

PRIME PEOPLE Plc

Interim Report

for the six months ended 30 September 2007

Chairman's Statement

Introduction

I am pleased to report the results for Prime People Plc for the half year ended 30 September 2007, with continuing good progress made in our core UK market as well as on our international expansion strategy. Our principal business activity is the provision of recruitment services to the UK and international real estate, infrastructure and commercial property sectors. This activity is operated through our main trading subsidiary, Macdonald & Company.

Reflecting the positive conditions in the half year within the markets the Group serves, gross fee income increased 29 per cent to £11.97 million (2006: £9.29 million). This translated to net fee income ("NFI") for the half year of £7.11 million, a 45 per cent increase on the previous year (2006: £4.91 million).

Pre tax profit for the half year was £1.02 million, which is a 31 per cent increase on the pre tax profit for the previous half year of £0.78 million. Fully diluted earnings per share for the period have increased by 28 per cent to 5.63p from 4.40p in 2006.

In the UK, demand for property professionals remained strong in the period being reported. The people we place are involved in the investment, development and management of all types of property asset. Our main revenues are generated from placing permanent and contract staff who are specialists in disciplines such as fund management, investment, development and financing, project management, quantity surveying and building surveying, facilities management, town and country planning, architecture and social housing. With a steady pipeline of development, infrastructure and regeneration projects already committed to in the UK and in the Middle and Far East, we currently continue to see strong demand for candidates. Our recently established architecture and social housing businesses have strengthened our offering and provide good opportunities for future revenue growth.

The fulfilment of our plans to broaden the Group's business overseas in the Middle and Far East, Australasia and Africa have made a substantial contribution to our half year outcome and our overseas offices, accessing areas of continuing high economic growth, are expected to provide strong support to performance in the second half. In the period being reported, the four overseas offices contributed 21 per cent of Group NFI (2006: 6 per cent). We expect NFI derived from these offices to continue to increase as a proportion of total NFI in the years ahead.

Dividend

The Board declares an interim dividend of 1.35p per ordinary share (2006:1.25p). This will be paid on 21 December 2007 to shareholders on the register on 7 December 2007.

Chairman's Statement (continued)

Results summary

The net fee income split is:

	Six months ended 30 September 2007 £000	Six months ended 30 September 2006 £000	NFI growth %
Permanent			
-UK	4,358	3,352	+30%
-International	1,519	310	+390%
	5,877	3,662	+60%
Temporary (UK only)	1,063	1,065	-
Other	172	182	-5%
Total	7,112	4,909	+45%

Longer-term growth opportunities

In pursuing our overall growth strategy, we continue to focus on organic expansion – adding new consultants in existing and complementary areas in the UK and internationally. The opening of further offices in new overseas locations is being investigated.

Outlook

The performance of the Group in the year to date has been encouraging and in line with our expectations, with both our international and UK operations continuing to perform well.

Whilst order books and business are at record levels, we are mindful of the current macroeconomic environment and will manage operations as future circumstances may require. However, we have confidence that our continued commitment to the globalisation of our business and our market leading position will provide access to further opportunities for good growth.

R J G Macdonald
Executive Chairman

23 November 2007

Consolidated income statement

for the six months ended 30 September 2007 (unaudited)

	Notes	Six months ended 30 September 2007 £000	Six months ended 30 September 2006 £000	Year ended 31 March 2007 £000
Continuing operations				
Gross fee income		11,966	9,289	20,179
Direct costs		<u>(4,854)</u>	<u>(4,380)</u>	<u>(9,344)</u>
Net fee income		7,112	4,909	10,835
Administrative expenses		<u>(6,044)</u>	<u>(4,088)</u>	<u>(8,748)</u>
Operating profit		1,068	821	2,087
Interest receivable and similar income		1	5	18
Interest payable and similar charges	2	<u>(49)</u>	<u>(50)</u>	<u>(96)</u>
Profit before taxation		1,020	776	2,009
Taxation	3	<u>(306)</u>	<u>(247)</u>	<u>(665)</u>
Profit for the period		714	529	1,344
Profit attributable to equity shareholders		<u>714</u>	<u>529</u>	<u>1,344</u>
Earnings per share	5			
- Basic		5.94p	4.56p	11.38p
- Diluted		5.63p	4.40p	10.93p

Consolidated statement of changes in shareholders equity

for the six months ended 30 September 2007 (unaudited)

	Called up Share capital	Shares to be issued	Share premium account	Other reserve	Share option reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2006	1,084	1,000	6,214	173	-	1,816	10,287
New shares issued	119	(1,000)	881	-	-	-	-
Profit for the period	-	-	-	-	-	529	529
Share option charge	-	-	-	-	23	-	23
Equity dividends	-	-	-	-	-	(120)	(120)
At 30 September 2006	1,203	-	7,095	173	23	2,225	10,719
Profit for the period	-	-	-	-	-	815	815
Share option charge	-	-	-	-	55	-	55
Equity dividends	-	-	-	-	-	(151)	(151)
At 31 March 2007	1,203	-	7,095	173	78	2,889	11,438
Profit for the period	-	-	-	-	-	714	714
Share option charge	-	-	-	-	26	-	26
Equity dividends	-	-	-	-	-	(271)	(271)
At 30 September 2007	1,203	-	7,095	173	104	3,332	11,907

Consolidated balance sheet

at 30 September 2007 (unaudited)

	As at 30 September 2007 £'000	As at 30 September 2006 £'000	As at 31 March 2007 £'000
Assets			
Non-current assets			
- Intangible assets	9,769	9,769	9,769
- Property, plant and equipment	341	281	316
- Deferred tax asset	141	70	91
	<u>10,251</u>	<u>10,120</u>	<u>10,176</u>
Current assets			
Trade and other receivables	5,907	3,838	4,601
Cash and cash equivalents	260	35	304
	<u>6,167</u>	<u>3,873</u>	<u>4,905</u>
Total assets	<u>16,418</u>	<u>13,993</u>	<u>15,081</u>
Liabilities			
Current liabilities			
Financial liabilities – borrowings	916	394	308
Trade and other payables	2,353	1,654	2,034
Current tax liabilities	542	246	461
	<u>3,811</u>	<u>2,294</u>	<u>2,803</u>
Non current liabilities			
Financial liabilities – borrowings	700	980	840
	<u>700</u>	<u>980</u>	<u>840</u>
Total liabilities	<u>4,511</u>	<u>3,274</u>	<u>3,643</u>
Net assets	<u>11,907</u>	<u>10,719</u>	<u>11,438</u>
Capital and reserves			
Called up share capital	1,203	1,203	1,203
Share premium account	7,095	7,095	7,095
Other reserve	173	173	173
Share option reserve	104	23	78
Retained earnings	3,332	2,225	2,889
	<u>11,907</u>	<u>10,719</u>	<u>11,438</u>
Equity shareholders' funds	<u>11,907</u>	<u>10,719</u>	<u>11,438</u>

Consolidated Cash Flow Statement

for the six months ended 30 September 2007(unaudited)

	Notes	Six months ended 30 September 2007 £'000	Six months ended 30 September 2006 £'000	Year ended 31 March 2007 £'000
Cash flows from operating activities				
Cash generated by operations	6	177	270	1,266
Corporation tax paid		(275)	(300)	(525)
Net cash (used)/from operating activities		(98)	(30)	741
Cash flows from investing activities				
Interest received		1	4	18
Interest paid		(49)	(50)	(96)
Disposal of investment held for resale		-	178	178
Net purchase of property, plant and equipment		(95)	(70)	(164)
Net cash (used)/from investing activities		(143)	62	(64)
Cash flows from financing activities				
Repayment of borrowings		(140)	(140)	(280)
Capital element of hire purchase obligations		(3)	(4)	(7)
Dividends paid to shareholders		(271)	(120)	(271)
Net cash used in financing activities		(414)	(264)	(558)
Net (decrease)/increase in cash and cash equivalents		(655)	(232)	119
Cash and cash equivalents at start of period		279	160	160
(Net debt)/cash and cash equivalents at end of period		(376)	(72)	279

Notes to the Interim Financial Statements

for the six months ended 30 September 2007(unaudited)

1. Accounting Policies

The consolidated interim financial statements are for the six months ended 30 September 2007. They have been prepared in accordance with International Financial Reporting Standards (IFRS) using the same accounting policies as those used in the preparation of the accounts for the year ended 31 March 2007.

2. Interest

	Six months ended 30 September 2007 £'000	Six months ended 30 September 2006 £'000	Year ended 31 March 2007 £'000
Interest expense:			
Interest payable on bank borrowings	49	49	95
Interest payable on finance leases	-	1	1
	49	50	96

3. Taxation on profit on ordinary activities

Taxation has been provided by applying the standard rate of corporation tax in the UK.

4. Dividends

	Six months ended 30 September 2007 £'000	Six months ended 30 September 2006 £'000	Year ended 31 March 2007 £'000
Final dividend for 2006 of 1.00 pence per share	-	120	120
Interim dividend for 2007 of 1.25 pence per share	-	-	151
Final dividend for 2007 of 2.25 pence per share	271	-	-
	271	120	271

An interim dividend for 2008 of 1.35 pence per ordinary share will be paid on 21 December 2007 to those shareholders whose names are on the register on 7 December 2007.

Notes to the Interim Financial Statements (continued)

for the six months ended 30 September 2007 (unaudited)

5. Earnings per share

Earnings per share (EPS) has been calculated in accordance with IAS 33 “Earnings per share” and is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

Earnings and weighted average number of shares used in the calculations are shown below:

	Six months ended 30 September 2007 £'000	Six months ended 30 September 2006 £'000	Year ended 31 March 2007 £'000
Retained profit for basic earnings per share	714	529	1,344
	Number '000	Number '000	Number '000
Weighted average number of shares used for basic and continuing earnings per share	12,029	11,593	11,810
Dilutive effect of share options and shares to be issued	653	434	483
Diluted weighted average number of shares used for diluted earnings per share	12,682	12,027	12,293
	Pence	Pence	Pence
Basic diluted earnings per share	5.94p	4.56p	11.38p
Diluted earnings per share	5.63p	4.40p	10.93p

Notes to the Interim Financial Statements (continued)

for the six months ended 30 September 2007 (unaudited)

6. Reconciliation of operating profit to net cash inflow from operating activities

	Six months ended 30 September 2007 £'000	Six months ended 30 September 2006 £'000	Year ended 31 March 2007 £'000
Operating profit	1,068	821	2,087
Depreciation	69	49	108
Share option reserve movement	26	23	78
Increase in debtors	(1,306)	(505)	(1,268)
Increase/(decrease) in creditors	320	(118)	261
Net cash inflow from operating activities	177	270	1,266

7. Nature of the financial information

The interim financial information for the six months ended 30 September 2007, was approved by the board on 23 November 2007.

The financial information set out above does not constitute full accounts within the meaning of Section 240 of the Companies Act 1985. The comparative results for the year ended 31 March 2007 have been extracted from the Group's financial statements for that period which have received an unqualified audit report and have been filed with the Registrar of Companies.

A copy of the interim results will be available on the company's website: www.prime-people.co.uk