	-	98	-	-	-	-	(98)	-	-	-
Dividend	-	-	-	-	-	-	-	(215)	(215)	-	(215)
At 31 March 2017	1,229	9	(21)	5,371	173	280	733	7,299	15,073	-	15,073

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
At 31 March 2017	1,229	9	(21)	5,371	173	280	733	7,299	15,073	-	15,073
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)
At 31 March 2018	1,229	9	(421)	5,371	173	314	490	7,764	14,929	75	15,004

Consolidated Statement of Financial Position

As at 31 March 2018

	Note	2018 £'000	2017 £'000
Assets			
Non – current assets			
Goodwill	11	10,527	9,769
Property, plant and equipment	10	242	136
Deferred tax asset	16	45	43
		10,814	9,948
Current assets			
Trade and other receivables	13	5,616	5,101
Current tax asset		41	-
Cash at bank and in hand	21	1,234	2,409
		6,891	7,510
Total assets		17,705	17,458
Liabilities			
Current liabilities			
Trade and other payables	15	2,679	2,310
Current tax liability		-	75
		2,679	2,385
Non-current liabilities			
Deferred tax liability	16	22	-
Total liabilities		2,701	2,385
Net assets		15,004	15,073

Consolidated Statement of Financial Position

As at 31 March 2018

	Note	2018 £'000	2017 £'000
Capital and reserves attributable to the Company's equity holders			
Called up share capital	17	1,229	1,229
Capital redemption reserve fund	18	9	9
Treasury shares	18	(421)	(21)
Share premium account	18	5,371	5,371
Merger reserve	18	173	173
Share option reserve	18	314	280
Translation reserve	18	490	733
Retained earnings	18	7,764	7,299
		14,929	15,073
Non-controlling interest		75	-
Total equity		15,004	15,073

The financial statements on pages 25 to 62 were approved by the Board of Directors and authorised for issue on 21st June 2018 and are signed on its behalf by:

R J G Macdonald

D Zaneva-Todorinski

Company Statement of Financial Position

As at 31 March 2018

	Note	2018 £'000	2017 £'000
Assets			
Non-current assets			
Investment in subsidiaries	12	11,190	11,156
		11,190	11,156
Current assets			
Trade and other receivables	13	9	6
Cash and cash equivalents	21	15	636
		24	642
Total assets		11,214	11,798
Liabilities			
Current liabilities			
Other payables	15	791	779
Total liabilities		791	779
Net assets		10,423	11,019
Capital and reserves attributable to the Company's equity holders			
Called up share capital	17	1,229	1,229
Capital redemption reserve fund	18	9	9
Treasury shares	18	(421)	(21)
Share premium account	18	5,371	5,371
Merger reserve	18	173	173
Share option reserve	18	314	280
Retained earnings	18	3,748	3,978
Total equity		10,423	11,019

The Company's retained earnings includes profit for the year of £386,536 (2017: £487,456).

The financial statements of Prime People Plc, Company Number 01729887 were approved by the Board and authorised for issue on 21st June 2018 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 2018

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
At 1 April 2016	1,229	9	(21)	5,371	173	300	3,803	10,864
Total comprehensive income for the year	-	-	-	-	-	-	488	488
Issue of ordinary shares	-	-	13	-	-	-	-	13
Shares purchased for treasury	-	-	(111)	-	-	-	-	(111)
Adjustment on share disposal	-	-	98	-	-	-	(98)	-
Investment in subsidiaries	-	-	-	-	-	(20)	-	(20)
Dividend	-	-	-	-	-	-	(215)	(215)
At 31 March 2017	1,229	9	(21)	5,371	173	280	3,978	11,019
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)
At 31 March 2018	1,229	9	(421)	5,371	173	314	3,748	10,423

Group and Company Cash Flow Statement

For the year ended 31 March 2018

		Group		Company	
	Note	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Cash generated from (used in) underlying operations	20	1,320	1,981	(43)	(126)
Income tax paid		(256)	(521)	(11)	(10)
Net cash from/(used by) operating activities		1,064	1,460	(54)	(136)
Cash flows from/(used in) investing activities					
Net purchase of property, plant and equipment		(209)	(53)	-	-
Purchase of subsidiary, net of cash acquired		(771)	-	-	-
Dividend received		-	-	450	450
Net cash from / (used in) investing activities		(980)	(53)	450	450
Cash flows from financing activities					
Issue of ordinary share capital		-	2	-	2
Shares issued from treasury		-	115	3	13
Shares purchased for treasury		(408)	(111)	(408)	(111)
Dividend paid to shareholders		(612)	(215)	(612)	(215)
Net cash used in financing activities		(1,020)	(209)	(1,017)	(311)
Net (decrease)/ increase in cash and cash equivalents		(936)	1,198	(621)	3
Cash and cash equivalents at beginning of the year		2,409	953	636	633
Effect of foreign exchange rate changes		(239)	258	-	-
Cash and cash equivalents at the end of the year	21	1,234	2,409	15	636

Notes to the Financial Statements

For the year ended 31 March 2018

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 also comply with IFRIC interpretations and Company Law applicable to Companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention modified as necessary so as to include any items at fair value, as required by accounting standards.

The consolidated financial statements for the year ended 31 March 2018 (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 2017 and are described below.

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

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

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

- IFRS 9 Financial Instruments (Issued on 24 July 2014, effective date 1 January 2018)
- IFRS 15 Revenue from Contracts with Customers (issued on 28 May 2014) and amendments to IFRS 15: Effective date of IFRS 15 (issued on 11 September 2015), effective date 1 January 2018
- IFRS 16 Leases (Issued January 2016, effective date 1 January 2019)

**Notes to the Financial Statements
For the year ended 31 March 2018**

2 Summary of Significant Accounting Policies (continued)

Amendments:

- Clarifications to IFRS 15 Revenue from Contracts with Customers (issued on 12 April 2016, effective date 1 January 2018)
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (issued on 20 June 2016, effective date 1 January 2018)
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on 12 September 2016, effective date 1 January 2018)
- Amendments to IAS 40: Transfers of Investment Property (issued on 8 December 2016, effective date 1 January 2018)
- Annual Improvements to IFRS Standards 2014-2016 Cycle (issued on 8 December 2016, effective date 1 January 2018)
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (issued on 12 October 2017, effective date 1 January 2019)

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. IFRS 15 requires revenue to be recognised once value has been received by the customer and when the performance obligations have been satisfied.

**Notes to the Financial Statements
For the year ended 31 March 2018**

Summary of Significant Accounting Policies (continued)

Revenue from permanent placement

Currently revenue is recognised from permanent placements on a contingent basis and is typically based on a percentage of the candidate's remuneration package, with the revenue being recognised at the date an offer is accepted by a candidate and where a start date has been determined. It includes revenue anticipated, but not invoiced, at the balance sheet date, which is correspondingly accrued on the balance sheet within accrued income. A provision is made against accrued income for possible cancellations of placements prior to, or shortly after, the commencement of employment.

Our review has concluded that the current basis of revenue recognition is not consistent with IFRS 15 and the performance obligation (the placement of the candidate) under IFRS 15 is only satisfied when the candidate starts the job. We have therefore changed our revenue recognition policy from April 2018.

The impact of the transition to IFRS 15 will result in revenue currently recognised at the date an offer is made, being deferred to the point that the candidate starts the job. Where this period crosses the year end there will be a deferral of revenue from one period to the next under IFRS 15.

On transition to IFRS 15 in the March 2019 financial statements, this change will be accounted for under the cumulative effect method, and will result in a reduction in the retained earnings of the group of £1.74m. Had this change in policy been applied in the current year it would not have had a material impact on the revenue or profit for the year.

Temporary revenue

Revenue from temporary placements, which represents amounts billed for the services of temporary staff, including the salary cost of these staff, is recognised when the service has been provided. Our review has concluded that this basis of revenue recognition is consistent with IFRS 15 and no adjustment is required as a result of the transition to IFRS 15 for revenue earned from temporary placements.

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.

IFRS 9 - Financial Instruments

Our review concluded that IFRS 9 will not have a material impact on the Group's financial statements once it becomes effective from 1 January 2018.

Consolidation

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

**Notes to the Financial Statements
For the year ended 31 March 2018**

Consolidation (continued)

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

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

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

Going Concern

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

Revenue recognition

a) Revenue

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

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

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.

Notes to the Financial Statements

For the year ended 31 March 2018

2 Summary of Significant Accounting Policies (continued)

d) Foreign Currency Translation

(i) Functional and Presentation Currency

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

(ii) Transactions and Balances

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

(iii) Group Companies

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

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

e) Intangible Assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary 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.

Notes to the Financial Statements

For the year ended 31 March 2018

2 Summary of Significant Accounting Policies (continued)

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).

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

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

Notes to the Financial Statements

For the year ended 31 March 2018

2 Summary of Significant Accounting Policies (continued)

j) Pension Costs

The Group operates a defined contribution pension scheme. The Group adopts both the minimum legally required employer contribution rate of 1% of qualifying earnings, and the maximum earning threshold for automatic enrolment for 2017-18, as set by the Pension Regulator.

The assets of the scheme are held separately from those of the Group in independently administered workplace pension -NEST. The pension costs charged to the income statement represent the contributions payable by the Group to Nest during the year.

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

k) Segmental Reporting

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

l) Financial instruments

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

m) Financial assets

The Group's financial assets comprise cash and various other receivable balances that arise from its operations. Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially measured at fair value and subsequently at amortised cost using the effective interest rate method, less any impairment.

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

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

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

Notes to the Financial Statements

For the year ended 31 March 2018

2 Summary of Significant Accounting Policies (continued)

n) Financial liabilities and equity

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

o) Share-Based Compensation

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

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

p) Dividend Distribution

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

q) Critical Accounting Estimates and Judgements

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

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

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

Revenue Recognition

Revenue from permanent placements is recognised when a candidate formally accepts an offer of employment, a start date has been agreed, but employment has not commenced. A 'fall-through' provision is made by management, based on historical experience, for the proportion of those placements where the offer of employment is not taken up. Management have reviewed the past assumptions made with respect to the 'fall-through' provisions and consider that they remain reasonable. The fall-through provision is estimated at 16.0% of those offers where employment has yet to commence (2017: 18.9%). The Directors consider that a change in the range of possible outcomes, or sensitivity, would not have a material impact on the business.

Goodwill Impairment

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

Notes to the Financial Statements

For the year ended 31 March 2018

2 Summary of Significant Accounting Policies (continued)

q) Critical Accounting Estimates and Judgements (continued)

Trade Receivables

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

3 Segment Reporting

a) Revenue and Net Fee Income, by Geographical Region

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

	Revenue		Net fee income	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
UK	17,515	18,558	7,746	7,443
Asia	5,060	5,075	5,060	5,075
Rest of World	341	580	341	580
	22,916	24,213	13,147	13,098

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	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Permanent				
-UK	6,551	6,004	6,548	5,991
-Asia	5,060	5,075	5,060	5,075
-Rest of World	341	580	341	580
Contract (UK)	10,964	12,554	1,198	1,452
Total	22,916	24,213	13,147	13,098

Notes to the Financial Statements

For the year ended 31 March 2018

3 Segment Reporting (continued)

c) Profit before Taxation by Geographical Region

	2018 £'000	2017 £'000
UK	906	823
Asia	489	1,035
Rest of World	(202)	46
Operating Profit	1,193	1,904
Net finance income	-	-
Profit before taxation	1,193	1,904

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 £0.72m (2017: £0.76m) for the UK, and charges of £0.63m (2017: £0.68m) for Asia and £0.09m (2017: £0.08m) 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	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
UK	12,896	12,931	1,382	1,293
Asia	3,562	3,874	950	1,019
Rest of World	1,247	653	369	73
Total	17,705	17,458	2,701	2,385

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 2018

4 Profit on ordinary activities before taxation

	2018 £'000	2017 £'000
Profit for the year is arrived at after charging:		
Depreciation - owned assets	123	158
Operating lease rentals - land and buildings	740	521
Loss/(profit) on disposal of fixed assets	-	1
Exchange rate loss	(5)	26
The analysis of auditor's remuneration is as follows:		
Audit of Company	25	21
Audit of subsidiaries	35	24
Total audit fees	60	45

5 Directors' emoluments

	2018 £'000	2017 £'000
Emoluments for qualifying services	508	544
	508	544
Highest paid Director:		
Emoluments for qualifying services	201	229

Details of Directors' emoluments and interests, which form part of these financial statements, are provided in the Director's Remuneration report on pages 17 to 19.

Notes to the Financial Statements

For the year ended 31 March 2018

6 Employees

Group	2018 Number	2017 Number
The average monthly number of employees of the Group during the year, including Directors, was as follows:		
Consultants	104	95
Management and administration	32	25
Temporary staff	43	8
	179	128

Company	2018 Number	2017 Number
The average monthly number of employees of the Company during the year, including Directors, was as follows:		
Management	6	5

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

Group	2018 £'000	2017 £'000
Wages and salaries	8,612	7,860
Social security costs	704	655
Pension contributions	(14)	75
Share option charge	94	89
	9,396	8,679
Remuneration of key management	2018 £'000	2017 £'000
Short-term employee benefits	1,129	1,195
Social security costs	118	111
Share-based payments	25	24
Pension contributions	2	2
	1,274	1,332

Key management includes executive Directors and senior divisional managers.

Notes to the Financial Statements

For the year ended 31 March 2018

7 Taxation on Profits on Ordinary Activities

	2018 £'000	2017 £'000
a) Analysis of tax charge in the year		
Current tax		
UK Corporation tax	134	209
Foreign tax	12	107
Foreign tax over-provision in prior years	-	28
Total current tax	146	344
Deferred tax		
Origination and reversal of temporary differences	22	(9)
Deferred tax on fair value share option charge	(2)	(43)
Total charge on profit for the year	166	292

UK corporation tax is calculated at 19% (2017: 20%) of the estimated assessable profits for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	2018 £'000	2017 £'000
Profit before taxation	1,193	1,904
Tax at UK corporation tax rate of 19% (2017: 20%) on profit on ordinary activities	227	381
Effects of:		
Expenses not deductible for tax purposes	28	22
Depreciation for the period less than capital allowances	(20)	14
Tax losses not utilised/(utilised)	6	(2)
Tax rate differences	(11)	(35)
Temporary differences recognised	(20)	9
Overprovision in prior years	(64)	(28)
Group relief	-	(17)
Total current tax	146	344
Deferred Tax		
Origination and reversal of temporary differences	20	(52)
Tax charge for the year	166	292

Notes to the Financial Statements

For the year ended 31 March 2018

8 Dividends

	2018 £'000	2017 £'000
Final dividend for 2017: 3.25p per share (2016: 0.00p per share)	398	-
Interim dividend for 2018: 1.75p per share (2017: 1.75p per share)	214	215
	612	215

A final dividend of 3.25p (2017: 3.25p) was paid on 28 July 2017 to shareholders on the register on 21 July 2017.

An interim dividend of 1.75p (2017: 1.75p) was paid on 24 November 2017 to shareholders on the register at the close of business on 17 November 2017. The interim dividend was approved by the Board on 8 November 2017.

A final dividend of 3.25p per share will, subject to shareholder approval at the Annual General Meeting, be paid on 27 July 2018 to shareholders who are on the register on 20 July 2018, making a total dividend paid to shareholders for the year of 5.00p per ordinary share. (2017: 5.00p)

Notes to the Financial Statements

For the year ended 31 March 2018

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.

	2018	2017
	£'000	£'000
Profit for the year and earnings used in basic and diluted earnings per share	1,027	1,612
	Number	Number
Weighted average number of shares used for basic earnings per share	11,784,523	12,271,923
Dilutive effect of share options	184,146	195,634
Diluted weighted average number of shares used for diluted earnings per share	11,968,669	12,467,557
	Pence	Pence
Basic earnings per share	8.72p	13.14p
Diluted earnings per share	8.58p	12.97p

Notes to the Financial Statements

For the year ended 31 March 2018

10 Property, Plant and Equipment

Group	Fixtures, fittings and equipment £'000	Total £'000
Cost		
At 1 April 2016	1,118	1,118
Additions	53	53
Disposals	(124)	(124)
Exchange difference	28	28
At 1 April 2017	1,075	1,075
Additions	209	209
Acquisition	115	115
Disposals	-	-
Exchange difference	(31)	(31)
At 31 March 2018	1,368	1,368
Depreciation		
At 1 April 2016	889	889
Provision for the year	158	158
Disposals	(123)	(123)
Exchange difference	15	15
At 1 April 2017	939	939
Provision for the year	123	123
Acquisition	91	91
Disposals	0	0
Exchange difference	(27)	(27)
At 31 March 2018	1,126	1,126
Net book value		
At 31 March 2018	242	242
At 31 March 2017	136	136
At 31 March 2016	229	229

Notes to the Financial Statements

For the year ended 31 March 2018

11 Goodwill

	£'000
Cost	
At 1 April 2016, 1 April 2017	9,769
Additions	758
At 31 March 2018	10,527

The total carrying value of goodwill is £10.53m, which relates to the acquisition of the Macdonald & Company Group of companies 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 is that the Group will meet its budgeted growth in UK net fee income of 7.57% in the year to 31 March 2019. For the year after the end of the period covered by the budget a growth rate of 11.50% is applied. This is followed by an assumed growth rate of 10%, which is deemed reasonable and represents an above-average rate of growth in the markets in which the Group operates. The rate reflects the average growth rate for the UK business over the past four years and is based on continuation of historic organic growth for the same period. 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 £3.36m. 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 10.93% 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 £1.12m.

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 9% or if the budgeted operating profit is underachieved by 15%. 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 2018

12 Investments

Company shares in subsidiary undertakings	2018	2017
	£'000	£'000
Cost		
At 1 April	11,156	11,176
Increase/ (decrease) in shares from subsidiary from share option reserve	34	(20)
At 31 March	11,190	11,156

Notes to the Financial Statements

For the year ended 31 March 2018

12 Investments (continued)

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

	Country of incorporation	Principal activity	Registered address
Macdonald & Company Group Limited	England and Wales	Holding Company	2 Harewood Place, Hanover Square, London, W1S 1BX
Macdonald & Company Property Limited	England and Wales	Recruitment	2 Harewood Place, Hanover Square, London, W1S 1BX
Macdonald and Company Freelance Limited	England and Wales	Recruitment	2 Harewood Place, Hanover Square, London, W1S 1BX
Macdonald & Company (Overseas) Limited	England and Wales	Dormant	2 Harewood Place, Hanover Square, London, W1S 1BX
Macdonald & Company Ltd	Hong Kong	Recruitment	Room 601,6/F., Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong
Ru Yi Consulting Limited	Hong Kong	Dormant	Room 601,6/F., Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong
Macdonald and Company Pte Limited	Singapore	Recruitment	63 Market Street #05-02, Bank of Singapore Centre, Singapore 048942
Macdonald & Company Pty Ltd	Australia	Dormant	Storey Blackwood & Co, Level 4, 222 Clarence Street, Sydney NSW 2000 Australia
Macdonald & Company Recruitment Proprietary Ltd	South Africa	Dormant	1 Emfuleni, 79 Crassula Crescent, Woodmead, Johannesburg, 2052 South Africa
The Prime Organisation Ltd	England and Wales	Dormant	2 Harewood Place, Hanover Square, London, W1S 1BX
Command Recruitment Group (H.K.) Limited	Hong Kong	Recruitment	Room 1101, 11/F, Chinachem Hollywood Plaza, 1-13 Hollywood Road, Central, 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 2018

13 Trade and other receivables

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Current				
Trade receivables	3,050	2,435	-	-
Allowance for doubtful debts	(178)	(24)	-	-
Other receivables	111	72	4	3
Prepayments and accrued income	2,633	2,618	5	3
	5,616	5,101	9	6

At 31 March 2018, the average credit period taken on sales of recruitment services was 69 days (2017: 45 days) from the date of invoicing. An allowance of £178,000 (2017: £24,000) has been made for estimated irrecoverable amounts. Due to the short-term nature of trade and other receivables, the Directors consider that the carrying value approximates to their fair value.

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

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

The ageing of trade receivables at the reporting date was:

	Gross trade receivables	Provisions	Gross trade receivables	Provisions
	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Not past due	620	41	1,598	15
Past due 0-30 days	564	25	657	2
Past due 30-90 days	721	22	166	-
Past due more than 90 days	1,152	90	14	7
	3,057	178	2,435	24

Notes to the Financial Statements

For the year ended 31 March 2018

13 Trade and other Receivables (continued)

Movement in allowance for doubtful debts:

	2018 £'000	2017 £'000
1 April 2017	24	40
Impairment losses recognised	178	24
Amounts written off as uncollectable	(10)	(31)
Amounts paid by the client	(14)	(6)
Impairment losses reversed	-	(3)
31 March 2018	178	24

14 Financial Instruments

	Note	Group		Company	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
Loans and receivables					
Trade and other receivables	13	4,638	4,092	5	2
Cash and cash equivalents		1,234	2,409	15	636
		5,872	6,501	20	638

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

	Note	Group		Company	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
Financial liabilities and fair value through profit and loss					
Trade and other payables	15	614	438	1	1
		614	438	1	1

During the year the Group changed from Barclays Bank Plc to HSBC Bank PLC and at the same time established Confidential Invoice Discounting facilities with HSBC Invoice Finance (UK) Ltd.

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 2018

15 Trade and other Payables

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Current				
Trade payables	307	108	-	-
Other payables	307	330	1	1
Amount owed to subsidiary undertakings	-	-	748	739
Taxation and social security	845	667	13	14
Accruals and deferred income	1,220	1,205	29	25
	2,679	2,310	791	779

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 timing differences £'000	Total £'000
At 1 April 2016	9	9
Credit to income	(9)	(9)
At 31 March 2017	-	-
Debit to income	22	22
At 31 March 2018	22	22

Group (Asset)	Share Options £'000	Total £'000
At 1 April 2016	-	-
Credit to income	43	43
At 1 April 2017	43	43
Credit to income	2	2
At 31 March 2018	45	45

Notes to the Financial Statements

For the year ended 31 March 2018

17 Share Capital

	2018		2017	
	Number	£'000	Number	£'000
ALLOTTED CALLED UP				
Ordinary shares of 10p each				
As at 1 April 2017 and 31 March 2018	12,290,199	1,229	12,290,199	1,229

Share capital includes unpaid shares of NIL (2017: 33,000).

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 24 July 2017, 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 2018 on 19 July 2018.

Capital Risk Management

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

The Group manages the capital structure and makes adjustments to it in the light of changes to economic conditions and risks. In order to manage capital, the Group has continued to consider and adjust the level of dividends paid to shareholders and also made purchases of its own shares which are held as Treasury Shares. As part of its strategy of seeking to optimise the Group's debt and equity balance the Group also considers the appropriate level of external borrowing and, as disclosed in Note 14, has taken the decision to change bankers to HSBC in the year.

Notes to the Financial Statements

For the year ended 31 March 2018

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 2018 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 2017	Granted	Exercised	Forfeited	Number of Options 31 March 2018
2009/10	42.00	2013-2018	3,000	-	-	(3,000)	-
2011/12	68.00	2014-2019	3,000	-	-	-	3,000
2013/14	Nil	2016-2021	12,000	-	-	-	12,000
	Nil	2019-2021	68,250	-	-	(3,000)	65,250
2014/15	10.00	2016-2021	48,000	-	(5,000)	(8,000)	35,000
	10.00	2019-2021	279,500	-	-	(12,000)	267,500
2015/16	10.00	2017-2022	20,000	-	-	-	20,000
	10.00	2020-2022	30,000	-	-	-	30,000
	58.00	2017-2022	45,000	-	(5,000)	-	40,000
	58.00	2020-2022	90,000	-	-	(5,000)	85,000
2016/17	50.00	2019-2024	25,000	-	-	(10,000)	15,000
	50.00	2022-2027	55,000	-	-	(10,000)	45,000
	90.00	2019-2024	25,000	-	-	(5,000)	20,000
	90.00	2022-2027	40,000	-	-	(15,000)	25,000
Total 2018			743,750	-	(10,000)	(71,000)	662,750
Weighted average exercise price 2018 (pence)			30.37p	-	34.00p	48.54p	28.37p
Total 2017			989,250	145,000	(132,500)	(258,000)	743,750
Weighted average exercise price 2017 (pence)			19.64p	67.93p	11.21p	0.24p	30.37p

There were no share options granted in the year.

Notes to the Financial Statements

For the year ended 31 March 2018

There were 662,750 options outstanding at 31 March 2018 (2017: 743,750) which had a weighted average price per share of 28.37p (2017: 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 a number of key performance measures of the group, measured at a regional and consolidated level for the financial years 2017 and 2018. 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.

	2018	2017
Option pricing model used	Black-Scholes	Black-Scholes
Weighted average share price at grant date (in pence)	-	94.00, 96.30 & 91.55
Exercise price (in pence)	-	50 & 90
Fair value of options granted during the year	-	41.12
Expected volatility (%)	-	20.0 & 24.0
Risk-free interest rate (%)	-	4.25
Expected life of options (years)	-	2 & 5

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 £94,315 (2017: expense £88,632).

Notes to the Financial Statements

For the year ended 31 March 2018

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 2018, the total number of ordinary shares of 10p held in Treasury and their values were as follows:

	2018		2017	
	Number	£'000	Number	£'000
As at 1 April	18,276	21	21,276	21
Shares purchased for treasury	497,400	408	129,500	111
Shares issued from treasury	(10,000)	(3)	(132,500)	(13)
Equity reclassification on disposal of treasury shares	-	(5)	-	(98)
As at 31 March	505,676	421	18,276	21
Nominal value		51		2
Market value		397		16

The maximum number of shares held in treasury during the year was 505,676 shares representing 4.1% of the called-up ordinary share capital of the Company (2017: 18,276 representing 0.15% 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 2018

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 2018 the Group was committed to making the following total payments in respect of non-cancellable operating leases:

	Land and buildings 2018 £'000	Land and buildings 2017 £'000
Amounts payable:		
Within one year	571	545
Within one to two years	471	294
Within two to five years	1,200	696
After five years	-	169
	2,242	1,704

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 2018

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

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Profit before taxation	1,193	1,904	(54)	48
Adjust for:				
Depreciation	123	158	-	-
Share based payment expense	94	(13)	-	-
(Profit)/Loss on sale of tangible asset	-	1	-	-
Operating cash flow before changes in working capital	1,410	2,050	(54)	48
(Increase)/decrease in receivables	(434)	(163)	(4)	9
Increase/(decrease) in payables	344	94	15	(183)
Cash generated from / (used by) underlying operations	1,320	1,981	(43)	(126)

21 Analysis of Cash less overdrafts

Group	At 1 April 2017 £'000	Cash flow £'000	At 31 March 2018 £'000
Cash at bank and in hand	2,409	(1,175)	1,234
Total cash	2,409	(1,175)	1,234

Company	At 1 April 2017 £'000	Cash flow £'000	At 31 March 2018 £'000
Cash at bank and in hand	636	(621)	15
Total cash	636	(621)	15

Notes to the Financial Statements

For the year ended 31 March 2018

22 Financial Risk Management

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

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

Foreign Currency

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

The Group's international operations account for approximately 23.57% (2017: 23.37%) of revenue and approximately 23.88% (2017: 19.70%) 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:

As at 31 March 2018	Euro	USD	HK\$	S\$	AED
	£'000	£'000	£'000	£'000	£'000
Cash at bank	92	215	278	228	203
Trade and other receivables	-	-	690	167	436
Trade and other payables	-	-	(12)	(4)	(4)
Net exposure	92	215	956	391	635

Sensitivity analysis – currency risk

A 10% weakening of Sterling against the above currencies at 31 March 2018 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, in particular 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.

	2018	2018 PBT
	equity	£'000
	£'000	£'000
Euro	(8)	(8)
US Dollar	(20)	(20)
Hong Kong Dollar	(87)	(87)
Singapore Dollar	(36)	(36)
UAE Dirham	(58)	(58)

A 10% strengthening of Sterling against the above currencies at 31 March 2018 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.

Notes to the Financial Statements

For the year ended 31 March 2018

22 Financial Risk Management (cont)

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

Credit Risk

The Group's principal financial assets are bank balances, trade and other receivables. The Group's credit risk is primarily in respect of trade receivables. Credit risk refers to the risk that a client will default on its contractual obligations resulting in financial loss to the Group. The Group does not have any significant credit risk exposure to any individual client. At the year end no customer represented more than 6.95% (2017: 9.07%) of the total balance of trade receivables.

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

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

Liquidity Risk

The Group manages 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 £1.23m (2017: £2.40m) which the Board consider are more than adequate to meet future working capital requirements and to take advantage of business opportunities.

Notes to the Financial Statements

For the year ended 31 March 2018

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 (2017: £200k). The balance owed to the subsidiary undertakings at the year end is £748k (2017: £739k).

The Company also provides corporate guarantees on the subsidiary bank accounts. At 31 March 2018 amounts overdrawn by subsidiary bank accounts were £nil (2017: £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 £355,249 (2017: £120,312).

24 Business combinations during the period

On 11 October 2017 the Group acquired 60% of the voting equity instruments of Command Recruitment Group (H.K.) Limited, a company whose principal activity is that of a recruitment consultancy. The principal reason for this acquisition was to expand geographical coverage.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Fair value £'000
Property, plant and equipment	24
Receivables	483
Cash	101
Payables	(418)
Total net assets	190
Fair value of consideration paid	£'000
Cash	962
Working capital adjustment	(90)
Total consideration	872
	£'000
Non-Controlling Interest	76
Goodwill	£'000
Goodwill on acquisition	758

Notes to the Financial Statements

For the year ended 31 March 2018

24 Business combinations during the period (continued)

Consolidation

Non- controlling interest is measured initially at the proportionate share of the acquiree's identifiable net assets at the date of acquisition.

The goodwill arising on acquisition of the subsidiary is not deductible for tax purposes.

Acquisition costs of £102k arose as a result of the transaction. These have been recognised as part of administrative expenses in the statement of comprehensive income.

The main factors leading to the recognition of goodwill are:

- The presence of certain intangible assets, such as the assembled workforce of the acquired entity, which do not qualify for separate recognition; and
- The fact that a lower cost of capital is ascribed to the expected future cash flows of the entire operation acquired than might be to individual assets.

The impact on Group Revenue and Group profit, since the acquisition date Command Recruitment Group (H.K.) Limited was £840,319 to Group revenues and £2,577 to Group profit. If the acquisition had occurred on 1 April 2017, Group revenue would have been £1,833,423 and Group profit for the period would have been £5,623.

Directors and Advisers

Directors

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

Secretary and Registered Office

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

Registered Number

01729887

Stockbrokers & Nominated Advisers

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

Solicitors

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

Auditor

Crowe Clark Whitehill 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, Laurel Lane, Halesowen, West Midlands, B63 3DA.

Board of Directors

Directors' Biographies

Robert Macdonald - Executive Chairman

Robert has held senior positions within the recruitment industry since 1973 when he founded Reuter Simkin Limited, a recruitment business in both the legal and property sectors. Reuter Simkin had both Kleinwort Benson Development Capital and Charterhouse Development Capital as investors. After the sale of Reuter Simkin in 1989, he acquired shares in and was Chairman of two other recruitment companies one of which acquired the legal business of Reuter Simkin in the West of England from PSD in 1992 and traded as Macdonald & Company. In 1994, he established Macdonald & Company as a specialist property recruitment consultancy in London. 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 ACCA – Finance Director

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

Chris Heayberd BA ACA – Non-executive Directors

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

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

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

Board of Directors

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 a number of private companies including OPD Group Limited an investment company with holdings in a number of recruitment businesses.



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