Hays plc
THE BUSINESS SERVICES GROUP

ANNUAL REPORT AND ACCOUNTS 2002

Hays is a leader in the growing field of outsourced solutions. We specialise in complex and critical support services where we can add value to our customers' businesses.

Hays provides outsourced

Logo Logo Logo

business solutions across Europe

Logo Logo Logo

to customers in the commercial,

Logo Logo Logo

professional, industrial and

Logo Logo Logo

public sectors.

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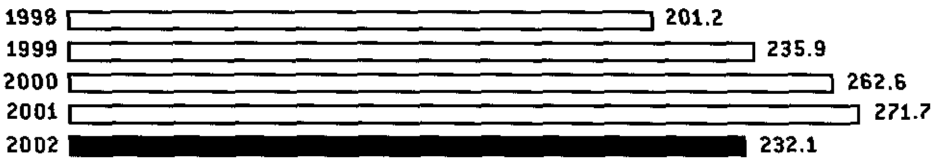
Financial Highlights

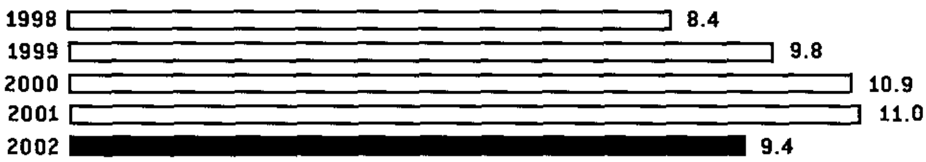
The Group in 2002

In very difficult trading conditions, we maintained our market position in the UK and continued to expand in Continental Europe.

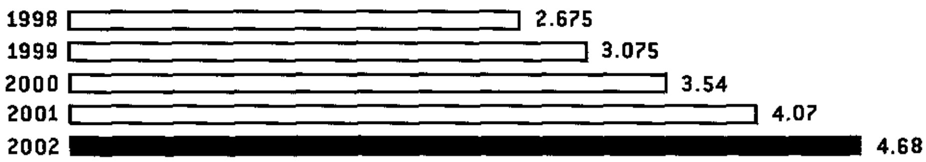
PROFIT BEFORE TAX* (£'s million)



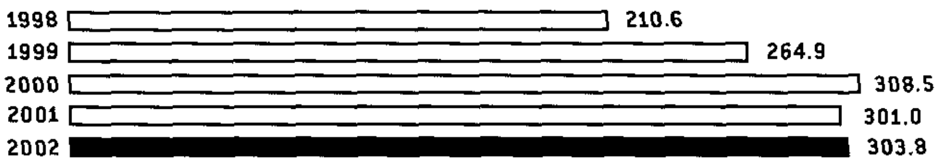
EARNINGS PER SHARE*† (Pence)



DIVIDEND PER SHARE (Pence)



CASH INFLOW FROM OPERATING ACTIVITIES (£'s million)



* BEFORE GOODWILL AMORTISATION AND EXCEPTIONAL ITEMS

† EARNINGS PER SHARE FOR 1998 TO 2001 HAS BEEN RESTATED ON ADOPTION OF FRS19 "DEFERRED TAX"

Group at a Glance

→ Personnel

Business: specialist recruitment of permanent and temporary, skilled and professional staff, providing comprehensive HR solutions.

Sectors: accountancy, construction, IT, banking, insurance, legal, call centres, marketing and education.

Markets: UK, Republic of Ireland, Continental Europe, Australia, New Zealand, Canada.

Customers: start-ups to blue chips.

Summary: leaders in international specialist recruitment and HR solutions.

→ Commercial

Business: back and front office process outsourcing, information management and customer relationship management.

Sectors: private and public.

Markets: UK, Republic of Ireland, Continental Europe, USA.

Customers: national and multi-national businesses and government departments.

Summary: leaders in back and front office support.

→ Mail and Express

Business: premium mail and specialist courier services.

Sectors: professional, retail, health, financial services and government.

Markets: UK, Republic of Ireland, Continental Europe.

Customers: professional firms to government departments.

Summary: leaders in specialist mail services.

→ Logistics

Business: specialist logistics activities, designing and managing innovative supply chain solutions.

Sectors: consumer, manufacturing, retail, automotive and technology.

Markets: UK, Republic of Ireland, Continental Europe, USA.

Customers: national and multi-national retailers and manufacturers.

Summary: leaders in total supply chain solutions.

Executive Directors

from left to right

Denis Waxman *Executive Director*
Xavier Urbain Executive Director
Bob Lawson *Chairman and Acting Chief Executive Officer*
Neil McLachlan *Group Finance Director*

Group Strategy

Hays provides business support services which allow customers to focus on their core activities. The demand for such services is growing, as individual processes become more complex and customers recognise that best-in-class services are difficult to operate in-house on a long-term basis.

We focus on activities where complexity, quality standards and economies of scale allow us to add value and make adequate returns. Such services are often critical to the customer. As the prime contractor, we generally sub-contract commodity services to other service providers.

Our aim is to form long-term relationships with our customers, based on a thorough understanding of their needs and on providing services that add substantial value to their businesses.

DIVISIONAL STRATEGIES

Personnel

To rapidly develop our position as a world leader in specialist staffing and HR outsourcing.

- → By aggressive revenue investment and acquisition.
- → By focusing on professional sectors where specialist services earn superior margins.
- → By accelerating our expansion in Continental Europe, taking full advantage of the attractive market opportunities there.
- → By expanding beyond temporary and permanent recruitment into the fast growing long-term HR outsourcing market.
- → By increasing the resilience of the profit stream by expanding our geographic and sector coverage whilst maintaining a flexible cost base.

Commercial

To become a European leader in the fast growing market for office process outsourcing with niche service and customer sector strengths.

- → By aggressive revenue investment and acquisition.
- → By building on our strengths in information management, billing, customer relationship management and offshore processing.
- → By managing whole office processes, not just single functions.
- → By strengthening our consultancy capability to re-engineer high volume office-based processes.
- → By enhancing our skills in integrating sophisticated IT systems into the office environment.

Mail and Express

To build our position as the leading private sector mail operator in our chosen markets.

- → By continuing to offer more reliable and cost-effective 'time critical' services than the Royal Mail and other competitors.
- → By introducing new value added services using our leading edge automated sorting equipment.
- → By taking advantage of new opportunities as mail markets are opened up in the UK and in France.

Logistics

To be a leading provider of value added logistics services for the extended supply chain in specified market sectors across Europe.

- → By differentiating Logistics from its competitors through long-term relationships built on service, innovation and quality.
- → By offering Hays Fourth Party Solutions to selected major customers, re-engineering and managing Europe-wide supply chains, from back office functions to IT systems.
- → By focusing on our Europe-wide capabilities in the food, consumer goods, automotive spares and telecoms sectors.
- → By expanding our reusable crate management businesses in Europe and the USA.

SUMMARY

Hays operates in growth markets, where it provides complex services. The Group aims to deliver growth in both profit and cash flow, together with a return on assets significantly above the cost of capital.

Chairman's Statement

"This report has been prepared against the backdrop of the most volatile and uncertain economic conditions of the last ten years. Such an environment has inevitably affected customers and resulted in more difficult trading conditions than were expected this time last year. The primary challenge in these circumstances must be to maintain operating cash flow and to be particularly vigilant on costs at a time when customers are slow to change and invest."

FINANCIAL HIGHLIGHTS

Our results reflect the market environment with profit before tax, goodwill and exceptional items down 15% on sales from continuing operations that were slightly ahead. The reduction in profit was driven by a number of factors. The primary ones are: depressed markets, the cost of developing new services within Hays Mail and Express following the enforced return of profitable business to Royal Mail, the reorganisation of Hays Information Management Solutions (Hays IMS) and delays with the National Management Information System (NMIS) contract with the Police. Cash flow, however, was particularly strong with a net cash inflow of £143.0 million before acquisitions and disposals and net debt reduced by a further £88.9 million to £232.0 million. Interest was covered 13 times by operating profit.

DIVIDENDS

We paid our shareholders an interim dividend of 1.52p per share on 31 May 2002. The Board is recommending a final dividend of 3.16p per share in respect of the year to 30 June 2002, for payment on 29 November 2002 to shareholders on the register at 25 October 2002. The total dividend of 4.68p per share for the year is an increase of 15%. The dividend is covered twice, before goodwill amortisation and exceptional items.

The Board's policy is to continue to provide shareholders with a progressive dividend whilst maintaining our ability to invest in future growth.

PERSONNEL

Hays Personnel has withstood the decline in demand much better than expected. Although profits were reduced by 16% to £122.5 million on sales down by less than 1%, our performance compares very favourably with others in the industry. Like-for-like margins have been maintained, but the net margin declined due to a change in the business mix. Fees for temporary staff recruitment, with relatively lower margins, grew by 2% to represent 87% of Hays Personnel's sales, but the higher margin permanent recruitment activity declined by 15%. Since April, monthly net fee income has been broadly flat.

Despite tough market conditions, continued development of Hays Personnel remains a strategic priority. New offices have been opened in the UK to serve growing sectors, including the public sector, and are already showing signs of success. International development has continued with new offices opening for Hays Accountancy Personnel and Hays Montrose in Lyon and other major French cities. Recent experience has reinforced our confidence in the long-term attractiveness of our specialist Personnel offering within Continental Europe. The Hays Personnel Solutions contract with Liverpool Victoria for HR outsourcing has met all the customer's and our objectives and provides a high quality reference site from which to develop other opportunities in this growing sector.

The division continues to deliver exceptional profitability and is well positioned to benefit from any strengthening of the market.

COMMERCIAL

The weaker year-on-year performance evidenced by a decline in operating profits to £27.6 million resulted from significantly reduced demand in the market for Hays Consulting & Solutions and continued investment in Hays IMS. In Hays IMS, significant operational problems were encountered in undertaking a major reorganisation of storage sites at the same time as implementing a new IT system. Profit reduction was exacerbated when management decided, correctly, to incur increased costs to maintain customer service. I am pleased to report that the reorganisation is now progressing well.

Hays Consulting & Solutions has been adversely affected by the slow uptake by individual Police Forces of NMIS licensed by the Police Information Technology Organisation (PITO). Consequently, Hays has incurred the significant cost of underutilised specialist consultants whilst awaiting decisions from individual Police Forces. The system is fully installed in one Police Force, with 17 others in various stages of implementation. The remaining Forces have yet to agree to accept NMIS, but discussions are under way with PITO to ameliorate the situation. Other parts of Hays Consulting & Solutions have experienced weak demand as clients put IT projects on hold. We do not see recovery in this sector in the medium term and have therefore taken the decision to write off £53.0 million of acquisition goodwill and other assets in this division.

The office process outsourcing activities of Hays Document Technologies (billing), Hays Document Management (data input and processing) and Hays Marketing Technologies (database management) have performed well. In particular, our offshore back office processing activities in India, Sri Lanka and Poland have grown strongly and we anticipate further positive developments in the year ahead. The market for both front and back office outsourcing remains attractive. Under the leadership of our new management team we will be investing to strengthen our position in our chosen sectors.

MAIL AND EXPRESS

In the UK, Hays Mail and Express is the leader in business-to-business mail delivery within the private sector, producing operating profits of £50.2 million, down £1.1 million. In September 2001 we were granted three interim licences by the regulator, Postcomm. These interim licences have attracted considerable customer interest and have enabled us to introduce DX Metro, which provides direct-to-the-door deliveries in central London, Manchester and Edinburgh. However, in many instances, the licences awarded to Hays do not provide sufficient certainty for customers to change from their current arrangements. Understandably, customers greatly value security of supply, which as yet we have been unable to offer. This situation has been exacerbated by Postcomm's decision to delay the start of permanent mail market liberalisation until January 2003. Hays has applied for a defined activity licence which will make all our interim licences permanent and provide us with further opportunities to introduce innovative services.

To eliminate continued uncertainty for customers, we elected to settle our outstanding litigation with Royal Mail at a total cost of £6.4 million and this has been charged as an exceptional operating item in the profit and loss account. The impact of the enforced return of some non-DX business to Royal Mail and the costs of developing new services contributed to the £1.1 million reduction in profit in the year.

Hays Mail and Express in Continental Europe has achieved an impressive turn around and a return to profitability for the year. This business is now on a solid foundation and work is under way to further strengthen our position, particularly in France.

In summary, Hays Mail and Express is well placed to benefit from the liberalisation of the UK mail market and has the infrastructure to develop unique services for selected customers.

LOGISTICS

Hays Logistics' operating profits of £45.7 million were down from £52.6 million in the previous year. This was in line with the logistics market as a whole. The division's results include the launch costs of developing Hays Container Services, Inc., the reusable crates business in the USA, and continued investment in Hays Fourth Party Solutions (Hays 4PS).

Hays Continental Logistics achieved a substantial profit improvement in all countries except Germany, where the high costs of reorganising the Iveco contract held back profits.

Progress with Hays 4PS has continued and we anticipate the launch of a pilot operation in Benelux before the end of the year. However, the achievement of more chargeable revenues has reduced overall net revenue investment in Hays 4PS by £1.4 million to £2.5 million per annum.

Hays Logistics UK experienced continued margin pressure in the retail sector which was exacerbated by declining volumes handled by the retail support network. Lower volume growth in the technology sector was offset by efficiency improvements in the reverse logistics operations. Our crate management business operated on behalf of retailers experienced substantial growth with the roll out of the Sainsbury's contract.

Overall, the Hays Logistics business is performing as we expect in tough market conditions. The business pipeline has been strengthened to provide a basis for growth in the period ahead with significant contract wins and renewals that include blue chip customers such as Carrefour, Energizer, Scottish Courage and Waitrose.

MANAGEMENT

As market conditions deteriorated during the year, Hays' management team targeted further investment and development to good effect. While costs were managed aggressively, the Group's infrastructure has been strengthened, particularly in the area of management information.

I am delighted that our search for a new Chief Executive reached a successful conclusion with the announcement of Colin Matthews' appointment and he joins the Board as Chief Executive Officer on 1 November 2002. Colin brings with him a vast international and service industry experience, having worked extensively in Europe and North America in senior positions for major companies.

In addition, it is a pleasure to advise that our Board has been greatly strengthened by the appointments of Pierre Danon, Chief Executive Officer of BT Retail, and Lesley Knox, a founder director of the investment bank British Linen Advisers and a director of a number of other public companies. The Board is already benefiting from the broad and varied experience that these new non-Executive Directors bring to its deliberations.

I would like to thank all the staff in Hays for a year of tremendous hard work, which has moved the Group forward to a stronger and more effective base for its future development. Customer service has remained their absolute priority and this provides a solid foundation for strong and enduring relationships for the future.

PROSPECTS

A number of the markets in which we operate continue to be volatile and uncertain with little customer confidence to commit to development. In Hays Personnel, net fee income since April has been broadly flat, whilst in Hays Logistics, Hays Commercial and Hays Mail and Express the trends seen in the second half of the year to 30 June 2002 have continued. Trading conditions remain difficult and, looking ahead, we see no sign of improvement in the short-term. Consequently, we are investing in our businesses to enhance their market position and to develop the effectiveness of our service offerings to customers. Service excellence, combined with our strong cash flow, will ensure that Hays is well positioned for the upturn when it happens. We continue to see good potential for our specialist activities and will vigorously pursue the opportunities as they arise.

Bob Lawson

Bob Lawson
Chairman
4 October 2002

Personnel

WE FOCUS ON THE SPECIALIST STAFFING SECTOR.

THERE ARE ATTRACTIVE GROWTH OPPORTUNITIES IN CONTINENTAL EUROPE AND WE WILL BE TAKING FULL ADVANTAGE OF THEM.

ONE OF OUR GREAT STRENGTHS IS OUR ABILITY TO MAINTAIN A FLEXIBLE COST BASE.

Natalie Templar,
AXA, being interviewed by
Paul Mills, *Hays Personnel Solutions*

HAYS PERSONNEL IS EXPANDING BEYOND SPECIALIST TEMPORARY AND PERMANENT RECRUITMENT INTO FULLY OUTSOURCED LONG-TERM HR CONTRACTS.

"IN DIFFICULT MARKET CONDITIONS, THE PERSONNEL DIVISION HAS PERFORMED EXTREMELY WELL, GAINING MARKET SHARE AND EXPANDING ITS NETWORK OF OFFICES IN BOTH THE UK AND CONTINENTAL EUROPE."

from left to right

Laurence Hoefkens
Business Sector Director, Hays Personnel Solutions & Specialist Services

Ross Hetherington
Business Sector Director Hays Accountancy Personnel

Mark Brunning
Finance Director Hays Personnel

Leigh McMaster
Business Sector Director Hays Inter-Selection, Hays Banking Personnel, Hays Personnel Australia

Robert Smith
Business Sector Director, Hays Montrose & Hays Iberia

Key events of the year

→ Major wins in HR outsourcing for Hays Personnel Solutions

→ 55,000 visitors per week to www.hayspersonnel.com

→ Temporary staffing continued to grow

→ Good growth in public sector recruitment and Hays Montrose

→ Expansion in France, Holland, Belgium, Spain, Germany and Portugal

Despite difficult market conditions, Hays Personnel has demonstrated its resilience and performed extremely well compared to our peers, gaining market share. Total sales were 1% below prior year with operating profit at £122.5 million, after a 15% decline in higher margin permanent recruitment activity. However, certain sectors continued to grow, notably the supply of specialist staff for the construction industry and the public sector which now accounts for 16% of total fees. In Continental Europe we also introduced several specialist brands as part of our long-term strategy.

Hays Personnel Solutions, which provides outsourced HR solutions to blue chip companies, enjoyed a year of exceptional success. Public and private sector employers are increasingly drawing on HR outsourcing services in order to focus on core activities. We have won a number of significant long-term exclusive contracts with clients such as Liverpool Victoria and AXA, covering all aspects of HR service delivery. We also introduced HaysWorkflow, our web-enabled HR and recruitment software, for our recruitment management contracts with clients such as Egg and Prudential.

Investment in our portal website, www.hayspersonnel.com, continues to pay dividends. Around 55,000 people visit the site each week, of whom some 15,000 make online job applications, while 19,000 subscribe to our weekly Job Alert e-mail service. The site regularly carries around 25,000 jobs. www.hayspersonnel.com is also a profit centre in its own right, selling online advertisements and recruitment 'microsites' to employers, as well as our unique web-based HR facilities such as skills validation tests and behavioural profiling.

In the face of adverse market conditions, particularly in London and the South East, Hays Accountancy Personnel performed well overall. The number of temporary workers grew as evidence of our ability to continually deliver innovative temporary recruitment solutions. We strengthened our position as market leaders in public sector recruitment with exclusive and preferred supplier contract wins, including the London Borough of Camden. In the City of London, significant contracts for temporary recruitment were secured or renewed with leading Investment Banks.

Hays Montrose, which recruits for the construction industry, was one of the success stories of the year producing record results. Six new offices opened and a further six are due to open in the first quarter of the forthcoming year. Hays Montrose has taken advantage of continued government investment in schools, hospitals and transportation. Major contract wins such as Atkins, with its own interactive recruitment website, are paving the way for integrated recruitment solutions. Due to tight cost control and increased management focus, productivity increased by 7% overall.

Hays Personnel continued to expand in Continental Europe. We opened three new offices in France, with further new offices planned in key towns throughout the country over the remainder of the financial year. Hays Alpha, which recruits for the French banking and insurance sectors, achieved good results, retaining key contracts with a number of blue chip clients. In Spain, Portugal, Belgium and Holland, six new offices were opened, hosting our accountancy, engineering, construction and IT divisions, while our Portuguese operation established an interim recruitment division. This has strengthened our ability to support pan-European organisations with cross-border recruitment.

Hays IT experienced difficult trading in line with market conditions across the UK and Continental Europe. Prompt action by the management in reducing costs enabled us to achieve significantly better results relative to our peers. There were important business wins as well as the expansion of our public sector division.

Despite adverse economic conditions, in Australia and New Zealand we successfully introduced two brands, Hays Education Personnel and Hays ZMB (legal staff). Hays Montrose expanded to Canberra and Adelaide, while specialist insurance divisions opened in Sydney, Melbourne and Brisbane. Hays Personnel Solutions has played a crucial role in our Australian operation, winning partnerships with a number of blue chip clients, including Vodafone. This contract sees the first implementation of HaysWorkflow outside the UK.

Financial Highlights

	2002	2001
Turnover	**£1,076.9m**	£1,084.0m
Operating Profit*	**£122.5m**	£146.0m
Operating net assets	**£105.5m**	£121.1m
Employees (average number)	**4,083**	4,084

* before goodwill amortisation and exceptional items

Hays Personnel Solutions and

the Prudential

Hays Personnel Solutions is a leader in the fast growing field of outsourced HR solutions. Among our customers is the Prudential, for whom we recruit customer service staff. Though employed by Hays Personnel Solutions, the Resourcing team works in the Prudential's own offices in Reading, Stirling and Belfast as a Prudential branded internal agency.

→ Our team manages the entire recruitment process, including initial selection, telephone screening, assessment and competency based interviewing. The initial contract, for the recruitment of permanent staff, was swiftly followed by another for temporary staff. The recruitment of customer service staff is not the only work which Hays Personnel does for the Prudential. Some of our other specialist businesses, notably Hays Accountancy Personnel, also supply them with professional staff.

→ Prudential is only one of some 25 blue chip customers for whom Hays Personnel Solutions provides a wide range of outsourced HR Solutions. Eight of these clients are taking significant benefit from the deployment of HaysWorkflow, a web-enabled, customisable database program connecting all parties in the resourcing process.

Commercial

WE ARE BUILDING ON OUR EXISTING STRENGTHS, NOTABLY IN INFORMATION MANAGEMENT, BILLING, CUSTOMER RELATIONSHIP MANAGEMENT AND OFFSHORE PROCESSING.

COMMERCIAL IS NOW MANAGING WHOLE OFFICE PROCESSES, NOT JUST SINGLE FUNCTIONS.

IN THE SPECIALIST AREAS IN WHICH WE OPERATE, CONTINUED INVESTMENT IN NEW TECHNOLOGIES IS CRITICAL TO OUR SUCCESS.

Chamila Maduwanthi Kumari
Hays Document Management

"THE REORGANISATION OF HAYS IMS IS ON SCHEDULE AND **THE FOCUS ON IMPROVED SERVICE IS ALREADY PRODUCING RESULTS."**

from left to right

Mike Rodwell
Managing Director, Hays Consulting & Solutions – NMIS

Teddy Megarbane
Business Sector Director, Hays Commercial Continental Europe

Mick Harrison
Finance Director, Hays Commercial

Les Cassells
Managing Director, Hays Commercial

Stephen Booth
Business Sector Director, Hays Information Management Solutions

Mark Underwood
Business Sector Director, Hays Commercial UK and Offshore

Malcolm Mottram
Managing Director, Hays Consulting & Solutions – Strategic Consulting

Key events of the year

- → Investment in a new Hays IMS facility in London
- → Hays IMS wins a facilities management contract with DTI
- → Major contracts renewed in Hays Document Technologies
- → Hays Customer Solutions wins new contact centre contract
- → Growth in offshore processing contracts

In a difficult year for the business, Hays Commercial made an operating profit before goodwill amortisation and exceptional items of £27.6 million on sales of £227.5 million.

The reorganisation of our information management solutions business, Hays IMS, is on schedule, with the new senior team implementing a programme to move customers' records to a small number of large, modern and well located storage sites and installing best-in-class IT systems. Our focus on improved service and customer care is already producing results. We have been awarded a £10 million contract with the DTI for the facilities management of their records centres and central enquiry service and a £3 million five-year contract to manage the records of a global pharmaceutical organisation.

We are investing £6.7 million in a new facility, at the heart of London's financial centre. This will allow Hays IMS to exit a number of smaller, less efficient premises and consolidate its operations in this purpose built centre. Opening in January 2003, it will eventually hold up to 2.2 million records in box, file, and magnetic tape formats. "Insight", a Hays developed web-enabled ordering, tracking and information system, will be implemented across the business by the end of December 2002, and will link to a newly introduced data centre IT system, providing bar coding and tracking capability.

At Hays Consulting & Solutions, the National Management Information System (NMIS) framework agreement with the Police Information Technology Organisation (PITO) has led to further losses in the second half of the year, reflecting delays in take-up and the underutilisation of specialist consultants. A total of 17 Forces are currently at various stages of implementing NMIS, with one implementation completed. Discussions with PITO on a revised roll out plan are expected to reach a conclusion by the end of September 2002, when a revised implementation timetable will be launched jointly by Hays Consulting & Solutions and PITO.

Hays Document Technologies has just successfully renewed two large scale billing contracts with major mobile phone operators. In the coming year we shall invest in advanced technologies including continuous print, highlighted colour, and more efficient enclosing equipment, to allow us to address growing demand for outsourced print fulfilment in the financial services market.

Hays Customer Solutions has won a new contact centre contract for the UK operation of a large US-based retailer, expanding our range of services both in the UK and in Continental Europe.

In Hays Document Management, we successfully renewed two long-term contracts, one a three-year £8 million back office processing contract for a large retail banking operation in Central Europe, the other a seven-year £7 million contract providing a range of data capture and information management services for one of the UK's largest public sector agencies. Both rely on high levels of accuracy and reliability and are delivered by our offshore data processing facilities in Eastern Europe and Asia. Our Asian offshore operations have been working with a number of key clients to develop a new range of IT-enabled real-time and voice operations. We believe our offshore capability offers a major opportunity for growth in existing services, as well as in more sophisticated activities such as finance and accounting, and customer relationship management.

Financial Highlights

	2002	2001
Turnover	**£227.5m**	£222.7m
Operating Profit*	**£27.6m**	£36.9m
Operating net assets	**£119.4m**	£113.3m
Employees (average number)	**5,843**	5,473

* before goodwill amortisation and exceptional items

Hays Customer Solutions and

British Gas

Hays Customer Solutions is a prime example of the Group's ability to turn a one-off opportunity into a new business, drawing on the skills and resources of several divisions. In 1997 Hays Personnel was appointed by British Gas to set up, staff and manage a call and process centre to handle customer demand for the supply of gas and electricity.

➔ Initially this was a single contract operated by a small team from Hays Personnel and British Gas. Today the operation is run from our own 700-seat contact centre in Leicester and involves incoming and outgoing communications by mail, telephone, e-mail and other interactive electronic media. Valuable technological input also comes from Hays Document Management, who provide scanning and data-capture services.

➔ Not only has our work for British Gas expanded greatly over the last few years, Hays Customer Solutions now provides services to more than 20 other blue chip customers, mainly on long-term contracts.

Bwezhani Ndhlovu
Hays Customer Solutions

Mail and Express

WE SHALL TAKE FULL ADVANTAGE OF NEW OPPORTUNITIES AS THE MAIL MARKET IS PROGRESSIVELY OPENED UP TO THE PRIVATE SECTOR.

WE WILL CONTINUE TO DEVELOP OUR POSITION AS THE UK'S LARGEST PRIVATE MAIL OPERATOR.

WITH OUR UK NETWORK OF AUTOMATED SORTING FACILITIES **WE ARE STRONGLY PLACED TO INTRODUCE NEW VALUE ADDED SERVICES.**

Christine Gray
DX Metro

Key events of the year

- → Established new DX Metro service
- → Strong performance by Hays DX in Continental Europe
- → Contract wins for innovative new services

Financial Highlights

	2002	2001
Turnover	£249.8m	£242.5m
Operating Profit*	£50.2m	£51.3m
Operating net assets	£20.0m	£10.5m
Employees (average number)	2,509	2,635

* before goodwill amortisation and exceptional items

Sales in Hays Mail and Express grew by 3%, although operating profit before goodwill amortisation and exceptional items was lower at £50.2 million due to revenue investment in business development and the enforced return of certain profitable business to Royal Mail.

In September 2001, Hays Mail and Express was awarded the first ever licence to compete with Royal Mail. The licence has enabled Hays DX to introduce DX Metro, a pre-8 am direct-to-the-door delivery service to business addresses in central London, Edinburgh and Manchester. The licence also allows collection of a customer's entire mail output. Using state-of-the-art automation technology, the items that are appropriate for delivery by Hays DX are then extracted, with the residue being forwarded by Royal Mail.

The licence also enables selected customers to receive a door-to-door service, with extended benefits including the ability to follow the path of individual letters, via the web, from origin to destination. As a result of the licence, major financial services companies such as AXA have returned to Hays DX, attracted by better quality service and lower costs. In line with our strategy to focus on time critical mail for business-to-business customers, we have applied for a number of long-term licences for specific activities and have recently had our interim licence amended to provide additional services in the event of industrial action from the Universal Service Provider. However, market development is still impeded by the interim nature of the licences.

We are also continuing to build on the existing Hays DX and Hays Specialist Courier businesses. Notably, the Inland Revenue has agreed to establish document exchanges at all of their 750 offices, enabling businesses, including accountancy practices, to send documents to these locations, and to each other, using Hays DX.

Major contracts have been signed with Marks & Spencer, Somerfield and Dixons for the movement of inter-branch pouches, parcels and point of sale material. In addition, the BBC now uses Hays DX to move documents and parcels. An exciting development in the life sciences sector has been the adoption by DEFRA of a specimen delivery service for the Veterinary Laboratories Agency and new contracts have been won in mailroom management for PricewaterhouseCoopers, Compass and Thomas Cook.

It was an excellent year for Hays DX in Continental Europe, with both the French and Belgian businesses returning to profit after taking firm measures to strengthen their operations.

from left to right

Fiona Tyler
Finance Director, Hays Mail and Express UK and Republic of Ireland

Neil Tregarthen
Business Sector Director, Hays Mail and Express UK and Republic of Ireland

Ian Emmerson
Operations Director, Hays DX

Keith Maple
Planning and Marketing Director, Hays DX

David Sibbick
Director of Regulatory Affairs, Hays DX

Vikki Williams
General Manager, Customer Relationships, Hays DX

Logistics

OUR LONG-TERM CUSTOMER RELATIONSHIPS ARE BUILT ON TECHNOLOGICAL INNOVATION AND **THE HIGHEST STANDARDS OF OPERATIONAL EFFICIENCY.**

OUR CONSULTING AND IT AIMS ARE TO MOVE **STRATEGICALLY UP THE VALUE CHAIN.**

OUR REUSABLE CRATE MANAGEMENT BUSINESS IS **EXPANDING RAPIDLY.**

Rudolph Tagoe *(foreground)*
Stephen Smith *(background)*
Hays Asset Control Solutions

"IN A GENERALLY DEPRESSED MARKET, **HAYS LOGISTICS MADE SUBSTANTIAL PROGRESS ON THE CONTINENT.** IN COMMON WITH THE REST OF THE INDUSTRY, WE ENJOYED MIXED SUCCESS IN THE UK."

from left to right

Jerry Austen-Smith
Business Sector Director, Hays Logistics UK and Benelux

Bernard Thévenin
Finance Director, Hays Logistics

John Lloyd
Managing Director, Hays Logistics, France Consumer, Germany and Poland

Rui Marques
Managing Director, Hays Logistics Spain, Italy and Iveco Contract

Peter McLoughlin
Business Sector Director, Hays Asset Control Solutions

Patrick Pépin
Managing Director, Hays Logistics, France Retail and Greece

Yvan Salamon
Managing Directo Consulting

Key events of the year

→ Important new business wins

→ Successful crate management start-up in USA

→ Significant progress in Hays Argon and Hays DSIA

→ Strengthened relationship with Carrefour

→ Strong growth in the retail sector in Continental Europe

Hays Logistics in Continental Europe made substantial progress, despite tough market conditions, whereas Hays Logistics in the UK suffered in common with the rest of the industry. In total, Hays Logistics achieved an operating profit before goodwill amortisation and exceptional items of £45.7 million on sales of £880.2 million.

By offering our customers a unique combination of consulting, IT and operational skills, Hays Logistics has become a market leader in the re-engineering and subsequent management of highly complex supply chains. During the year we strengthened partnerships with blue chip customers such as Carrefour, Daikin, Danone, Orange, Kimberly Clark, Renault, Sara Lee, Scottish Courage, Unilever and Waitrose. We also gained several important new customers including France Telecom, Energizer and Virgin Retail. Such successes confirm that major customers recognise the benefits of working with Hays Logistics in the management of complex supply chains. The strength of relationships founded upon high quality critical services assures Hays Logistics of a long-term income stream from these contracts. Meanwhile, we are continuing to sub-contract low margin commodity operations such as transport to other service providers.

Hays Asset Control Solutions, our crate management business, has expanded significantly both in the UK and in Holland. The £250 million seven-year Sainsbury's contract is now fully operational with a pool of over eight million returnable crates, and we have won further crate management contracts with Budgens, Safeway and Waitrose. Hays Container Services, Inc. has now started crate operations in the USA for eleven Wal-Mart suppliers and is currently negotiating with a further ten. Although this development is still at the launch phase, the profit potential is considerable.

During the year both Hays Argon (consulting) and Hays DSIA (IT) made significant progress. Hays Argon now has offices in Italy and Benelux as well as France, with plans to establish a presence in other major European countries shortly. Hays DSIA won new contracts during the year with substantial customers, such as Nestlé and Carrefour, and launched a new web-based tracking system specifically designed for chilled products. At the end of the year our strategic partnership with i2 was extended for a further two years and Hays Argon became a "premium integrator" for the whole range of i2 supply chain software.

Discussions have continued between Hays Fourth Party Solutions (Hays 4PS) and a number of blue chip companies about designing and implementing fourth party solutions. As a result, a Hays 4PS pilot project will be launched in Benelux on behalf of one of these companies later this year.

There was a further decline in Hays Retail Support and other network operations. The market for the storage and distribution of shop fittings is weakening due to shorter product life and the availability of cheaper alternatives, exacerbated by cost pressures on the retail sector at large.

Financial Highlights

	2002	2001
Turnover	**£880.2m**	£880.9m
Operating Profit*	**£45.7m**	£52.6m
Operating net assets	**£311.9m**	£292.9m
Employees (average number)	**14,499**	14,981

* before goodwill amortisation and exceptional items

Hays Logistics and

Orange

Previous experience is a big advantage when it comes to winning business. And so it proved when Hays Logistics in Continental Europe recently won a three-year contract from France Telecom Terminaux, which is principally involved with purchasing and logistics activities of Orange mobile phones.

➔ Hays is already the biggest provider of logistics management services in the UK mobile telecoms sector. We have been working for Orange since the launch of their UK network in 1994. The advice which our UK planning team were able to give their French colleagues, based on eight years practical experience, played a key part in securing the contract.

➔ One of Hays' great strengths is that we are well placed to leverage our expertise not only between markets in different countries, but between different divisions within the Group. Given our strategy of targeting blue chip customers, it is no coincidence that Hays Commercial and Hays Personnel have also won contracts with Orange.

Elisabeth Ly
Hays Logistics France

Financial Review

"The rate of conversion of operating profit to operating cash flow was a highly commendable 123%."

PROFIT AND LOSS ACCOUNT

In a difficult trading environment turnover on continuing operations was marginally ahead of last year with the operating margin in the Group declining during the period to 10.1%, a movement largely attributable to changes in the business mix within divisions. In particular, the increase in the proportion of temporary placements in Hays Personnel reduced the reported margin in the division from 13.5% to 11.4%. Underlying margins in Hays Personnel remained unchanged. The reduced margin resulted in profit from continuing operations before goodwill amortisation and exceptional items being 14% lower at £246.0 million. Earnings per share before goodwill amortisation and exceptional items were 15% lower at 9.40p.

Segmental reporting of the Group profit and loss account has been enhanced this year to provide investors with greater clarity. As a consequence the results of Hays Mail and Express have been disclosed separately.

Group companies maintained their excellent record of minimising exposure to corporate failures, with no significant bad debts recorded in the period. This is indicative of the quality of the Group's client base and tight credit control.

DISPOSAL OF NON-CORE OPERATIONS

The Group has continued to focus its operations by disposing of non-core businesses. As well as the chemicals activities, the Group disposed of its retail installations, clinical and French co-manufacturing activities. After writing off most of the associated goodwill last year, the overall loss on disposal was restricted to £0.1million. Net cash proceeds from disposals during the year totalled £52.8 million and a further £46.7 million from the disposal of the chemicals activities remains due in the form of loan notes.

OPERATING EXCEPTIONAL ITEMS

The Group incurred costs and damages of £6.4 million in settling the claim from Royal Mail that its de facto monopoly for letters weighing less than 350 grams and costing less than £1.00 was being infringed. The settlement will enable Hays Mail and Express to focus on pursuing the opportunities that arise from deregulation.

Demand for IT consulting services reduced significantly over the last year, which brought into question the carrying value of goodwill and other assets in the Hays Consulting & Solutions business. The business retains the capabilities that enable it to provide an integrated service offering, but we do not expect strong demand to return quickly to the IT sector in general. A prudent approach is therefore being taken to the capitalisation of goodwill in relation to this business resulting in an exceptional charge of £53.0 million, the majority of which is non-cash and relates to the write down of goodwill. The net cash outflow in relation to this item during the year was £0.3 million.

INTEREST

Net interest payable in the year reduced from £26.3 million to £19.2 million, primarily due to strong working capital controls, the generation of cash from operations, cash inflows from disposals and some benefits from improvements in underlying interest rates. As the majority of our long-term debt is at fixed interest rates, the impact of lower interest rates during the year was on our short-term borrowings.

TAXATION

The Group adopted FRS 19 'Deferred tax' during the year, requiring us to account for deferred tax on a full provision basis. Tax on profit before goodwill amortisation and exceptional items of £71.6 million represents an effective tax rate on ordinary activities of 30.9%. This is consistent with the cash tax rate and the expected composite rate across the various countries in which we operate.

PENSIONS

The Group accounted for pension costs during the year under SSAP 24, but has also made the detailed disclosures required in the second year of the transitional arrangements under FRS 17. These disclosures show a net FRS 17 deficit (after deferred tax) of £67.3 million. The deficit has arisen mainly as a result of turbulence in the stock market and low interest rates, combined with a prudent view of the likely growth in employee salaries. The deficit is expected to reduce as market conditions improve and the Group will consider the appropriate funding rate after updating the actuarial valuation. The resultant increase in pension contributions could be £2 million to £3 million per annum.

The defined benefit Hays Pension Scheme was closed to new members on 1 July 2001. Employees are now invited to participate in the Hays Stakeholder Pension Plan which is a money purchase scheme with broadly similar employer contributions.

CASH FLOW AND CAPITAL EXPENDITURE

Strong working capital controls, particularly over trade receivables, contributed to cash flow from operating activities of £303.8 million, with cash generation before investing activities of £141.9 million (2001 – £127.8 million). The rate of conversion of operating profit to operating cash flow was a highly commendable 123%.

Our strong cash generation provided us with the opportunity to invest for future growth. In the year, total capital expenditure of £81.5 million included a further £7.0 million for sortation and other equipment in Hays Mail and Express, £9.2 million to support new crate management contracts and a £12.6 million investment in facilities and new systems for the Hays IMS business.

TREASURY MANAGEMENT

Group operations continue to be financed from retained earnings, bank borrowings and long-term loans. Where required, debt is generally raised by the Group Treasury Department and lent on to operating subsidiaries on commercial terms. The Group Treasury Department operates as a cost centre and manages the Group's treasury exposure to reduce risk in accordance with policies approved by the Board. The Group does not engage in speculative transactions.

The main risks arising from the Group's financial instruments are interest rate movements, liquidity, currency and counterparty risk. Derivative contracts, currency swaps and interest rate swaps are selectively used to mitigate the Group's financial exposure. The Board reviews and agrees policies for managing each of these risks as summarised below.

The Group's exposure to interest rate fluctuations on its borrowings and deposits is selectively managed, principally using interest rate swaps. Group borrowings are primarily denominated in sterling and euros. The Group operates a policy of fixing the interest rate on core long-term debt, whilst shorter term debt and cash are maintained at short-term interest rates.

The Group maintains a balance between continuity and flexibility of funding by arranging borrowings with a range of maturities. The Group's primary syndicated loan facility was renewed in June 2001, to provide funding of up to £450 million for five years. As at 30 June 2002 the Group had gross borrowings of £352.8 million, resulting in net debt of £232.0 million. No significant new debt facilities were arranged during the year.

The Group has substantial operations overseas, particularly in Continental Europe, and its profits and net assets are all affected by movements in exchange rates. The Group aims to mitigate its exposure arising from the translation of foreign currency by borrowing foreign currencies to match 90% of foreign currency assets. At 30 June 2002 foreign currency borrowings represented 89% (2001 – 103%) of the net carrying value of foreign currency assets. Exposure to currency risk at a transactional level is minimal with most day-to-day transactions being carried out in local currency.

Counterparty risk arises from the investment of surplus funds and the use of derivative instruments. To manage this risk, the Group restricts transactions to banks that have a defined minimum credit rating and limits the exposure to each bank. All derivative transactions are executed under agreements conforming to standards set by the International Swaps and Derivatives Association.

The Group has complied throughout the year with borrowing covenants under all of its facilities.

INVESTMENT CRITERIA

The Group adopts a disciplined approach to assessing prospective investments to ensure that commercial risks and rewards and capital efficiency are an integral part of investment appraisal. This ensures that our management is focused on delivering returns in excess of our weighted average cost of capital.

Neil McLachlan
Group Finance Director
9 September 2002

Financial Highlights from Continuing Operations

	2002	2001
Turnover	**£2,434.4m**	£2,430.1m
Operating Profit*	**£246.0m**	£286.8m
Operating net assets	**£556.8m**	£537.8m
Employees (average number)	**26,934**	27,173

* before goodwill amortisation and exceptional items

Board of Directors

from left to right

Back: Christopher Taylor, Graham Williams, Xavier Urbain, Neil McLachlan, Stephen Charnock.
Front: Lesley Knox, Denis Waxman, Bob Lawson, Brian Wallace, Pierre Danon.

"OUR BOARD HAS BEEN GREATLY STRENGTHENED BY THE APPOINTMENT OF COLIN MATTHEWS AS CHIEF EXECUTIVE OFFICER WITH EFFECT FROM 1 NOVEMBER 2002 AND BY THE APPOINTMENTS OF PIERRE DANON AND LESLEY KNOX AS NON-EXECUTIVE DIRECTORS."

Bob Lawson, *57, Chairman*

Appointed Chairman of the Board and of the Nomination Committee on 1 July 2001, following Ronnie Frost's retirement. Joined Hays plc as a Non-Executive Director on 1 July 1998 and became Deputy Chairman on 11 November 1999. A qualified engineer with an MBA, his career has spanned several United Kingdom and Continental groups, including three years as Managing Director of Vitec Group plc and more recently 10 years as Chief Executive of Electrocomponents plc, where he remains Non-Executive Chairman.

Colin Matthews, *46, Chief Executive Officer*

The Company has announced the appointment of Colin Matthews as a Director and as Chief Executive Officer with effect from 1 November 2002. He joins the Company from Lattice Group plc where he was the Executive Director responsible for managing Transco, the owner and operator of Britain's gas pipeline network. He had previously held senior positions with British Airways and General Electric (USA). He is a Chartered Engineer and has an MBA from INSEAD.

Pierre Danon, *46, Non-Executive Director*

Appointed Non-Executive Director on 27 November 2001, he is a member of the Audit, Nomination and Remuneration Committees. He is a director of BT Group plc and Chief Executive of BT Retail. A qualified civil engineer with a Masters in Law and an MBA, he was previously President of Xerox Europe and was also a Governor of the European Foundation for Quality Management.

Lesley Knox, *49, Non-Executive Director*

Appointed Non-Executive Director on 30 April 2002, she is Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees. She is a founding director of the investment bank British Linen Advisers and is also a Non-Executive Director of Glenmorangie plc, HMV Group plc, MFI Furniture Group plc and the Alliance Trusts. She was previously a director of Kleinwort Benson.

Neil McLachlan, *41, Group Finance Director*

Joined the Group in 1993 and was responsible for management of the Group's finance function prior to his appointment to the Board as Group Finance Director on 1 March 1999. He is a qualified accountant and has held senior financial posts in the retail, property and consulting sectors.

Christopher Taylor, *61, Non-Executive Director*

Appointed Non-Executive Director and Chairman of the Audit Committee in December 1995 and is a member of the Nomination and Remuneration Committees. He is a director of DBS Management plc and was previously a director of JBA Holdings plc and The Economist Newspaper Limited. Prior to that he was Finance Director of Smiths Industries plc.

Xavier Urbain, *45, Executive Director*

Chief Executive of France Distribution Systems SA (FDS) at the time it was acquired by Hays in August 1997, he was appointed to the Board as an Executive Director on 14 July 1998. Before the acquisition of FDS by Hays, he had worked for 11 years at a senior level in the Mayne Nickless Group and the SDV (Scac Delmas Vieljeux) Group. Prior to that he had worked in logistics with Auchan in France and in finance with Deloitte & Touche.

Brian Wallace, *48, Non-Executive Director*

Appointed Non-Executive Director on 5 March 2001, he is a member of the Audit, Nomination and Remuneration Committees and is now Senior Independent Director in accordance with the Combined Code. He is Deputy Chief Executive of the Hilton Group plc and has been Finance Director of the Hilton Group plc since 1995. Prior to that he was Group Finance Director of Geest plc.

Denis Waxman, *55, Executive Director*

Appointed Executive Director on 10 March 1998 having previously been the Business Sector Director responsible for the Hays Personnel core activity. He has been Managing Director of Hays Personnel Services since the business was acquired by the Group in 1986 and was one of the original founder directors of that business in 1969.

Graham Williams, *59, Executive Director*

Appointed Executive Director in 1987. A qualified accountant with an MBA from INSEAD. Having joined Hays as Finance Director, he subsequently held a number of executive positions. Before joining Hays he spent ten years with Charterhouse in the UK and France. He was also a founding director of Barclays Private Equity in 1979 where he later became Deputy Managing Director.

Stephen Charnock, *46, Company Secretary*

Appointed Company Secretary on 1 January 1998, he is a qualified solicitor and head of the Group legal team. Prior to joining Hays in 1991 he had held similar positions at Whitbread plc and Automotive Products plc.

Corporate Responsibility

PROGRESS REPORT 2002

During the year we continued to make progress in implementing our programme for sustainability and our Employment and Human Rights Code, communicating via our internal magazine Hays Newswire and our web-site www.hays.com.

TRANSPORT AND TRAVEL

In Hays Logistics UK, we are to trial a revolutionary dual fuel tractor unit on behalf of a major customer. This development in engine technology uses a combination of compressed natural gas and diesel, providing cleaner emissions and reduced fuel costs. We are also currently conducting trials of Dipetane, an innovative product which improves diesel usage and reduces carbon emissions. We have also agreed to be among the first UK operators to trial the use of emulsified diesel. At our site in Dagenham all manual handling equipment has been fitted with control and management systems which cut out the engines if left idling.

On the Continent, our fleet replacement policy is to make full use of environmentally friendly, cost saving Euro 3 engines. It is also our policy to lease only diesel-powered company cars and, working with a major European customer, we have introduced 'economy driving' training.

In Hays Mail and Express, our direct-to-the-door deliveries by Hays DX Metro in central London, Manchester and Edinburgh utilise environmentally friendly liquefied petroleum gas vehicles, pictured on page 16.

ENERGY-WATER-WASTE

We are taking part in the London Guildhall University's Environmental Business Action project, examining waste-management processes and policies. As part of this project, we are working with Greener World to introduce bins with colour codes for specific products (cardboard, plastic and timber), trays in offices to capture paper, recycling toners and light tubes. Hays Logistics France is a leading member of ASLOG (French Association for Logistics), which promotes environmental best practice standards in logistics throughout Europe.

At our Hays Logistics UK Iveco site in Winsford, measures have been introduced to reduce waste from spare parts arriving from motor manufacturers in Europe. A shredding machine recycles cardboard for reuse as packaging, and wooden pallets have been replaced by returnable, stackable plastic containers. General waste is now compacted to reduce skip usage and containers are no longer marked with the customer's logo, making them cheaper and easier to recycle.

For our crate management contract with Sainsbury's in the UK, Hays Asset Control Solutions utilises environmentally friendly and efficient means to transport fresh produce and also collect plastic and cardboard for recycling. At our Minworth site, Hays Logistics UK has two bailing machines, bailing four tonnes of cardboard and one tonne of shrink-wrap per month for recycling. Throughout all our UK businesses we recycle printer cartridges and we plan to do the same in France by the end of 2002.

PROCUREMENT

Across Europe we request and audit environmental statements from suppliers, focusing in particular on their recycling and environmental policies. Our procurement teams consult regularly on environmental issues and work with suppliers to establish environmental action plans. For example, we have specified in electricity tenders that at least 10% of electricity supplied to us is denominated as "green" energy. Also, a major computer supplier has been appointed to manage the whole life cost of our IT assets and their environmental disposal. In addition, we are placing bulk gas installations on most Hays Logistics UK sites for re-fuelling gas counterbalance trucks to reduce the use of disposable bottles. Furthermore, consolidated billing is being introduced throughout our offices to reduce paper usage, disposal arrangements for photocopier equipment have been agreed with a major dealer and our corporate stationery list includes a range of environmentally friendly products.

GOOD NEIGHBOUR POLICY

Hays strongly supports the communities in which we operate, regularly communicating with key stakeholders and involving ourselves in local projects. For example, Hays DX assists the charity Vision Aid Overseas by collecting old spectacles from opticians and sorting them for refurbishment and eventual re-use in Africa. At our Hays Sodibelco logistics site in Cornaredo, Italy, we moved our main site entrance to an uninhabited street, considerably reducing noise levels at nearby apartment buildings and the local community.

We will continue to develop and roll out our sustainability programme across our operations during the current year.

Shareholder Information

SHAREHOLDER ENQUIRIES

Enquiries relating to the following administrative matters should be addressed to the Company's registrars:
Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA. Telephone: +44 (0) 870 600 3970
Textphone: +44 (0) 870 600 3950.

- Dividend payment enquiries.
- Dividend mandate instructions: Dividends may be paid directly into your bank or building society account on completion of a mandate instruction form. Tax vouchers are sent to the shareholder's registered address.
- Loss of share certificates/dividend warrants/tax vouchers.
- Notification of change of address.
- Transfer of shares to another person.
- Amalgamation of accounts: If you receive more than one copy of the Annual Report and Accounts, you may wish to amalgamate your accounts on the share register.

You can access your shareholding details and a range of other shareholder services at the Lloyds TSB Registrars website www.shareview.co.uk
For other enquiries relating to shareholder services or general enquiries about the Company, please contact:
David Beckley, Group Communications Manager, Hays plc, Hays House, Millmead, Guildford, Surrey GU2 4HJ.
Telephone: +44 (0) 1483 302203. E-mail: david.beckley@hays.plc.uk

SHAREHOLDER INFORMATION

Information concerning the day-to-day movement of the share price of the Company can be found on our website www.hays.com or that of the London Stock Exchange www.prices.londonstockexchange.com. Alternatively, information can be found under Reuters RIC code HAS.L, Bloomberg code HAS LN Equity, TOPIC page number 45326 and short code HAS, Datastream code HAS or by dialling +44 (0) 906 843 5377 for the FT Cityline share price service. Calls are charged at 50p per minute at all times.

DEALING SERVICE

Cazenove & Co Ltd operates a postal dealing service for Ordinary shares in Hays plc. This provides for the sale or purchase of shares at a basic commission of 1% subject to a £10 minimum charge. Further information is available from: Cazenove & Co Ltd, 12 Tokenhouse Yard, London EC2R 7AN. Telephone: +44 (0) 20 7606 1768. Website: www.cazenove.com

CORPORATE INDIVIDUAL SAVINGS ACCOUNT

The Hays plc Single Company ISA is available to existing and prospective shareholders in Hays plc. Further information is available from: Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6UY. Telephone: +44 (0) 870 242 4244. Website: lloydstsb-registrars.co.uk

DIVIDEND RE-INVESTMENT PLAN (DRIP)

The Company has introduced a DRIP to allow shareholders to re-invest the cash dividend that they receive in shares on competitive dealing terms. Further information is available from: The Share Dividend Team, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex, BN99 6DA. Telephone: +44 (0) 870 600 3970. Website: lloydstsb-registrars.co.uk

UNSOLICITED MAIL

As the Company's share register is, by law, open to public inspection, shareholders may receive unsolicited mail from organisations that use it as a mailing list. To reduce the amount of unsolicited mail you receive, contact: The Mailing Preference Service, FREEPOST 22, London W1E 7EZ. Telephone: +44 (0) 845 7034599. Website: mpsonline.org.uk

FINANCIAL CALENDAR 2002

Interim Statement	March
Interim Dividend	31 May
Preliminary Announcement	September
Annual Report posted	October
Annual General Meeting	November
Final Dividend	29 November

Directors and Corporate Information

Chairman and Acting Chief Executive Officer

Bob Lawson

Directors

Pierre Danon *(Non-Executive)*
Lesley Knox *(Non-Executive)*
Neil McLachlan
Christopher Taylor *(Non-Executive)*
Xavier Urbain
Brian Wallace *(Non-Executive)*
Denis Waxman
Graham Williams

Secretary

Stephen Charnock

Registered Office

Hays House
Millmead
Guildford
Surrey GU2 4HJ

Registrars

Lloyds TSB Registrars
The Causeway
Worthing
West Sussex BN99 6DA

Auditors

Deloitte & Touche
Chartered Accountants and Registered Auditors
Hill House
1 Little New Street
London EC4A 3TR

Solicitors

Freshfields Bruckhaus Deringer
65 Fleet Street
London EC4Y 1HS

Principal Bankers

Barclays Bank Plc
54 Lombard Street
London EC3P 3AH

Lloyds TSB Group Plc
Henry Duncan House
120 George Street
Edinburgh EH2 4LH

Financial Advisers

Schroder Salomon Smith Barney
Citigroup Centre
33 Canada Square
Canary Wharf
London E14 5LB

Stockbrokers

UBS Warburg
1-2 Finsbury Avenue
London EC2M 2PP

ABN AMRO Bank NV
250 Bishopsgate
London EC2M 4AA

Report of the Directors

The Directors present their report and the audited financial statements of the Company and its subsidiary undertakings for the year ended 30 June 2002.

ACTIVITIES

The Company and its subsidiary undertakings form a business services Group which provides a range of specialist services for customers in the commercial, professional, industrial and public sectors. The Group has four core activities:

Personnel	–	*Specialist staff recruitment*
Commercial	–	*Back and front office process outsourcing and information management*
Mail and Express	–	*Premium mail and specialist courier services*
Logistics	–	*Specialist logistics activities*

REVIEW OF THE BUSINESS

The Group's results are set out in the financial statements on pages 42 to 69. Details of the Group's operations and future prospects are set out in the Chairman's Statement and the Review of Operations on pages 6 to 21.

RESULTS AND DIVIDENDS

The financial results for the year ended 30 June 2002 set out in the accompanying financial statements were approved by the Board on 9 September 2002. They show an operating profit before goodwill amortisation and exceptional items of £247.3 million. Exceptional charges of £59.5 million were made in the year, details of which are included in note 3 to the financial statements. The Group generated a profit before tax of £147.6 million and profit after tax and minority interests of £82.4 million.

An interim dividend of 1.52p per share in respect of the year to 30 June 2002 was paid on 31 May 2002. The Directors recommend a final dividend of 3.16p per share which, if approved at the Annual General Meeting, will be paid on 29 November 2002 to shareholders on the register on 25 October 2002. The retained profit of £2.9 million has been transferred to reserves.

SHARE CAPITAL

The authorised and issued share capital of the Company, together with details of the shares issued during the period, are shown in note 20 to the financial statements.

During the year 202,216 Ordinary shares of 1p each were allotted in accordance with the rules of the Hays plc 1989 Executive Share Option Scheme and 246,428 Ordinary shares of 1p each were allotted in accordance with the rules of the Hays plc 1996 Company Share Option Plan. In addition 794,223 Ordinary shares of 1p each were allotted to the Hays plc Qualifying Employee Share Ownership Trust to satisfy future option exercises under the Hays plc Savings-Related Share Option Scheme and the Hays UK Sharesave Scheme and 789,517 Ordinary shares of 1p each were allotted in accordance with the rules of the Performance Share Scheme.

SUBSTANTIAL SHAREHOLDINGS

The following shareholders had advised the Company of holding an interest of 3% or more in the issued share capital of the Company as at 9 September 2002:

R E Frost	4.61%
Legal and General Investment Management Ltd	3.45%

Morgan Stanley Investment Management Ltd advised the Company that investment management clients of companies within the Morgan Stanley Group were, in aggregate, interested in 10.54% of the issued share capital of the Company as at 9 September 2002.

The Capital Group Companies, Inc, which is not an 'authorised person' under the Financial Services Act, advised the Company that investment management clients of companies within its group were, in aggregate, interested in 3.50% of the issued share capital of the Company as at 9 September 2002.

Report of the Directors

DIRECTORS

The following were Directors during the year and held office throughout the year, unless otherwise indicated.

R A Lawson Chairman and Acting Chief Executive Officer
K P Charlton *(resigned 7 May 2002)*
P Danon* *(appointed 27 November 2001)*
L M S Knox* *(appointed 30 April 2002)*
N A McLachlan
L J Stammers* *(retired 8 November 2001)*
C S Taylor*
X F E Urbain
B G Wallace*
D R Waxman
G J Williams

* Non-executive Directors

Mr P Danon and Mrs L M S Knox, having been appointed since the last Annual General Meeting, will retire in accordance with the Company's Articles of Association and, being eligible, offer themselves for re-election. Messrs R A Lawson, C S Taylor and G J Williams will retire by rotation and, being eligible, offer themselves for re-election.

Biographical details for all Directors are shown on page 25.

The beneficial interests of Directors in office at 30 June 2002 in the shares of the Company at 30 June 2002 are set out below:

	30 June 2002 Shares	30 June 2001 or date of appointment Shares
R A Lawson	**61,580**	28,306
P Danon	**4,723**	–
L M S Knox	**8,000**	–
N A McLachlan	**120,000**	106,600
C S Taylor	**11,000**	11,000
X F E Urbain	**40,467**	38,347
B G Wallace	**8,000**	8,000
D R Waxman	**2,967,912**	2,963,579
G J Williams†	**22,126,668**	22,126,668

† At 30 June 2001 and 30 June 2002 Mr G J Williams also retained a non-beneficial interest in 1,333,332 shares.

Details of Directors' options are shown on pages 38 and 39.

Shares do not include potential entitlements under the Performance Share Scheme, further details of which are set out on page 39.

The executive Directors are regarded as being interested for the purposes of the Companies Act in 18,908,135 Hays shares currently held by the Hays plc Employee Share Trust and in 5,280,350 shares currently held by the Hays plc Qualifying Employee Share Ownership Trust (the 'Trusts') since they are, together with other Hays Group employees, potential beneficiaries of the Trusts.

There have been no changes in the above interests between 30 June 2002 and the date of this report with the exception of small changes in the holdings of the Trusts. Except as shown above, no Director had any interest in the shares of the Company or any subsidiary (other than as nominee for the Company) and no right to subscribe for shares in, or debentures of, the Company or any subsidiary was granted to or exercised by any Director or any member of their immediate family during the year.

No Director had an interest at any time during the year in any significant contract or arrangement to which the Company or its subsidiaries was party, other than the service agreements of the executive Directors with the Company.

Report of the Directors

EMPLOYEE INVOLVEMENT AND EMPLOYMENT OF THE DISABLED

The Group maintains a strong commitment to employee involvement and ensures that current practices are evolved in an enlightened manner. The details are appropriately different in each operating subsidiary, as they have been developed over time by local management to best reflect specific requirements and circumstances. Typically, they include staff committees, briefing groups, in-house newspapers, special publications and videos on particular subjects of interest. The Group has established various share schemes to encourage the involvement of employees in the Group's performance.

The Group's policy on recruitment is based on the ability of a candidate to perform the job. Full and fair consideration is given to applications for employment from the disabled where they have the appropriate skills and abilities to perform the job. If employees become disabled during the course of their employment with the Group and as a result are unable to perform their normal jobs, every effort is made to offer suitable alternative employment to them and to provide assistance with re-training. It is Group policy to encourage the training and further development of all its employees where this is of benefit to the individual and to the subsidiary concerned. This of course includes the provision of training to meet the special needs of disabled employees.

Details of the Group's social and environmental policies are set out in the Corporate Responsibility statement on page 26.

CHARITABLE AND POLITICAL DONATIONS

Charitable donations made during the year totalled £78,108 (2001 – £86,014). No payments were made to political parties.

PAYMENTS TO CREDITORS

It is the Group's normal practice to make payments to suppliers in accordance with agreed terms provided that the supplier has performed in accordance with the relevant terms and conditions. Creditor days for the Group for the year ended 30 June 2002 were an average of 43 (2001 – 45). The Company creditor days at 30 June 2002 were 22 (2001 – 45).

POST BALANCE SHEET EVENTS

There are no post balance sheet events within the Group that require disclosure.

AUDITORS

Deloitte & Touche have indicated that they are willing to continue in office. Their reappointment, at a remuneration to be agreed by the Directors, will be proposed at the Annual General Meeting.

SPECIAL BUSINESS AT THE ANNUAL GENERAL MEETING

The notice of the Annual General Meeting on pages 71 and 72 sets out the following special business (resolutions 11, 12 and 13).

ALLOTMENT OF SHARES

Resolution 11 authorises the Directors to allot Ordinary shares of the Company up to an aggregate nominal amount of £5,782,937 being one third of the Company's issued share capital. This authority will expire at the conclusion of the next Annual General Meeting. The Directors have no present intention of using this authority.

Resolution 12 empowers the Directors to allot Ordinary shares of the Company as if the pre-emption provisions of Section 89 of the Companies Act 1985 did not apply, provided that such power of the Directors is limited to the allotment of Ordinary shares up to an aggregate nominal amount of £867,440 (being 5% of the Company's issued share capital) other than the allotment of Ordinary shares pursuant to a rights issue. This power will expire at the conclusion of the next Annual General Meeting.

These two resolutions comply with the guidelines issued by the various investor protection committees.

Report of the Directors

AUTHORITY TO PURCHASE OWN SHARES

Resolution 13 renews the Company's general authority to re-purchase up to 173,000,000 of its own shares in the market (being approximately 10% of the Company's issued share capital) at or between the maximum and minimum prices specified in the resolution giving the authority. No purchase of shares has been made pursuant to last year's authority (which expires at the conclusion of this year's Annual General Meeting) but the Directors consider it desirable that the possibility of making such purchases under appropriate circumstances remains available. The Directors have no present intention of using such authority and, in reaching a decision to purchase shares, will take into account the Company's cash resources, capital requirements and the effect of any purchase on earnings per share. The authority will only be exercised if to do so would result in an increase in earnings per share and is in the best interest of shareholders generally. It is anticipated that renewal of the authority will be requested at subsequent Annual General Meetings.

By order of the Board

S. J. Charnock

S J Charnock
Secretary
9 September 2002

Corporate Governance

THE COMBINED CODE

The Board of Hays plc has always based its actions on the principles of openness, integrity and accountability emphasised by the Combined Code (the 'Code') annexed to the UK Listing Authority Listing Rules. This statement describes how the Company applies the principles of the Code.

THE BOARD

The Board consists of the Chairman, four executive Directors and four independent non-executive Directors. Their biographical details, which appear on page 25, demonstrate the range of experience and independent judgement they each bring to bear on Board matters.

During the year the roles of Chairman and Chief Executive Officer were combined and the running of the Board was undertaken by the Chairman who was also responsible for the running of the Group's businesses. The process of appointing a new Chief Executive Officer is continuing. Mr B G Wallace is identified as the Senior Independent Director as recommended by the Code.

The Board meets ten times a year and additionally as required. Day-to-day running of the Group is delegated to a committee of executive Directors, which meets at least once each month. The Board has a formal schedule of matters specifically reserved for its decision including acquisitions and disposals, major capital projects, financial results, Board appointments, dividend recommendations, material contracts and Group strategy.

A procedure exists for the Board of Directors, in the furtherance of their duties, to take independent professional advice if necessary, under the guidance of the Secretary and at the Company's expense. All Directors have access to the advice and services of the Secretary, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

On appointment, and throughout their tenure, Directors receive appropriate training.

Information is provided to the Board on a timely basis. In advance of each Board meeting, Directors receive a Board pack including detailed monthly management accounts, proposed acquisitions and disposals and major capital and operating expenditure requests.

APPOINTMENTS TO THE BOARD

The Nomination Committee has written terms of reference requiring it to identify and select candidates in connection with any proposed new appointments of Directors and makes recommendations to the Board in respect of such appointments. Mr R A Lawson chairs the Nomination Committee and all four non-executive Directors, Mrs Knox, Messrs Danon, Taylor and Wallace, are members of the Committee.

RE-ELECTION

Non-executive Directors are not appointed for a specific term but all Directors are subject to election by shareholders at the first opportunity after their appointment, and to re-election thereafter at regular intervals in accordance with the Company's Articles of Association. In practice, all Directors are required to stand for re-election to the Board at least every three years. The names of Directors submitted for election or re-election are detailed in the Report of the Directors on page 30.

RELATIONS WITH SHAREHOLDERS

The executive Directors of the Company have a regular dialogue with analysts and institutional shareholders.

The Annual General Meeting (the 'AGM') is used as an opportunity to communicate with private shareholders. In addition, as soon as they are announced, interim and final results are posted on the Company's website, www.hays.com. It is intended that the Notice of the AGM to be held on 20 November 2002 will be sent to shareholders at least 20 working days before the meeting. At the AGM the level of proxy votes lodged on each resolution will be available. Each substantially separate issue is proposed in the Notice of AGM as a separate resolution and there is a separate resolution relating to the Report and Accounts. Furthermore, it is intended that the Chairmen of the Nomination, Audit and Remuneration Committees will be present at the AGM.

REMUNERATION COMMITTEE

Mrs L M S Knox, an independent non-executive Director, chairs the Remuneration Committee. Messrs Danon, Taylor and Wallace, also independent non-executive Directors, are members of the Committee.

The Remuneration Committee has written terms of reference and determines on behalf of the Board the remuneration and benefits of the executive Directors of the Company and ratifies proposals made by executive Directors in respect of the remuneration and benefits of selected senior managers in the Group. In formulating its remuneration policy, the Remuneration Committee gives full consideration to the matters set out in Schedule A to the Code.

The Board as a whole determines the level of fees of non-executive Directors, after taking into account fees payable by comparable companies and external advice.

Corporate Governance

INTERNAL CONTROL

The Directors are responsible for the Group's system of internal controls and for maintaining and reviewing its effectiveness. A review has been completed for the year ended 30 June 2002 in accordance with the recommendations of Turnbull. The Group's systems and controls are designed to safeguard the Group's assets and to ensure the reliability of information used within the business and for publication. Systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable, and not absolute, assurance against material misstatement or loss. The key features of the internal control systems, which operated throughout the period covered by the financial statements and to the date of signing the accounts, are described below.

Day-to-day responsibility for the management and operations of the business has been delegated to Divisional Boards. This ensures that the businesses obtain maximum leverage from sector-specific skills. Clear lines of authority exist between the Group's executive management and the Divisional Boards. As far as possible subsidiaries are given autonomy, whilst operating within an established internal control environment as set out in the Group Policies and Procedures Manual. The Manual is designed to ensure that significant risks, investment decisions and management issues are escalated to Group Board level at the earliest opportunity. The Group Policies and Procedures Manual has been comprehensively reviewed and updated during the year.

Certain specific administrative functions are controlled centrally by the Group. These include taxation, treasury, property, insurance and litigation. These functions report directly to the Board via the Group Finance Director. Procedures are clearly defined to ensure that the activities of these functions reduce the risk profile of the organisation. An overview of the Group's treasury policy is set out on page 23.

The Group has an embedded process for the identification, evaluation and reporting of major business risks. Policies and procedures have been laid down for the regular review and management of issues arising. Progress on the management of key issues is reported through the management structure to executive management and to the Board.

The Group operates a comprehensive budgeting and financial reporting system. Annual budgets are reviewed and approved at business, Divisional and Group level. This process includes the identification and quantification of significant risks relating to markets and operations. Monthly performance is reported against budget and prior year. The monthly management accounts analyse and explain variances against plan and report on key indicators. In addition, progress against the annual budget is comprehensively reviewed on a quarterly basis, with detailed explanations for variances and movements in forecast provided to the Board.

The Group has an internal Operational Review department and the resources of this department are augmented with independent expert external resources, wherever necessary, to review risk and monitor compliance with Group procedures. Regular reviews of the most important controls are undertaken to ensure that key control objectives are achieved. Reports on the effectiveness of operational and financial controls are regularly presented to executive management and to the Audit Committee and recommendations are agreed upon and implemented. The focus of the Operational Review department is increasingly non-financial.

The monitoring of control procedures is achieved through management review by executive management reporting to the Board. This is supplemented by reviews undertaken by the Operational Review department on the controls in operation in each individual business.

AUDIT COMMITTEE

The Audit Committee has written terms of reference requiring it to examine all financial statements and preliminary announcements, consider the appropriateness of accounting polices adopted and to consider whether the financial statements give a true and fair view. The Audit Committee considers the appointment of external auditors and the scope, materiality and results of their work. It also oversees the risk and operational review function and considers compliance with legal, regulatory, ethical and other issues.

Mr C S Taylor, an independent non-executive Director, chairs the Audit Committee. Mrs Knox and Messrs Danon and Wallace, also independent non-executive Directors, are members of the Committee.

The external Auditors normally attend Audit Committee meetings and, at the request of the Audit Committee, the Group Finance Director and other senior financial managers will attend.

COMPLIANCE

The Directors consider that the Company has complied throughout the accounting period with the provisions set out in Section 1 of the Code except for the following matters:

- The posts of Chairman and Chief Executive Officer are combined (A.2.1). The process of appointing a new Chief Executive Officer is continuing.
- All executive Directors have service contracts terminable by the Company on two years' notice and in the opinion of the Board these are required to retain executives of the appropriate calibre (B.1.7).
- Not all non-executive Directors are appointed for specific terms (A.6.1).
- Non-executive Directors comprised less than one third of the Board for 19 days of the year (A.3.1).

GOING CONCERN

The accounts have been prepared on the going concern basis since the Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future.

Remuneration Report

In preparing this report, the Board has followed the provisions of Schedule B to the Combined Code, (the 'Code') annexed to the UK Listing Authority Listing Rules.

REMUNERATION COMMITTEE

The role of the Remuneration Committee is to provide recommendations to the Board, within agreed terms of reference, on the Group's framework of executive remuneration and its cost. The composition of the Committee is described on page 33.

REMUNERATION POLICY

The remuneration policy is designed to attract, develop, retain and motivate the senior executives of the Group relative to other large UK based international businesses of similar size and complexity. It provides for a competitive compensation package that reflects market value, sustained individual performance, job responsibilities and the Group's performance against financial objectives. The remuneration package consists of short-term rewards (base salary, benefits and performance payments) together with a significant proportion of longer term benefits provided by share options, a long-term incentive plan and pension arrangements. Overall the policy is designed to reward executives fairly and responsibly for their contribution without paying more than necessary to achieve this objective.

In forming its remuneration policy, the Remuneration Committee has given full consideration to both Section 1 part B and Schedule A of the Code. The Board believes that the total remuneration package aligns senior executives' interests with those of the shareholders and gives these individuals keen incentives to perform at the highest levels. The Remuneration Committee used the services of remuneration advisers Buck Consultants and Kelper Associates during the year.

ELEMENTS OF EXECUTIVE DIRECTORS' REMUNERATION

All details of the executive Directors' emoluments, including basic salary, annual bonus, share options, long-term incentives and pension entitlements, are shown on pages 37 to 39. Benefits in kind include car benefits and medical expenses insurance. None of the Directors waived fees during the year. Basic salary and, for executive Directors whose membership of Hays Pension Scheme started before 1 July 1994, car benefits of up to £9,000, are the only elements of executive Directors' remuneration which are pensionable.

PERFORMANCE PAYMENTS

The executive Directors' performance payments were based on achievement of specific business objectives.

SHARE OPTIONS

The Company operates three executive share option plans: the Inland Revenue approved Hays plc 1989 Executive Share Option Scheme (which has now ceased to make grants), the Hays plc 1995 Executive Share Option Scheme (which is unapproved for Inland Revenue purposes) and the Hays plc 1996 Company Share Option Plan (which is an Inland Revenue approved scheme). The policy regarding the grant of executive share options is to phase grants over the life of the schemes.

The schemes are designed to allow participation in the business and to encourage long-term retention of key staff. Further information on share options is shown on page 38.

Remuneration Report

LONG-TERM INCENTIVES

On 19 November 1996 an Extraordinary General Meeting of the Company approved the creation of a Performance Share Scheme (the 'Scheme') available to Directors and a limited number of senior executives. The Scheme excludes any Director or employee who held shares at the time of the management buy-out of the Company in 1987, or at the time of its flotation in 1989.

The Scheme is the main long-term incentive arrangement in which executive Directors and senior executives participate. The key attributes of the Scheme are:

(a) Participants have to make a significant financial investment at the outset;

(b) In normal circumstances, participants can only realise any gain after five years; and

(c) The performance measures totally align participants' and shareholders' interests.

The Scheme is designed to lock-in key executives and motivate them through the opportunity to earn significant financial rewards on the achievement of demanding corporate performance targets. Under the Scheme, participants will only receive shares in the Company provided demanding performance targets have been achieved. For the participant to receive shares with a greater value than his original investment, the targets require growth in earnings per share ('EPS') of the Company over five years to be more than 2% per annum in excess of the growth in EPS of the median company in the FTSE-100 Group, excluding those in the oil and financial sectors (the 'Median') at the start of each year. The EPS figure will be the fully diluted EPS calculated on the basis of 'headline earnings' using the Institute of Investment Management and Research guidelines. The number of shares receivable will be in direct relationship to the increase in the Company's EPS in the five years following the payment made by the participant.

However, if the minimum performance target is not met, or if the minimum performance target is met but the growth in EPS of the Company over a five year period does not exceed the change in the Retail Prices Index over the same period by at least 2% per annum, then only a nominal number of shares may be acquired by the participant. The maximum number of shares can only be achieved when EPS growth is compound, 10% per annum above the Median for the five year period. The Remuneration Committee and the Board are confident that these performance targets will ensure an emphasis upon achieving long-term sustained earnings growth and continued retention of key management. Every two years the Remuneration Committee reviews the number of participants in the Scheme and the number of shares receivable by each participant under it.

The Scheme is in line with current best practice as recommended by the Code. At the Annual General Meeting on 8 November 2001, shareholders approved the renewal of the Performance Share Scheme for a further five year period.

Participants in the Scheme are eligible to receive grants of options under the Hays plc 1995 Executive Share Option Scheme and the Hays plc 1996 Company Share Option Plan. The Remuneration Committee is satisfied that all three schemes form part of a well considered plan for the remuneration of senior executives. In making grants of options or issuing invitations to participate in the Scheme, the Remuneration Committee has regard to the extent of an individual's existing participation in these schemes.

PENSIONS

Pension contributions are made into the Hays Pension Scheme, which is an approved defined benefit scheme providing benefits up to Inland Revenue limits. For those Directors subject to the Inland Revenue's earnings cap on pensionable salary, top-up benefits are provided through the Hays Supplementary Pension Scheme, which is an unapproved, unfunded retirement benefit scheme. Details of benefits accruing under these schemes are shown on page 37.

SERVICE CONTRACTS AND COMPENSATION

All executive Directors have service contracts terminable by the Company on two years' notice. The Remuneration Committee and the Board consider this to be in accordance with market practice and necessary to attract and retain executives of appropriate calibre. Such service contracts do not include provisions for pre-determined compensation on termination which exceed two years' salary and benefits. In the event of early termination, the Remuneration Committee will give careful consideration to what compensation should be paid taking into account the circumstances and the responsibility of the individual to mitigate. The service contracts of Messrs Lawson and Williams, proposed for re-election at the Annual General Meeting on 20 November 2002, will have a period of two years unexpired.

Mrs Knox, Messrs Danon, Taylor and Wallace are non-executive Directors and are not appointed for a specific term. In practice, all Directors are required to stand for re-election to the Board at least every three years. Non-executive Directors do not have service contracts with the Company.

EMOLUMENTS

The emoluments of the Directors (excluding pension costs) are shown below:

(In £'s thousands)	2002 Salary/fees	2002 Benefits in kind	2002 Performance payments	2002 Compensation for loss of office	2002 Total emoluments	2001 Total emoluments
R A Lawson	**500**	**13**	–	–	**513**	30
K P Charlton *(resigned 7 May 2002)*	**236**	**15**	–	**540**	**791**	285
P Danon *(appointed 27 November 2001)*	**18**	–	–	–	**18**	–
L M S Knox *(appointed 30 April 2002)*	**5**	–	–	–	**5**	–
N A McLachlan	**270**	**18**	**100**	–	**388**	293
L J Stammers *(retired 8 November 2001)*	**11**	–	–	–	**11**	30
C S Taylor	**30**	–	–	–	**30**	30
X F E Urbain	**259**	**8**	**100**	–	**367**	300
B G Wallace	**30**	–	–	–	**30**	10
D R Waxman	**282**	**2**	**100**	–	**384**	324
G J Williams	**140**	**16**	–	–	**156**	169
Former Directors	–	–	–	–	–	2,042
	1,781	**72**	**300**	**540**	**2,693**	3,513

Performance payments are in respect of performance for the year ended 30 June 2002. The 2001 figures have been restated from £3,635,000 to £3,513,000.

In September 2001, Mr K P Charlton was granted options over 409,867 shares at 131.75p under the Hays plc 1995 Executive Share Option Scheme. In April 2003, the Remuneration Committee will formally decide whether to exercise its discretion to permit the exercise of these options before May 2003. Mr R E Frost, a former Director, received emoluments of £74,201 for the provision of consultancy services in the year. This arrangement has now been concluded. Mr R E Frost received total emoluments (excluding pension costs) of £264,508 in 2001.

Directors' Pension Entitlement

With the exception of Mr X F E Urbain, the following Directors are, or have been, members of the Hays Pension Scheme during the year to 30 June 2002. Details of their benefits accruing under the scheme, including unapproved benefits provided to capped Directors under the Hays Supplementary Pension Scheme, are set out below. Mr X F E Urbain is provided with unapproved benefits via the Hays Supplementary Pension Scheme to top-up his local pension arrangements in France to a level similar to that provided for other executive Directors of the Company.

	Years of service in scheme	Accrued pension at 30 June 2002 (£'000pa)	Increase in accrued pension in 2002 (£'000pa)	Cash equivalent of the increase in accrued pension (£'000)
K P Charlton*	6.5	58.5	14.4	160.4
N A McLachlan	8.6	59.1	13.6	87.9
X F E Urbain	4.0	18.0	6.3	50.0
D R Waxman	4.3	39.0	13.0	177.0
G J Williams	17.2	146.2	2.7	45.5

* At date of cessation of employment

The amounts shown in the above table represent the annual pension payable at contractual retirement date (normally age 60), based on the Director's service and pensionable salary at the end of the year (or earlier date of leaving service). The increase in accrued pension during the year excludes any increase for inflation and reflects the uniform accrual of the target pension over the Director's total potential service. Directors are not required to contribute to the scheme. They have the option to pay Additional Voluntary Contributions, but any resulting benefits are excluded from the above table.

EMOLUMENTS (CONTINUED)

Options

The following are the options over Ordinary shares of 1p each held by executive Directors:

	Executive and Sharesave Options						
	At 1 July 2001	Granted	Exercised	Lapsed	**At 30 June 2002**	Average exercise price (pence)	Period of exercise
R A Lawson	–	400,000	–	–	**400,000**	131.8	2004-2011
K P Charlton	191,139	425,050	–	206,322	**409,867**	131.8	2003
N A McLachlan	269,529	426,357	–	3,122	**692,764**	173.0	2002-2011
X F E Urbain	194,830	420,496	–	3,691	**611,635**	189.8	2003-2011
D R Waxman	503,360	418,582	–	2,971	**918,971**	167.0	2002-2011
G J Williams	623,928	212,523	–	–	**836,451**	162.0	2002-2011
	1,782,786	2,303,008	–	216,106	**3,869,688**		

Of the total of 3,869,688 options at 30 June 2002, 35,834 relate to Sharesave options. During the period 2,251,991 of the options granted were executive options granted at the then ruling share price of 131.75p, without discount, and are performance related being only exercisable if earnings per share growth is greater than the growth in the Retail Prices Index plus 2% in a three year period prior to exercise. During the period, 40,388 options were granted under the Hays UK Sharesave Scheme at 109p and 10,629 options were granted under the Hays International Sharesave Scheme at 151p.

Further details of Executive and Sharesave options held at 30 June 2002 are as follows:

	Options where market price greater than exercise price			Options where market price less than exercise price			Options not yet exercisable		
	At 30 June 2002	Average exercise price (pence)	Expiry date	At 30 June 2002	Average exercise price (pence)	Expiry date	At 30 June 2002	Average exercise price (pence)	Earliest date exercisable
R A Lawson	–	–	–	–	–	–	400,000	131.8	Sept 2004
K P Charlton	–	–	–	–	–	–	409,867	131.8	Apr 2003
N A McLachlan	114,436	108.1	Dec 2006	46,152	211.3	Sept 2008	532,176	183.8	Nov 2002
X F E Urbain	–	–	–	–	–	–	611,635	189.8	Sept 2003
D R Waxman	222,476	105.4	Dec 2006	167,132	187.0	Sept 2008	529,363	186.9	Nov 2002
G J Williams	331,592	107.7	Dec 2006	206,996	183.6	Sept 2008	297,863	208.1	Nov 2002
	668,504			420,280			2,780,904		

The options under the Hays UK Sharesave Scheme are exercisable at 109p per share and the options under the Hays International Sharesave Scheme are exercisable at 151p per share. The normal exercise dates are between 1 January 2005 and 1 July 2009. The market price at 30 June 2002 was 154p per share. During the year the shares traded in the range 128p to 222.5p.

There were no share options exercised during the year except those listed below through the Long-Term Incentive Plan.

Highest paid Director

The remuneration of the highest paid Director, Mr K P Charlton, was £1,026,257 including £540,000 compensation for loss of office and £235,036 gains on option exercises under the Long-Term Incentive Plan. In addition, pension contributions of £32,357 were paid by the Company on behalf of Mr K P Charlton. In 2001 the highest paid director was Mr J R Cole who received total remuneration of £1,253,308 including £800,000 compensation for loss of office and gains on option exercises of £42,215.

EMOLUMENTS (CONTINUED)

Long-Term Incentive Plan

There are currently 15 senior executives who participate in the Performance Share Scheme. The maximum number of shares receivable by executive Directors is as follows:

	At 1 July 2001	Exercised	Lapsed	**At 30 June 2002**
K P Charlton	340,279	141,152	199,127	–
N A McLachlan	287,911	109,072	–	**178,839**
X F E Urbain	199,127	–	–	**199,127**
D R Waxman	383,290	–	–	**383,290**
	1,210,607	250,224	199,127	**761,256**

On 24 April 2002, £166,645 was paid by the Company to the Trustee of the Performance Share Scheme in satisfaction of Mr K P Charlton's entitlement under the Scheme. This sum, together with his own investment of £16,500 was used to exercise an option over 141,152 shares. The market price of the shares at 24 April 2002 was 178p.

On 24 April 2002, £128,771 was paid by the Company to the Trustee of the Performance Share Scheme in satisfaction of Mr N A McLachlan's entitlement under the Scheme. This sum, together with his own investment of £12,750 was used to exercise an option over 109,072 shares. The market price of the shares at 24 April 2002 was 178p.

Under the terms of the Performance Share Scheme the number of shares received by executive Directors is dependent upon the total increase in earnings per share over a five year period. As such it is not possible to determine the interests of individual Directors prior to the completion of the Scheme.

At the date of his appointment Mr X F E Urbain held a minority stake in the share capital of Hays France SA. The Group purchased his remaining shareholding during the year. This transaction is disclosed in note 28.

By order of the Board

S.J. Charnock

S J Charnock
Secretary
9 September 2002

Statement of Directors' Responsibilities

DIRECTORS' RESPONSIBILITIES

The Directors are obliged under United Kingdom company law to prepare financial statements for each financial year and to present them annually to the Company's members in Annual General Meeting.

The financial statements, of which the form and content is prescribed by the Companies Act 1985, must give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year, and the profit for that period, and they must comply with applicable accounting standards.

The Directors are also responsible for the adoption of suitable accounting policies, their consistent use in the financial statements, supported where necessary by reasonable and prudent judgements.

The Directors confirm that the above requirements have been complied with in the financial statements.

In addition, the Directors are responsible for maintaining adequate accounting records and sufficient internal controls to safeguard the assets of the Group and to prevent and detect fraud or any other irregularities.

Independent Auditors' Report on Financial Statements

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HAYS PLC

We have audited the financial statements of Hays plc for the year ended 30 June 2002 which comprise the profit and loss account, the balance sheets, the cash flow statement, the statement of total recognised gains and losses and the related notes 1 to 29. These financial statements have been prepared under the accounting policies set out therein.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the statement of Directors' responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements, auditing standards, and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the Report of the Directors and the other information contained in the Annual Report for the year as described in the contents and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30 June 2002 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
London
9 September 2002

Consolidated Profit and Loss Account

for the year ended 30 June 2002

(In £'s million)	Note	2002	2001 (Restated*)
TURNOVER			
Continuing operations		**2,434.4**	2,430.1
Discontinued operations		**20.3**	204.2
	1	**2,454.7**	2,634.3
OPERATING PROFIT			
Before goodwill amortisation and exceptional items		**247.3**	298.0
Goodwill amortisation		**(25.0)**	(18.5)
Exceptional operating items	3	**(59.4)**	(22.5)
	1	**162.9**	257.0
OPERATING PROFIT			
Continuing operations		**161.6**	246.3
Discontinued operations		**1.3**	10.7
	1	**162.9**	257.0
Share of operating profit of associates		**4.0**	–
EXCEPTIONAL ITEMS			
Loss on disposal and closure of businesses	3	**(0.1)**	(64.9)
Net interest payable	4	**(19.2)**	(26.3)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**147.6**	165.8
Tax on profit on ordinary activities	7	**(65.2)**	(73.5)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		**82.4**	92.3
Equity minority interests		**–**	(0.2)
PROFIT FOR THE FINANCIAL YEAR		**82.4**	92.1
Dividends	8	**(79.5)**	(69.2)
Transferred to reserves	22	**2.9**	22.9
EARNINGS PER SHARE			
Basic	9	**4.82p**	5.41p
Before goodwill and exceptional items	9	**9.40p**	11.01p
Diluted earnings per share	9	**4.79p**	5.35p
DIVIDEND PER SHARE	8	**4.68p**	4.07p

* The results, balance sheets, statement of total recognised gains and losses and movements in equity shareholders' interests for the period ended 30 June 2001 have been restated as a result of the adoption of FRS 19 'Deferred Tax'.

Consolidated Balance Sheet

at 30 June 2002

(In £'s million)	Note	2002	2001 [Restated]
FIXED ASSETS			
Intangible assets	10	220.0	286.7
Tangible assets	11	509.9	555.2
Investments	12	103.0	54.3
		832.9	896.2
CURRENT ASSETS			
Stocks	13	25.2	40.3
Debtors	14	478.6	541.9
Cash at bank and in hand		120.8	133.0
		624.6	715.2
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Borrowings	15	(26.3)	(45.3)
Other creditors	16	(548.2)	(609.6)
		(574.5)	(654.9)
NET CURRENT ASSETS		50.1	60.3
TOTAL ASSETS LESS CURRENT LIABILITIES		883.0	956.5
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Borrowings	15	(326.5)	(408.6)
Other creditors	16	(2.8)	(25.6)
PROVISIONS FOR LIABILITIES AND CHARGES	19	(83.6)	(60.0)
NET ASSETS		470.1	462.3
CAPITAL AND RESERVES			
Called up share capital	20	17.3	17.3
Share premium account	22	368.7	365.5
Profit and loss account	22	83.3	78.7
EQUITY SHAREHOLDERS' INTERESTS		469.3	461.5
EQUITY MINORITY INTERESTS		0.8	0.8
		470.1	462.3

These accounts were approved by the Board of Directors on 9 September 2002.

Signed on behalf of the Board of Directors

R A Lawson

N A McLachlan

Company Balance Sheet

at 30 June 2002

(In £'s million)	Note	2002	2001 (Restated)
FIXED ASSETS			
Tangible assets	11	**0.9**	1.1
Investments	12	**510.4**	240.4
		511.3	241.5
CURRENT ASSETS			
Debtors – due within one year		**614.5**	828.1
Debtors – due after one year		**765.5**	680.8
	14	**1,380.0**	1,508.9
Cash at bank and in hand		**42.0**	40.7
		1,422.0	1,549.6
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Borrowings	15	**(41.4)**	(32.7)
Other creditors	16	**(545.2)**	(481.2)
		(586.6)	(513.9)
NET CURRENT ASSETS		**835.4**	1,035.7
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,346.7**	1,277.2
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Borrowings	15	**(249.9)**	(368.5)
PROVISIONS FOR LIABILITIES AND CHARGES	19	**(5.1)**	(4.2)
NET ASSETS		**1,091.7**	904.5
CAPITAL AND RESERVES			
Called up share capital	20	**17.3**	17.3
Share premium account	22	**368.7**	365.5
Profit and loss account	22	**705.7**	521.7
EQUITY SHAREHOLDERS' INTERESTS		**1,091.7**	904.5

These accounts were approved by the Board of Directors on 9 September 2002.

Signed on behalf of the Board of Directors

R A Lawson **N A McLachlan**

Consolidated Cash Flow Statement

for the year ended 30 June 2002

(In £'s million)	Note	2002	2001
CASH INFLOW FROM OPERATING ACTIVITIES	25	**303.8**	301.0
Returns on investments and servicing of finance			
Interest received		**5.4**	2.0
Interest paid		**(21.8)**	(26.8)
Interest element of finance lease rentals		**(2.5)**	(2.2)
Net cash outflow from returns on investments and servicing of finance		**(18.9)**	(27.0)
Taxation		**(70.1)**	(83.1)
Capital expenditure and financial investment			
Purchase of intangible and tangible fixed assets		**(81.5)**	(141.6)
Purchase of other investments		**(0.7)**	–
Sale of tangible fixed assets		**10.4**	29.9
Net cash outflow from capital expenditure and financial investment		**(71.8)**	(111.7)
NET CASH INFLOW BEFORE ACQUISITIONS AND DISPOSALS		**143.0**	79.2
Acquisitions and disposals			
Purchase of subsidiary undertakings	23	**–**	(21.8)
Sale of businesses		**70.7**	0.5
Net cash (disposed)/acquired	23	**(17.9)**	0.2
Amounts paid in respect of prior years' acquisitions		**(16.4)**	(25.7)
Net cash inflow/(outflow) from acquisitions and disposals		**36.4**	(46.8)
Equity dividends paid		**(72.9)**	(63.1)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		**106.5**	(30.7)
Financing			
Issue of ordinary share capital		**3.2**	6.3
Disposal/(purchase) of own shares		**1.1**	(15.7)
(Decrease)/increase in long-term borrowings		**(29.1)**	100.5
Decrease in short-term borrowings		**(101.0)**	(19.1)
Capital element of finance lease rentals		**(4.7)**	(3.6)
Net cash (outflow)/inflow from financing		**(130.5)**	68.4
(DECREASE)/INCREASE IN CASH IN THE YEAR		**(24.0)**	37.7
(Decrease)/increase in cash in the year		**(24.0)**	37.7
Cash outflow/(inflow) from movement in debt and lease financing		**134.8**	(77.8)
Change in net debt resulting from cash flows		**110.8**	(40.1)
Borrowings acquired/disposed		**–**	0.1
Loan notes issued		**–**	(13.6)
Exchange adjustments		**(21.9)**	9.7
MOVEMENT IN NET DEBT IN THE YEAR		**88.9**	(43.9)
OPENING NET DEBT		**(320.9)**	(277.0)
CLOSING NET DEBT	26	**(232.0)**	(320.9)

Statement of Total Recognised Gains and Losses

for the year ended 30 June 2002

(In £'s million)	2002	2001 (Restated)
Profit for the financial year	**82.4**	92.1
Currency translation differences on foreign currency net investments	**0.3**	(2.5)
Total recognised gains and losses relating to the year	**82.7**	89.6
Prior period adjustment	**(23.0)**	–
Total recognised gains and losses since last Annual Report	**59.7**	89.6

Reconciliation of Movements in Equity Shareholders' Interests

for the year ended 30 June 2002

(In £'s million)	2002	2001 (Restated)
Profit for the financial year	**82.4**	92.1
Dividends	**(79.5)**	(69.2)
	2.9	22.9
Other recognised gains and losses relating to the year	**0.3**	(2.5)
New share capital subscribed	**3.2**	6.3
Goodwill written back	**1.4**	49.1
Net increase in equity shareholders' interests	**7.8**	75.8
Opening equity shareholders' interests as restated (see note below)	**461.5**	385.7
Closing equity shareholders' interests	**469.3**	461.5

The impact of the prior period adjustment (relating to the adoption of FRS 19) on opening equity shareholders' interests is as follows:

(In £'s million)	2002	2001
As previously reported	**484.5**	407.3
Prior period adjustment	**(23.0)**	(21.6)
As restated	**461.5**	385.7

Accounting Policies

The accounting policies adopted are described below.

A ACCOUNTING CONVENTION

The financial statements have been prepared in accordance with applicable accounting standards using the historical cost convention.

B CONSOLIDATION

The financial statements consolidate the accounts of Hays plc and all of its subsidiary undertakings ('subsidiaries'). The results of subsidiaries acquired during the year are included from the effective date of acquisition. The results of subsidiaries sold are included up to the effective date of disposal.

C INVESTMENTS

(i) Subsidiary undertakings

Shares in subsidiaries are valued at cost less provision for impairment.

(ii) Associated undertakings

Investments in associated undertakings ('associated companies') are stated at the amount of the Group's share of net assets. The consolidated profit and loss account includes the Group's share of associated companies' profits after taxation.

(iii) Other investments

Investments in own shares are shown at cost less provision for permanent diminution in value. All other investments are shown at cost less provision for impairment.

D TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are initially recorded at cost. Depreciation is provided on a straight line basis over the anticipated useful working lives of the assets, after they have been brought into use, at the following rates:

Freehold land	–	No depreciation is provided
Freehold buildings	–	At rates varying between 2% and 10%
Leasehold properties	–	The book value is written off over the unexpired period of the lease
Plant and machinery	–	At rates varying between 5% and 33%
Fixtures and fittings	–	At rates varying between 10% and 25%
Assets in course of construction	–	No depreciation is provided

E GOODWILL

Goodwill is the surplus of cost over the fair value attributed to the net assets of subsidiary undertakings acquired.

Goodwill arising on acquisitions prior to 1 July 1998 has been written off against reserves. Goodwill previously written off to reserves is charged to the profit and loss account when the related business is sold or when the goodwill is considered to be impaired.

Goodwill arising on acquisitions made after 30 June 1998 is capitalised and amortised on a straight line basis over the shorter of its estimated useful economic life and 20 years.

F STOCKS AND WORK IN PROGRESS

Stocks and work in progress are valued at the lower of cost, inclusive of appropriate overheads, and estimated net realisable value.

Accounting Policies

G LEASED ASSETS

(i) **Finance leases**

Certain items of plant and machinery and certain freehold properties financed by leasing agreements giving rights approximating to ownership are included in the balance sheet as fixed assets at cost less accumulated depreciation. The capital element of future rentals is treated as a liability. The interest element is charged to the profit and loss account over the period of the finance leases in proportion to the balance of capital repayments outstanding.

(ii) **Operating leases**

Lease rentals in respect of operating leases are charged to the profit and loss account in the period in which the leasing expenditure is incurred.

H TURNOVER

Turnover represents the amounts receivable for services provided and goods sold excluding trade discounts, value added tax and similar sales related taxes, apportioned over the period to which they relate.

Certain logistics contracts oblige the Group to purchase goods from third parties and sell them on to the customer at cost. As the Group is rewarded for the logistics service provided, and as the sale and purchase of the goods have no impact on the operating profit, the amounts invoiced on to customers and charged by suppliers for the sale and purchase of these goods are excluded from turnover and cost of sales. Stocks, debtors and creditors relating to such transactions are included in the consolidated balance sheet.

I DEFERRED TAXATION

The Group has adopted FRS 19 'Deferred Tax'. Under FRS 19, deferred tax is provided in full on all timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

J PENSION COSTS

The Group principally operates three pension schemes under which retirement benefits for employees are funded by contributions from Group companies and employees as described in note 6. The Group accounts for pension costs in accordance with SSAP 24 and has adopted the disclosure requirements under the transitional arrangements for implementing FRS 17 'Retirement Benefits'.

K FOREIGN CURRENCIES

The assets and liabilities, including goodwill, of foreign subsidiaries denominated in foreign currencies are translated into sterling at the rates ruling at the year end. Profits and losses of foreign subsidiaries are translated into sterling at average rates of exchange for the year.

The differences arising from the retranslation of the opening balance sheets and retained earnings of foreign subsidiaries at the year end rate are dealt with through reserves, as are differences on long-term foreign currency borrowings used to finance overseas investment. Other translation differences are dealt with in the profit and loss account.

L DERIVATIVES AND FINANCIAL INSTRUMENTS

In certain circumstances the Group uses currency swaps to hedge its exposure to fluctuations in exchange rates. A swap is designated as a hedge to the extent that the notional principal value matches against currency assets. Gains and losses on hedging swaps are taken to reserves and recorded in the statement of total recognised gains and losses. Any gains and losses on swaps which cannot be classified as hedges are taken to the profit and loss account.

Interest rate swaps are selectively used to manage the frequency of interest payments. Swaps are not recorded in the balance sheet but fair values are disclosed in the notes to the accounts.

Notes to the Accounts

1. SEGMENTAL INFORMATION (BEFORE GOODWILL AMORTISATION AND EXCEPTIONAL ITEMS)

(In £'s million)	2002 Turnover	2002 Operating profit	2002 Operating net assets	2001 Turnover	2001 Operating profit	2001 Operating net assets
BY BUSINESS SECTOR						
Continuing operations						
Personnel	**1,076.9**	**122.5**	**105.5**	1,084.0	146.0	121.1
Commercial	**227.5**	**27.6**	**119.4**	222.7	36.9	113.3
Mail and Express	**249.8**	**50.2**	**20.0**	242.5	51.3	10.5
Logistics	**880.2**	**45.7**	**311.9**	880.9	52.6	292.9
	2,434.4	**246.0**	**556.8**	2,430.1	286.8	537.8
Discontinued operations	**20.3**	**1.3**	**–**	204.2	11.2	87.3
	2,454.7	**247.3**	**556.8**	2,634.3	298.0	625.1
BY GEOGRAPHICAL AREA						
Continuing operations						
United Kingdom	**1,607.8**	**197.4**	**321.5**	1,606.3	231.6	309.8
Other Europe	**695.9**	**37.8**	**221.7**	674.8	36.3	212.2
Rest of the World	**130.7**	**10.8**	**13.6**	149.0	18.9	15.8
	2,434.4	**246.0**	**556.8**	2,430.1	286.8	537.8
Discontinued operations	**20.3**	**1.3**	**–**	204.2	11.2	87.3
	2,454.7	**247.3**	**556.8**	2,634.3	298.0	625.1

SEGMENTAL INFORMATION (AFTER GOODWILL AMORTISATION AND OPERATING EXCEPTIONAL ITEMS)

(In £'s million)	2002 Turnover	2002 Operating profit	2002 Operating net assets	2001 Turnover	2001 Operating profit	2001 Operating net assets
BY BUSINESS SECTOR						
Continuing operations						
Personnel	**1,076.9**	**116.8**	**105.5**	1,084.0	138.3	121.1
Commercial	**227.5**	**(33.7)**	**119.4**	222.7	24.1	113.3
Mail and Express	**249.8**	**39.7**	**20.0**	242.5	42.5	10.5
Logistics	**880.2**	**38.8**	**311.9**	880.9	41.4	292.9
	2,434.4	**161.6**	**556.8**	2,430.1	246.3	537.8
Discontinued operations	**20.3**	**1.3**	**–**	204.2	10.7	87.3
	2,454.7	**162.9**	**556.8**	2,634.3	257.0	625.1
BY GEOGRAPHICAL AREA						
Continuing operations						
United Kingdom	**1,607.8**	**123.4**	**321.5**	1,606.3	202.4	309.8
Other Europe	**695.9**	**27.4**	**221.7**	674.8	25.0	212.2
Rest of the World	**130.7**	**10.8**	**13.6**	149.0	18.9	15.8
	2,434.4	**161.6**	**556.8**	2,430.1	246.3	537.8
Discontinued operations	**20.3**	**1.3**	**–**	204.2	10.7	87.3
	2,454.7	**162.9**	**556.8**	2,634.3	257.0	625.1

1. SEGMENTAL INFORMATION (AFTER GOODWILL AMORTISATION AND OPERATING EXCEPTIONAL ITEMS) (CONTINUED)

The results of the clinical and French co-manufacturing operations have been reported as discontinued as a result of the disposal of these activities as described in note 23. Discontinued operations in 2001 also included the chemicals, Spanish mail and retail installation businesses.

UK Logistics turnover excludes sales of £331.0 million (2001 – £285.5 million) where the Group is obliged under certain logistics contracts to purchase goods on customers' behalf and sell them on at cost.

There is no material difference between the geographical split of the Group's turnover by area of origin and area of destination.

Operating net assets are net assets excluding interest bearing assets and liabilities, restructuring and disposal provisions, goodwill, corporation tax and dividend balances.

2. OPERATING PROFIT

(In £'s million)	Note	**2002 Continuing operations**	**2002 Discontinued operations**	**2002 Total**	2001 Continuing operations	2001 Discontinued operations	2001 Total
Operating profit is after charging/(crediting):							
Raw materials, consumables and goods purchased for resale		**48.0**	**5.5**	**53.5**	63.6	100.0	163.6
Other external charges		**1,340.1**	**3.7**	**1,343.8**	1,295.4	44.3	1,339.7
Staff costs	6	**631.6**	**7.9**	**639.5**	621.1	41.1	662.2
Depreciation, amortisation and other amounts written off intangible fixed assets		**125.5**	**1.4**	**126.9**	87.3	8.6	95.9
Hire of plant – operating lease rentals		**16.6**	**–**	**16.6**	23.9	2.3	26.2
Hire of plant – other rentals		**52.2**	**0.5**	**52.7**	42.5	2.1	44.6
Other operating lease rentals (including land and buildings)		**65.5**	**–**	**65.5**	57.8	1.1	58.9
Changes in stocks, and other operating income		**(6.7)**	**–**	**(6.7)**	(7.8)	(6.0)	(13.8)
		2,272.8	**19.0**	**2,291.8**	2,183.8	193.5	2,377.3

Auditors' remuneration amounted to £1.2 million (2001 – £1.2 million) in respect of audit services and £0.7 million (2001 – £1.7 million) in respect of non-audit services. Auditors' remuneration in respect of the Company was £0.1 million (2001 – £0.1 million). Realised gains and losses on foreign exchange charged to the profit and loss account during the year were negligible.

3. EXCEPTIONAL ITEMS

(In £'s million)	Note	**2002**	2001
EXCEPTIONAL OPERATING COSTS			
Settlement of Consignia claim	*(i)*	**(6.4)**	–
Impairment of goodwill and intangible assets and provision for reorganisation of the IT Solutions business	*(ii)*	**(53.0)**	(15.7)
Net reorganisation costs	*(iii)*	**–**	(6.8)
TOTAL EXCEPTIONAL OPERATING COSTS		**(59.4)**	(22.5)
OTHER EXCEPTIONAL ITEMS			
Net losses on disposal of operations	*(iv)*	**(0.1)**	(64.9)
TOTAL EXCEPTIONAL ITEMS		**(59.5)**	(87.4)

(i) During the year Consignia issued legal proceedings against Hays claiming infringements of the Postal Services Act 2000 and the British Telecommunications Act 1981. The action claimed that certain services provided by Hays infringed Consignia's de facto postal monopoly. On 18 March 2002 Hays agreed to settle Consignia's claim in order to concentrate fully on developing products and services to meet the needs of clients in the deregulating market and to ensure an orderly market for the future. Hays paid £5.5 million in damages and incurred a further £0.9 million in legal costs.

Notes to the Accounts

3. EXCEPTIONAL ITEMS (CONTINUED)

(ii) Following a review of the IT Solutions business and the performance of certain contracts, management has concluded that goodwill and intangible assets totalling £35.7 million have insufficient future revenue prospects to justify continued capitalisation. £32.7 million of this relates to goodwill purchased in prior years and £3.0 million relates to intangible assets relating to the development of IT products. The review of the IT Solutions business has resulted in the recognition of reorganisation costs of £17.3 million, the majority of which have arisen from existing property lease commitments.

(iii) Net reorganisation costs in the prior year principally relate to the reduction in the cost base of certain Logistics network operations and the reorganisation of the information management business, net of profits on disposal of associated properties.

(iv) During the year the Group completed the disposal of several non-core operations including its chemicals, retail installation, clinical and French co-manufacturing operations. The loss in the prior year relates principally to an impairment charge relating to the chemicals business and disposal of the Spanish mail services operations.

Exceptional items in the year resulted in a cash inflow of £46.1 million and a tax credit of £6.4 million. Net cash proceeds of £52.8 million were received from the disposal of businesses as disclosed in note 23 and cash payments of £6.7 million principally relate to the Consignia settlement which is reflected in cash from operating activities.

4. NET INTEREST PAYABLE

(In £'s million)	2002	2001
INTEREST PAYABLE AND SIMILAR CHARGES		
Bank overdrafts and other loans	**(21.8)**	(26.1)
Finance charges payable under finance leases	**(2.5)**	(2.2)
Share of interest payable of associate	**(4.1)**	–
	(28.4)	(28.3)
INTEREST RECEIVABLE AND SIMILAR INCOME		
Deposits	**5.4**	2.0
Interest receivable on loan to associate	**3.8**	–
	9.2	2.0
	(19.2)	(26.3)

5. DIRECTORS' EMOLUMENTS

(In £'s thousand)	2002	2001
Executive Directors	**2,059**	2,402
Non-executive Directors	**94**	100
	2,153	2,502
Compensation for loss of office	**540**	1,011
	2,693	3,513
Cost of contributions to funded and unfunded pension schemes	**534**	816
	3,227	4,329

Full details concerning Directors' emoluments, pension entitlements, options and long-term incentives are shown in the Remuneration Report on pages 37 to 39.

6. STAFF COSTS

(In £'s million)	2002	2001
Wages and salaries	**540.0**	563.1
Social security costs	**86.8**	85.3
Other pension costs	**12.7**	13.8
	639.5	662.2

Average number of persons employed

(Number)	2002	2001
Personnel	**4,083**	4,084
Commercial	**5,843**	5,473
Mail and Express	**2,509**	2,635
Logistics	**14,499**	14,981
	26,934	27,173
Discontinued operations	**452**	1,764
	27,386	28,937

Pension schemes operated

Within the UK the Group principally operates three schemes:

(i) The Hays Stakeholder Pension Plan, which is an approved defined contribution scheme; it was established with Prudential on 1 July 2001. Money purchase benefits are funded by contributions from the employee and, for eligible employees, from the employer. Employer contributions are in the range of 2% to 10% of pensionable salary depending on the length of pensionable service.

(ii) The Hays Pension Scheme, which is an approved defined benefit scheme, closed to new members since 1 July 2001.

(iii) The Hays Supplementary Pension Scheme, which is a supplementary unfunded unapproved retirement benefit scheme for employees who are subject to the Inland Revenue's earnings cap on pensionable salary.

As a consequence of acquisitions the Group also operates a number of other small pension arrangements in the UK. Group policy is to consolidate these into the principal Hays schemes as soon as is practicable. The majority of overseas arrangements are either defined contribution or government-sponsored schemes and these arrangements are not material in the context of Group results.

Regular pension costs under SSAP 24

(i) Group contributions to the Hays Stakeholder Pension Plan during the year were £0.2 million. The accrual in the balance sheet at 30 June 2002 was nil.

(ii) Pension costs for the Hays Pension Scheme in the year were £9.4 million (2001 – £8.8 million), comprising a regular cost of £11.7 million less a variation of £2.3 million. The variation arises in respect of the actuarial surplus, which is being spread as a level percentage of salaries over the average remaining working life of the membership (13 years). The pension cost for the year is less than actual contributions paid of £11.4 million, resulting in a prepayment in the balance sheet at 30 June 2002 of £6.6 million (2001 – £4.2 million). The Scheme actuary, an employee of Mercer Human Resource Consulting, assessed the Hays Pension Scheme as at 30 June 1999 using the projected unit method and a market based valuation approach to ascertain its cost to the Group. The principal financial assumptions were that the rate of return would be 4% per annum higher than the rate of price inflation, that increases in past and future pensions would be in line with price inflation, and that future salary growth would exceed price inflation by between 1% per annum and 3% per annum, depending on salary levels at the valuation date. Following the actuarial valuation it was agreed that the Group would pay an average contribution rate of 9.5% of annual salaries, subject to review at future valuations.

At the date of the latest actuarial valuation the market value of the assets of the Hays Pension Scheme was £183.8 million and the actuarial value of the assets was sufficient to cover 113% of the benefits that had accrued to members, after allowing for expected increases in future earnings. The next scheduled actuarial valuation of the Hays Pension Scheme will be as at 30 June 2002.

(iii) The Group charges the cost of the Hays Supplementary Pension Scheme each period, as advised by the Group's actuary, to the profit and loss account and holds these amounts as a provision in the balance sheet. The charge to the profit and loss account during the year amounted to £0.9 million (2001 – £1.1 million). The provision in the balance sheet as at 30 June 2002 amounts to £5.0 million (2001 – £4.1 million).

6. STAFF COSTS (CONTINUED)

FRS 17 – disclosures

In November 2000 the Accounting Standards Board (ASB) issued FRS 17 'Retirement Benefits', replacing SSAP 24 'Accounting for Pension Costs'. In July 2002 the ASB published for comment an Exposure Draft which would, if implemented, allow an extension to the transitional arrangements of FRS 17. The probability of implementation is uncertain and partly dependent upon proposals from the International Accounting Standards Board (IASB). The Group will take advice to ensure that it continues to adopt best practice in respect of accounting for retirement benefits. The Group is in the second year of the transitional arrangements under FRS 17 and the required disclosures are made below.

FRS 17 – assumptions, asset, liability and reserves disclosures

The actuarial valuations of the Hays Pension Scheme and Hays Supplementary Pension Scheme were updated to 30 June 2002 by the Scheme actuary, an employee of Mercer Human Resource Consulting. The values of assets and liabilities in other schemes operated by the Group were also estimated in preparing the disclosures required under FRS 17. The principal assumptions used are shown below:

	2002	2001
Rate of increase in salaries	**5.10%**	4.50%
Rate of increase of pensions in payment and deferment	**2.58%**	2.75%
Discount rate	**5.80%**	6.27%
Inflation assumption	**2.58%**	2.75%

The assets and liabilities of the major schemes operated by the Group on an FRS 17 basis, along with the expected rate of return on scheme assets, are shown below. The liabilities of the Hays Supplementary Pension Scheme, which were presented separately last year, have been included.

(In £'s million)	2002	2002	2001	2001
Equities	**8.00%**	**166.4**	7.25%	191.8
Bonds	**5.40%**	**43.7**	5.70%	38.7
Cash and other assets	**4.00%**	**6.4**	5.50%	4.8
Market value of scheme assets		**216.5**		235.3
Present value of scheme liabilities		**(312.7)**		(242.9)
Implied deficit in the scheme		**(96.2)**		(7.6)
Related deferred tax asset		**28.9**		2.3
Net pension liability under FRS 17		**(67.3)**		(5.3)

Had the Group adopted FRS 17 early, profit and loss reserves would have been as follows:

(In £'s million)	2002	2001 (Restated)
Profit and loss reserve excluding pension liability	**83.3**	78.7
SSAP 24 prepayment in relation the Hays Pension Scheme, net of related deferred tax	**(4.6)**	(2.9)
SSAP 24 accrual in relation the Hays Supplementary Pension Scheme, net of related deferred tax	**3.5**	2.9
FRS 17 pension deficit, net of related deferred tax	**(67.3)**	(5.3)
Profit and loss reserve as adjusted	**14.9**	73.4

FRS 17 – profit and loss account disclosures

Had the Group adopted FRS 17 early, profit and loss reserves would have been adjusted as follows:

Amounts charged to profit and loss account

(In £'s million)	2002
Current service cost	**20.1**
Past service costs	**0.1**
Total amount charged to profit and loss account	**20.2**

6. STAFF COSTS (CONTINUED)

Amounts included as other finance costs

(In £'s million)	2002
Expected return on pension scheme assets	16.7
Interest on pension liabilities	(15.8)
Net financial return	0.9

Amounts recognised in the statement of total recognised gains and losses

(In £'s million)	2002
Actual return less expected return on assets	(44.9)
Experience gain on liabilities	0.3
Impact of changes in assumptions relating to the present value of scheme liabilities	(37.0)
Actuarial loss	(81.6)

Movement in the deficit during the year

(In £'s million)	2002
Deficit in the Scheme brought forward	(7.6)
Current service cost	(20.1)
Contributions	12.3
Past service costs	(0.1)
Net financial return	0.9
Actuarial loss	(81.6)
Deficit in the Scheme carried forward	(96.2)

Movement in FRS 17 deficit

The increase in the net pension liability calculated under FRS 17 is principally attributable to a reduction in the market value of assets, a reduction in long-term AA bond yields used to discount future liabilities and a revision to the assumption in respect of future salary increases.

The Schemes' assets principally comprise equities and these have been subject to significant market fluctuations. During the year the FTSE-All-Share Index used as a benchmark for the Schemes' assets fell by 17% from 2,728 to 2,263. This reduction accounts for the majority of the £44.9 million difference between actual and expected return on assets.

The yield on the long-term AA bond index used to discount scheme liabilities fell from 6.27% to 5.80% during the year. This movement accounts for approximately half of the impact of changes in assumptions relating to the present value of scheme liabilities of £37.0 million. The assumption adopted in respect of future salary growth has been revised from 4.50% to 5.10%. This has also had a material impact on the present value of the Schemes' liabilities.

FRS 17 – 'five year history'

The following disclosures will be built up over time as a five year history:

(In £'s million)	% of scheme assets/ liabilities	2002
Difference between actual and expected return on scheme assets	(21%)	(44.9)
Experience gains on scheme liabilities	–	0.3
Amount recognised in statement of total recognised gains and losses	(26%)	(81.6)

6. STAFF COSTS (CONTINUED)

Future profile of the Hays Pension Scheme

The Hays Pension Scheme closed to new members with effect from 1 July 2001. This will result in the age profile of the active membership rising over time and hence, under the method required to calculate FRS 17 liabilities, the future cost in relation to this Scheme will reduce in the long-term.

The Group has considered the impact of the FRS 17 deficit in respect of the Group, its employees and pensioners. The deficit arises mainly as a result of recent turbulence in the financial markets but also as a result of revising the assumption of likely growth in employee salaries to reflect a more conservative position than in the prior year. In the context of the prudent funding structure of the Group, the Group is in a strong position to manage this long-term liability to the satisfaction and benefit of all stakeholders.

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge in period

(In £'s million)	2002	2001 (Restated)
Current tax		
United Kingdom corporation tax at 30% (2001 – 30%) for the year	**55.2**	59.1
Double taxation relief	**(3.3)**	–
	51.9	59.1
Overseas taxation	**13.7**	12.5
Associated companies – current tax	**0.1**	0.4
Total current tax	**65.7**	72.0
Deferred tax		
Origination and reversal of timing differences	**(0.5)**	1.5
Tax on profit on ordinary activities	**65.2**	73.5

The exceptional items gave rise to a tax credit included above of £6.4 million (2001 – £10.6 million). No tax relief is assumed to arise on exceptional losses on disposal of businesses.

(b) Factors affecting the tax charge for the period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 30%. The differences are explained below:

(In £'s million)	2002	2001 (Restated)
Profit on ordinary activities before tax	**147.6**	165.8
Profit on ordinary activities before tax at the standard rate of UK Corporation tax of 30% (2001 – 30%)	**44.3**	49.7
Factors affecting charge for period:		
Capital allowances for period in excess of depreciation	**(0.5)**	(3.7)
Permanent differences (principally goodwill amortisation and impairment)	**20.6**	24.2
Foreign tax charged at higher rates than UK standard rates	**1.2**	1.8
Other timing differences	**(2.4)**	2.4
Rollover relief on gain on sale of property	**–**	(5.4)
Unrelieved overseas losses	**2.5**	3.0
Total actual amount of current tax	**65.7**	72.0

The impact of adopting FRS 19 during the year has been to increase the tax on profit before goodwill amortisation and exceptional items by £3.2 million. The impact on the prior year has been to increase the tax on profit before goodwill amortisation and exceptional items by £6.7 million.

Notes to the Accounts

7. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

(c) Factors that may affect future tax charges

Provision has not been made for taxation that would arise in the event of certain overseas subsidiaries and associated companies distributing the balance of their reserves as the earnings are continually reinvested and, accordingly, no tax is expected to be payable on them in the foreseeable future.

The Group's overseas tax rates are generally higher than those in the UK.

No provision has been made for deferred taxation on gains recognised on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would only become payable if the properties were sold without being able to claim rollover relief. The total amount unprovided is £10.2 million (2001 – £10.9 million). At present it is not envisaged that any tax will become payable in the foreseeable future.

The Group provides for deferred tax assets if it is more likely than not that they will reverse in the future. Some of the Group's overseas operations, particularly those in Germany, have generated tax losses in the past, the future utilisation of which is uncertain. The Group has therefore not recognised a deferred tax asset of £10.2 million (2001 – £7.3 million) in respect of tax losses of overseas companies.

8. DIVIDENDS

(In £'s million)	2002	2001
Interim dividend of – 1.52p (2001 – 1.32p) per Ordinary share	**26.0**	22.2
Final proposed dividend of – 3.16p (2001 – 2.75p) per Ordinary share	**53.5**	47.0
	79.5	69.2

9. EARNINGS PER SHARE

(In £'s million)	2002	2001 (Restated)
Earnings before goodwill and exceptional items	**160.5**	187.4
Exceptional items (net of tax)	**(53.1)**	(76.8)
Amortisation of goodwill	**(25.0)**	(18.5)
Earnings for basic earnings per share	**82.4**	92.1

(Number million)	2002	2001
Weighted average number of shares in issue	**1,708.0**	1,702.4
Dilution effect of share options	**11.0**	18.2
Diluted weighted average number of shares	**1,719.0**	1,720.6

(Pence)	2002	2001 (Restated)
Basic earnings per share before goodwill and exceptional items	**9.40**	11.01
Basic earnings per share on exceptional items	**(3.11)**	(4.51)
Basic earnings per share on amortisation of goodwill	**(1.47)**	(1.09)
Basic earnings per share	**4.82**	5.41
Diluted earnings per share	**4.79**	5.35

Additional EPS information is provided to better reflect the underlying performance of the Group. The weighted average number of shares used for the basic earnings per share calculation excludes shares held by the Hays Employee Share Trust Ltd and the Hays plc Qualifying Employee Share Ownership Trust (the 'QUEST').

10. INTANGIBLE FIXED ASSETS

(In £'s million)	Goodwill	Other	Total
COST			
At 1 July 2001	312.2	28.2	340.4
Exchange adjustments	6.7	0.1	6.8
Acquisitions and additions	0.7	2.8	3.5
Disposed	(0.9)	–	(0.9)
Amounts written back	(9.6)	–	(9.6)
At 30 June 2002	**309.1**	**31.1**	**340.2**
DEPRECIATION AND AMORTISATION			
At 1 July 2001	34.9	18.8	53.7
Exchange adjustments	0.9	0.1	1.0
Depreciation charge for year	–	3.4	3.4
Amortisation	25.0	–	25.0
Disposed	(0.2)	–	(0.2)
Amounts written off	32.7	4.6	37.3
At 30 June 2002	**93.3**	**26.9**	**120.2**
NET BOOK VALUE			
At 30 June 2002	**215.8**	**4.2**	**220.0**
At 30 June 2001	277.3	9.4	286.7

For acquisitions prior to 1 July 1998, the cumulative goodwill written off in reserves is £432.7 million (2001 – £434.1 million).

Other intangible assets relate to systems and product development costs and intellectual property rights. During the year the Group has reassessed the useful economic life of goodwill and this has resulted in an additional amortisation charge of £5.0 million.

Notes to the Accounts

11. TANGIBLE FIXED ASSETS

(in £'s million)	Freehold properties	Leasehold properties long	Leasehold properties short	Plant and machinery	Fixtures and fittings	Assets in course of construction	Total
THE GROUP							
COST							
At 1 July 2001	271.3	62.9	29.2	465.5	40.8	0.8	870.5
Exchange adjustments	9.2	4.5	–	9.4	1.3	0.2	24.6
Additions	5.6	6.9	3.3	52.7	7.4	2.8	78.7
Disposals							
Subsidiaries disposed	(19.8)	–	(8.2)	(98.6)	(3.0)	–	(129.6)
Other disposals	(7.1)	(1.4)	(0.6)	(23.0)	(1.7)	–	(33.8)
Reclassification	3.9	(3.2)	–	–	–	(0.7)	–
At 30 June 2002	**263.1**	**69.7**	**23.7**	**406.0**	**44.8**	**3.1**	**810.4**
ACCUMULATED DEPRECIATION							
At 1 July 2001	55.0	6.0	9.1	221.8	23.4	–	315.3
Exchange adjustments	1.7	0.5	–	5.0	0.6	–	7.8
Charge for the year	5.8	1.6	2.5	45.4	5.9	–	61.2
Disposals							
Subsidiaries disposed	(6.9)	–	(1.6)	(49.1)	(1.8)	–	(59.4)
Other disposals	(3.1)	–	(0.6)	(19.1)	(1.6)	–	(24.4)
Reclassification	1.0	(1.0)	–	–	–	–	–
At 30 June 2002	**53.5**	**7.1**	**9.4**	**204.0**	**26.5**	**–**	**300.5**
NET BOOK VALUE							
At 30 June 2002	**209.6**	**62.6**	**14.3**	**202.0**	**18.3**	**3.1**	**509.9**
At 30 June 2001	216.3	56.9	20.1	243.7	17.4	0.8	555.2

Freehold properties include land at cost of £50.5 million (2001 – £48.7 million) which is not depreciated. The Group has not assessed the market value of freehold land during the year and is therefore unable to disclose the difference been market value and cost. Freehold properties, plant and machinery include cost of £67.2 million (2001 – £62.2 million) and accumulated depreciation of £9.1 million (2001 – £9.7 million) in respect of assets held under finance leases and hire purchase contracts. £66.1 million relates to freehold property and £1.1 million relates to plant and machinery. The depreciation charge for the year includes £1.5 million (2001 – £1.5 million) in respect of these assets.

11. TANGIBLE FIXED ASSETS (CONTINUED)

(In £'s million)	Leasehold properties short	Plant and machinery	Fixtures and fittings	Total
THE COMPANY				
COST				
At 1 July 2001	0.4	2.4	0.6	3.4
Additions	–	0.2	–	0.2
Disposals	–	(0.1)	–	(0.1)
At 30 June 2002	**0.4**	**2.5**	**0.6**	**3.5**
ACCUMULATED DEPRECIATION				
At 1 July 2001	0.2	1.6	0.5	2.3
Charge for the year	–	0.4	–	0.4
Disposals	–	(0.1)	–	(0.1)
At 30 June 2002	**0.2**	**1.9**	**0.5**	**2.6**
NET BOOK VALUE				
At 30 June 2002	**0.2**	**0.6**	**0.1**	**0.9**
At 30 June 2001	0.2	0.8	0.1	1.1

Commitments

(In £'s million)	Group 2002	Group 2001
Capital expenditure – authorised and contracted for	**11.8**	6.3

12. INVESTMENTS

(In £'s million)	Interest in associate Albion	Loans to Albion	Own shares	Other	Total
THE GROUP					
Cost and net book value at 1 July 2001	–	–	51.2	3.1	54.3
Additions	0.7	46.9	–	–	47.6
Disposals	–	–	(1.1)	(1.4)	(2.5)
Share of profits/(losses) of associated companies	(0.8)	–	–	0.6	(0.2)
Interest receivable on loan to associate	–	3.8	–	–	3.8
At 30 June 2002	**(0.1)**	**50.7**	**50.1**	**2.3**	**103.0**

The Group acquired a 49% stake in Albion Chemicals Ltd, a chemical distribution business incorporated in England and Wales, as part of the transaction described in note 23. The balance sheet of Albion Chemicals Ltd at 30 June 2002 included goodwill of £39.1 million.

The Group's share of retained profits of associated companies at 30 June 2002 is £0.1 million (2001 – £0.9 million).

12. INVESTMENTS (CONTINUED)

(In £'s million)	Own shares	Shares in subsidiaries	Total
THE COMPANY			
At 1 July 2001	51.2	189.2	240.4
Additions	–	280.0	280.0
Disposals	(1.1)	(8.9)	(10.0)
At 30 June 2002	**50.1**	**460.3**	**510.4**

The Company operates the Hays plc 1995 Executive Share Option Scheme (ESOS) whereby an employee trust, the Hays plc Employee Share Trust (the 'Trust') acquires shares in the Company for the benefit of Group employees. Dividends in respect of these shares have not been waived. The number of shares held at 30 June 2002 is 18,908,135 (2001 – 19,740,787). During the year the Trust did not acquire any new shares but disposed of 832,652 shares on exercise of employee share options.

Ordinary shares of 1p each ('Own Shares') are held in the balance sheet for the satisfaction of ESOS options at an average cost of 265p as at 30 June 2002. To provide a hedge against fluctuations in the Company's share price over time, the Trust broadly matches options awarded with shares purchased by the Company. Due to movements in the Company's share price during the year, the market value at 30 June 2002 of 154p was below the average cost of Own Shares. In the opinion of the Directors no permanent diminution in value has occurred as the shares held are designed to hedge options exercisable between 2002 and 2011 which at 30 June 2002 had an average period of 6.3 years to expiry.

The Company also operates the Hays plc Qualifying Employee Share Ownership Trust (the 'QUEST') which holds shares issued by the Company in connection with the Hays plc Savings-Related Share Option Scheme and the Hays UK Sharesave Scheme. At 30 June 2002 the number of shares held was 5,280,350 (2001 – 7,151,925). During the year the QUEST acquired 794,223 new shares and disposed of 2,665,798 shares on the exercise of employee share options. The QUEST shares are held in the balance sheet at nil valuation.

Details of the principal subsidiaries are shown in note 29.

13. STOCKS

(In £'s million)	**Group 2002**	Group 2001
Raw materials and consumables	**4.6**	13.2
Work in progress	**0.2**	1.5
Finished goods and goods for resale	**20.4**	25.6
	25.2	40.3

14. DEBTORS

(In £'s million)	**Group 2002**	Group 2001	**Company 2002**	Company 2001 (Restated)
Trade debtors	**359.2**	405.4	**–**	–
Amounts owed by subsidiaries	**–**	–	**1,366.3**	1,500.3
Amounts owed by associated companies	**0.5**	0.5	**–**	–
Other debtors	**27.7**	37.1	**2.3**	0.3
Prepayments and accrued income	**91.2**	98.9	**9.8**	6.9
Deferred taxation	**–**	–	**1.6**	1.4
	478.6	541.9	**1,380.0**	1,508.9

14. DEBTORS (CONTINUED)

Amounts falling due after more than one year included in the above are:

(In £'s million)	Group 2002	Group 2001	Company 2002	Company 2001 (Restated)
Amounts owed by subsidiaries	–	–	757.3	675.3
Prepayments and accrued income	8.6	7.0	6.6	4.1
Other debtors	0.8	–	–	–
Deferred taxation	–	–	1.6	1.4
	9.4	7.0	765.5	680.8

Further details of the Company's deferred tax asset are given in note 19.

15. BORROWINGS

(In £'s million)	Group 2002	Group 2001	Company 2002	Company 2001
AMOUNTS FALLING DUE WITHIN ONE YEAR				
Loan notes	4.0	19.2	0.4	0.5
Bank borrowings – secured	0.6	0.4	–	–
– unsecured	5.3	18.6	–	18.6
Overdrafts	11.6	2.6	41.0	13.6
Finance leases	4.8	4.5	–	–
	26.3	45.3	41.4	32.7
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR				
Unsecured loans 2012	145.3	139.9	145.3	139.9
Bank borrowings – secured	1.6	1.9	–	–
– unsecured	142.6	228.6	104.6	228.6
Finance leases	37.0	38.2	–	–
	326.5	408.6	249.9	368.5

The majority of the loan notes falling due within one year are payable on demand and bear interest at money market deposit rates. The secured bank loans are secured on certain properties and other fixed assets. The maturities of Group borrowings are shown in note 18. Amounts repayable by instalments after more than five years include £118.6 million (2001 – £118.7 million) of unsecured loans at interest rates of 7.0% and 5.4 % and £18.3 million (2001 – £20.7 million) of finance leases at 5.5% interest.

The Company borrowings mature as follows: under one year – £41.4 million (2001 – £32.7 million); over one year and under two years – nil (2001 – nil); over two years and under five years – £144.9 million (2001 – £250.1 million); over five years – £105.0 million (2001 – £118.4 million).

16. OTHER CREDITORS

(In £'s million)	Group 2002	Group 2001	Company 2002	Company 2001
AMOUNTS FALLING DUE WITHIN ONE YEAR				
Trade creditors	**149.5**	182.3	**0.8**	1.5
Amounts owed to subsidiaries	**–**	–	**484.3**	426.9
Taxation	**101.9**	117.4	**2.0**	2.1
Social Security	**21.2**	23.9	**0.1**	0.1
Other creditors	**51.5**	63.4	**–**	–
Acquisition liabilities	**7.3**	14.4	**–**	–
Dividends payable	**54.0**	47.0	**54.0**	46.7
Accruals and deferred income	**162.8**	161.2	**4.0**	3.9
	548.2	609.6	**545.2**	481.2
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR				
Other creditors	**0.5**	0.7	**–**	–
Acquisition liabilities (note 18(b))	**2.2**	21.3	**–**	–
Accruals and deferred income	**0.1**	3.6	**–**	–
	2.8	25.6	**–**	–

There are no amounts included within other creditors which are due after more than five years (2001 – nil).

17. LEASE COMMITMENTS

(In £'s million)	Group 2002	Group 2001
(a) Finance leases		
Net obligations are payable as follows:		
Within one year	**4.8**	4.5
Over one year and under two years	**4.5**	4.5
Between two and five years	**14.2**	13.0
After five years	**18.3**	20.7
	41.8	42.7

The finance leases relate to freehold properties, plant and machinery. They are secured by retention of title to the relevant assets and bear interest at market rates.

(b) Operating leases

At 30 June 2002 the Group and the Company were committed to making the following annual payments in respect of operating leases.

(In £'s million)	Group land and buildings	Group other	Company land and buildings
Leases which expire:			
Within one year	7.8	6.5	–
Between two and five years	24.2	16.2	–
After five years	29.4	1.4	0.3
	61.4	24.1	0.3

The Group considers commitments to operating leases, along with other financial and commercial considerations, as part of the investment appraisal process. It is the Group's policy to match lease obligations with contractual commitments from clients whenever this is practicable, under 'back to back' type arrangements, to minimise exposure to the Group and a substantial proportion of the operating leases noted above are covered by these type of arrangements.

18. FINANCIAL INSTRUMENTS

Explanations of the Group's treasury policy and controls are included in the Financial Review on page 23. The Group's policy is to hedge currency exposure on overseas investments through currency borrowings and appropriate derivative instruments.

Short-term debtors and creditors are excluded from the following disclosures.

(a) Interest rate risk profile of financial liabilities

The interest rate risk profile of financial liabilities was as follows:

(In £'s million)	Total	Floating rate	Fixed rate	Non interest bearing	Fixed rate financial liabilities weighted averages interest rate	Fixed rate financial liabilities weighted averages fixed rate period	Non interest bearing financial liabilities weighted average period until maturity
					%	Years	Years
Sterling	87.5	15.4	70.4	1.7	7.0	7.1	3.0
Euro	250.3	108.6	141.1	0.6	5.9	5.6	2.8
Other	17.8	17.3	–	0.5	–	–	1.5
At 30 June 2002	**355.6**	**141.3**	**211.5**	**2.8**			

(In £'s million)	Total	Floating rate	Fixed rate	Non interest bearing	Fixed rate financial liabilities weighted averages interest rate	Fixed rate financial liabilities weighted averages fixed rate period	Non interest bearing financial liabilities weighted average period until maturity
					%	Years	Years
Sterling	103.9	21.8	70.8	11.3	7.0	8.0	2.2
Euro	354.6	252.6	92.0	10.0	6.2	8.5	2.0
Other	16.7	16.7	–	–	–	–	–
At 30 June 2001	475.2	291.1	162.8	21.3			

The floating rate financial liabilities comprise bank loans, overdrafts, finance leases and loan notes bearing interest at rates based on local money market rates.

(b) Maturities of financial liabilities

(In £'s million)	2002	2001
The maturities of borrowings are as follows:		
Within one year	**26.3**	45.3
Between one and two years	**10.6**	5.0
Between two and five years	**179.0**	264.2
Over five years	**136.9**	139.4
	352.8	453.9
The maturities of creditors due after one year are as follows:		
Between one and two years	**0.7**	19.3
Between two and five years	**2.1**	2.0
Over five years	**–**	–
	2.8	21.3

Notes to the Accounts

18. FINANCIAL INSTRUMENTS (CONTINUED)

(c) **Interest rate risk profile of financial assets**

Financial assets include cash and loans to associates. Included in the sterling financial assets in the year ended 30 June 2002 is an amount of £46.7 million which has a fixed interest rate of 9% for the next three years. All other financial assets carry interest at floating rates. In 2001 all financial assets carried interest at floating rates. Financial assets are denominated in the currencies shown below.

(In £'s million)	2002	2001
Sterling	**117.2**	82.6
Euro	**37.9**	41.0
Other	**13.3**	10.2
	168.4	133.8

(d) **Fair values of financial instruments**

The fair value of financial assets and short-term borrowings is not materially different to the book value due to the short-term maturity of the instruments. The fair value of long-term borrowings and foreign currency contracts, based on the present value of expected future cash flows, is £8.8 million more than their book value. In 2001 there was no significant difference between the fair value and book value of financial instruments.

(e) **Committed undrawn facilities**

The maturities of the committed undrawn facilities available to the Group are shown below.

(In £'s million)	2002	2001
Within one year	**–**	–
Between one and two years	**–**	–
Between two and five years	**345.3**	256.4
	345.3	256.4

(f) **Hedges**

All gains and losses on instruments used for hedging foreign currency investments have been recognised in the statement of total recognised gains and losses.

(g) **Currency Exposure**

The Group did not have a material profit and loss account exposure to foreign exchange gains or losses on monetary assets and liabilities denominated in foreign currencies at 30 June 2002.

19. PROVISIONS FOR LIABILITIES AND CHARGES

(In £'s million)	Pensions	Deferred taxation	Property	Deferred employee benefits	Other	Total
At 1 July 2001 as reported	5.8	0.8	3.6	11.6	15.2	37.0
Prior period adjustment	–	23.0	–	–	–	23.0
At 1 July 2001 as restated	5.8	23.8	3.6	11.6	15.2	60.0
Exchange adjustments	0.1	0.6	–	0.5	0.3	1.5
Disposals	–	(7.4)	–	–	(0.3)	(7.7)
Charged to P&L account	1.3	–	0.1	1.6	41.1	44.1
Credited to P&L account	–	(0.5)	–	(0.5)	(0.3)	(1.3)
Utilised	(0.3)	–	(1.2)	(2.9)	(8.6)	(13.0)
At 30 June 2002	**6.9**	**16.5**	**2.5**	**10.3**	**47.4**	**83.6**

Property provisions relate to rents payable on certain leased properties for periods in which they are anticipated not to be in use by the Group. The leases expire in periods up to 2010.

Deferred employee benefits include provision for the Performance Share Scheme, staff leaving indemnity, long service leave and other employee related provisions. It is expected that costs will be incurred against the Performance Share Scheme provision between 2002 and 2004. Details of the Scheme are given in the Remuneration Report. It is not possible to estimate the timing of payments against the other deferred employee benefit provisions.

19. PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

Other provisions includes £4.9 million of the provision established in 2001 for the reorganisation of the information management business, £20.6 million of potential liabilities retained on the disposal of the chemicals business and £17.3 million in relation to the reorganisation of the IT Solutions business.

The provision for reorganisation of the information management business is expected to be utilised between 2002 and 2004. It is not possible to estimate the timing of crystallisation of the potential liability retained on the disposal of the chemicals business. The provisions established for the reorganisation of the IT Solutions business principally relate to property obligations and are expected to be utilised in the period 2002 to 2015.

Provisions in the Company balance sheet include £5.0 million (2001 – £4.1 million) related to pension obligations under the Hays Supplementary Pension Scheme described in note 6.

Deferred taxation

(In £'s million)	2002 Provided	2002 Unprovided	2001 Provided (Restated)	2001 Unprovided (Restated)
THE GROUP				
Accelerated tax allowances	29.1	–	32.3	0.8
Other timing differences	(12.6)	(4.3)	(7.6)	(5.2)
Overseas losses	–	(10.2)	(0.9)	(7.3)
Gain deferred by rollover	–	10.2	–	10.9
	16.5	(4.3)	23.8	(0.8)

The Company has a deferred tax asset included in debtors, as shown in note 14.

(In £'s million)	2002 Provided	2002 Unprovided	2001 Provided (Restated)	2001 Unprovided (Restated)
THE COMPANY				
Accelerated tax allowances	0.1	–	0.1	–
Other timing differences	1.5	–	1.3	–
Gain deferred by rollover	–	(9.5)	–	(10.2)
	1.6	(9.5)	1.4	(10.2)

20. CALLED UP SHARE CAPITAL

Authorised Share Capital

(In £'s million)	2002 Number 000's	2002	2001 Number 000's	2001
Ordinary shares of 1p each	8,890,894	88.9	8,890,894	88.9

Called up, allotted and fully paid Share Capital

(In £'s million)	Share capital Number 000's	Share capital
At 1 July 2001	1,732,732	17.3
Shares allotted to 30 June 2002	2,032	–
At 30 June 2002	**1,734,764**	**17.3**

During the year the Company received £1.6 million in respect of 0.8 million shares issued under the Hays plc Savings-Related Share Option Scheme and issuable under the Hays UK Sharesave Scheme, dealt with through the Hays plc Qualifying Employee Share Ownership Trust (the 'QUEST').

Notes to the Accounts

21. SHARE OPTIONS

At 30 June 2002 the following options had been granted and remained outstanding in respect of the Company's Ordinary shares of 1p each under the Company's share option schemes:

	Number of shares	Amount of shares £	Subscription price Pence/share	Date normally exercisable
Hays plc 1989 Executive Share Option Scheme	96,000	960	46	1995-2002
	497,360	4,974	63	1996-2003
	70,084	701	74	1997-2004
	827,784	8,278	69	1997-2004
	1,491,228	14,913		
Hays plc 1995 Executive Share Option Scheme	1,751,664	17,517	89	1998-2005
	1,550,228	15,502	134	1999-2006
	2,265,496	22,655	160	2000-2007
	3,899,176	38,992	211	2001-2008
	2,915,068	29,151	403	2002-2009
	3,715,438	37,154	392	2003-2010
	16,199,685	161,997	132	2004-2011
	77,108	771	177	2005-2012
	32,373,863	323,739		
Hays plc 1996 Company Share Option Plan	503,972	5,040	134	1999-2006
	970,168	9,702	160	2000-2007
	2,185,064	21,850	211	2001-2008
	1,147,868	11,479	403	2002-2009
	995,620	9,956	392	2003-2010
	2,604,285	26,043	132	2004-2011
	32,948	329	177	2005-2012
	8,439,925	84,399		
Hays plc Savings-Related Share Option Scheme	60,072	601	60	2001-2002
	108,136	1,081	56	2002-2002
	483,122	4,831	87	2003-2003
	618,880	6,189	110	2002-2004
	639,870	6,399	194	2003-2005
	516,414	5,164	276	2002-2006
	2,426,494	24,265		
Hays UK Sharesave Scheme	505,246	5,052	326	2003-2007
	864,965	8,650	229	2004-2008
	19,276,026	192,760	109	2005-2009
	2,491,749	24,917	152	2005-2009
	23,137,986	231,379		
Hays International Sharesave Scheme	2,762,211	27,622	109 to 408	2003-2007
	70,631,707	706,317		

The Hays International Sharesave Scheme is available to employees in Australia, Germany, The Netherlands, Norway, Poland, The Republic of Ireland, France, Italy and Spain.

22. RESERVES

(In £'s million)	Share premium	Profit and loss account
THE GROUP		
At 1 July 2001 as reported	365.5	101.7
Prior period adjustment	–	(23.0)
At 1 July 2001 as restated	365.5	78.7
Translation differences in respect of foreign subsidiaries	–	0.3
Shares issued to QUEST (note 20)	1.6	–
Shares allotted on the exercise of options	1.6	–
Transferred from profit and loss account	–	2.9
Goodwill written back in year	–	1.4
At 30 June 2002	**368.7**	**83.3**

Goodwill written back to the profit and loss account relates to acquisitions completed before July 1998.

(In £'s million)	Share premium	Profit and loss account
THE COMPANY		
At 1 July 2001 as reported	365.5	520.3
Prior period adjustment	–	1.4
At 1 July 2001 as restated	365.5	521.7
Shares issued to QUEST	1.6	–
Shares allotted on the exercise of options	1.6	–
Transferred from profit and loss account	–	184.0
At 30 June 2002	**368.7**	**705.7**

As permitted by Section 230 of the Companies Act 1985 the profit and loss account of the Company is not presented as part of these financial statements. The consolidated profit for the financial year includes a profit of £263.5 million (2001 – loss of £1.6 million) which is dealt with in the accounts of Hays plc.

23. ACQUISITIONS AND DISPOSALS

No acquisitions were completed in the period.

On 27 July 2001 the Group completed the disposal of its non-core chemicals activities for a consideration of £106.8 million. £60.1 million of the sale price was paid in cash at completion, with the balance of £46.7 million being settled by a loan carrying a coupon of 9% for the first three years rising to 15% by year five. Net assets disposed, plus transactions costs, totalled £85.1 million, including £17.9 million of cash. After providing for retained liabilities the disposal gave rise to a gain of £0.4 million. As part of the transaction, the Group reinvested disposal proceeds of £0.7 million in a 49% stake in Albion Chemicals Ltd, the purchase vehicle.

On 29 August 2001 the Group disposed of its retail installation services business for a net consideration of £0.7 million. The transaction gave rise to no gain or loss on disposal in the period.

On 30 April 2002 the Group disposed of its clinical support activities. Cash consideration was £10.0 million, with a further £1.5 million of consideration contingent upon achieving certain contractual objectives. After providing for costs and retained liabilities the transaction gave rise to a profit on disposal of £0.1 million. There was no goodwill associated with the activities.

The Group disposed of its French co-manufacturing operations on 23 May 2002 for £4.6 million, comprising £2.3 million cash and £2.3 million loan stock. The transaction gave rise to no gain or loss on disposal.

23. ACQUISITIONS AND DISPOSALS (CONTINUED)

Net assets disposed are set out below:

(In £'s million)	Chemicals	Other	Total
Fixed assets and investments	60.6	10.7	71.3
Working capital	14.9	(0.7)	14.2
Cash	17.9	–	17.9
Creditors falling due after more than one year and provisions	(10.6)	(0.3)	(10.9)
	82.8	9.7	92.5

24. CONTINGENT LIABILITIES

(In £'s million)	**Group 2002**	Group 2001	**Company 2002**	Company 2001
Bank and other guarantees	**19.8**	9.2	**89.9**	50.4

25. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

(In £'s million)	**2002**	2001
Total operating profit	**162.9**	257.0
Depreciation	**64.6**	65.5
Amortisation of goodwill	**25.0**	18.5
Amounts written off goodwill and intangible fixed assets	**37.3**	11.9
Profit on sale of fixed assets	**(1.6)**	(20.0)
Increase in stocks	**(5.6)**	(6.0)
Decrease/(increase) in debtors	**36.3**	(41.2)
(Decrease)/increase in creditors	**(45.6)**	4.6
Increase in provisions	**30.5**	10.7
Net cash inflow from operating activities	**303.8**	301.0

26. MOVEMENT IN NET DEBT

(In £'s million)	**2002 Cash**	**2002 Debt**	**2002 Net Debt**	2001 Cash	2001 Debt	2001 Net Debt
At 1 July	**130.4**	**(451.3)**	**(320.9)**	95.1	(372.1)	(277.0)
Foreign exchange movement	**2.8**	**(24.7)**	**(21.9)**	(2.4)	12.1	9.7
Movement during year	**(6.1)**	–	**(6.1)**	37.7	–	37.7
Borrowings repaid	–	**173.5**	**173.5**	–	391.2	391.2
Borrowings raised	–	**(38.7)**	**(38.7)**	–	(482.6)	(482.6)
Net cash disposed (note 23)	**(17.9)**	–	**(17.9)**	–	0.1	0.1
At 30 June	**109.2**	**(341.2)**	**(232.0)**	130.4	(451.3)	(320.9)

Cash comprises cash at bank and in hand, less overdrafts. Debt includes borrowings and finance lease liabilities.

27. POST BALANCE SHEET EVENTS

There are no post balance sheet events within the Group that require disclosure.

Notes to the Accounts

28. RELATED PARTIES

During the period the Group entered into various trading transactions with its associated companies. These included sales of £0.6 million (2001 – £5.9 million) and purchases of goods and services to the value of £0.5 million (2001 – £0.1 million). At the balance sheet date, the Group had debtors of £0.9 million (2001 – £0.8 million) in respect of these transactions. The Group's principal associated company is Albion Chemicals Limited. The extent of this investment is disclosed in note 12.

At the date of his appointment in 1998 Mr X F E Urbain held a minority interest in the shares of Hays France SA, for which he had originally paid £0.5 million. During the year the Group purchased this shareholding, representing 0.4% of the shares in Hays France SA, for consideration of £1.0 million.

29. PRINCIPAL SUBSIDIARIES

Holding Companies
* Hays Holdings Ltd
* Hays Overseas Holdings Limited
Hays France SA (France)
Hays Overseas Holdings GmbH (Germany)
Hays Holdings BV (The Netherlands)
Hays USA Holdings, Inc. (USA)

Personnel (Specialist staff recruitment agencies)
Hays Personnel Services (Holdings) Ltd
Hays Personnel Services Ltd
Hays Personnel Services (Australia) Pty Ltd
Hays Alpha Travail Temporaire SASU (France)
Hays IT SASU (France)
Hays Personnel Services (Canada) Inc.
Hays Personnel BV (The Netherlands)

Commercial (Back and front office process outsourcing and information management)
Hays Ceritex SASU (France)
Hays Informatiebeheer BV (The Netherlands)
Hays Information Management NV/SA (Belgium)
Hays Informations Management GmbH (Germany)
Hays Information Management Solutions AS (Norway)
Hays Information Management Inc. (USA)
Hays Customer Solutions Ltd (96.9%)
Axis Resources Ltd
DEI Group Ltd

Mail and Express (Premium mail and specialist courier services)
Hays Commercial Services Limited
Hays Financière DX SA (France)
Hays DX NV/SA (Belgium)

Logistics (Specialised logistics activities)
Hays Distribution Services Ltd
Hays Logistique France SASU (France)
Hays DSIA France SAS (France)
Hays Logistics GmbH (Germany)
Hays Transport BV (The Netherlands)
Hays Logistics Iberia SA (Spain)
Hays HZ Logistics Sp. z.o.o. (Poland) (85%)
Hays Sodibelco SpA (Italy)
Hays Home Delivery Services Inc (USA) (92%)
Hays Logistics Hellas SA (Greece)
Hays Asset Control Solutions (Ireland) Ltd

At 30 June 2002 Hays plc (and/or a subsidiary or subsidiaries in aggregate) owned 100% of each class of the issued shares of the Companies except where indicated. Shares in Companies marked with an asterisk (*) were owned directly by Hays plc and in Companies not so marked were owned by a subsidiary or subsidiaries of Hays plc.

Companies are registered and operate in England and Wales unless otherwise indicated.

The list of Companies includes holding Companies and those which had a material effect on the consolidated results to 30 June 2002. Information on the other Companies in the Group will be included in the next annual return.

Five Year Summary of Published Results

	1998	1999	2000	2001	**2002**
Turnover (In £'s million)	1,549.1	1,875.8	2,216.4	2,634.3	**2,454.7**
Operating Profit* (In £'s million)	210.6	246.0	274.5	298.0	**247.3**
Profit before Tax* (In £'s million)	201.2	235.9	262.6	271.7	**232.1**
Interest Cover	22 X	24 X	23 X	11 X	**13X**
Dividend per share (pence)	2.675	3.075	3.54	4.07	**4.68**
Dividend Growth (percent)	15%	15%	15%	15%	**15%**
EPS* (pence)**	8.4	9.8	10.9	11.0	**9.4**
EPS Growth (percent)**	29%	17%	11%	1%	**(15%)**
Net Debt (In £'s million)	145.6	197.0	277.0	320.9	**232.0**
Operating Net Assets (In £'s million)	440.4	518.7	562.1	625.1	**556.8**
Return on Operating Net Assets* (percent)	48%	47%	49%	48%	**44%**

* Before exceptional items and goodwill amortisation

** Restated for FRS 19

Notice of Meeting

NOTICE IS HEREBY GIVEN that the fifteenth Annual General Meeting of Hays plc will be held at the Holiday Inn, Egerton Road, Guildford, Surrey, GU2 7XZ at 12 noon on Wednesday, 20 November 2002, for the following purposes:

ORDINARY BUSINESS

Resolution No 1

To receive and adopt the Accounts for the year ended 30 June 2002 and the reports of the Directors and Auditors thereon.

Resolution No 2

To declare a final dividend for the year ended 30 June 2002 which, if approved, will be paid on 29 November 2002 to shareholders on the register at the close of business on 25 October 2002.

To re-elect the following Directors who, having been appointed since the last Annual General Meeting, will retire in accordance with the Company's Articles of Association and, being eligible, offer themselves for re-election:

Resolution No 3

Mr P Danon

Resolution No 4

Mrs L M S Knox

Resolution No 5

Mr C S Matthews

To re-elect the following Directors who retire from the Board by rotation:

Resolution No 6

Mr R A Lawson

Resolution No 7

Mr C S Taylor

Resolution No 8

Mr G J Williams

Biographical details for the current Directors and Mr C S Matthews are shown on page 25.

Resolution No 9

To re-appoint Deloitte & Touche as Auditors of the Company until the conclusion of the next Annual General Meeting.

Resolution No 10

To authorise the Directors to agree the remuneration of the Auditors of the Company.

SPECIAL BUSINESS

Resolution No 11

Ordinary Resolution
THAT the authority conferred on the Directors by Article 7.1 of the Company's Articles of Association be renewed for a period expiring at the conclusion of the next Annual General Meeting of the Company after the date on which this resolution is passed and for that period the Section 80 amount shall be £5,782,937.

Resolution No 12

Special Resolution
THAT subject to the passing of Resolution 11 above the power conferred on the Directors by Article 7.2 of the Company's Articles of Association be renewed for a period expiring at the conclusion of the next Annual General Meeting of the Company after the date on which this resolution is passed and for that period the Section 89 amount shall be £867,440.

Notice of Meeting

Resolution No 13

Special Resolution

THAT the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163 of the Companies Act 1985 (as amended)) of Ordinary shares of 1p each in the capital of the Company ('Ordinary shares') provided that:

(a) the maximum number of Ordinary shares hereby authorised to be purchased is 173,000,000;

(b) the minimum price which may be paid for each Ordinary share is 1p;

(c) the maximum price which may be paid for each Ordinary share is an amount equal to 105% of the average of the middle market quotations for an Ordinary share as derived from the Daily Official List of the UK Listing Authority for the five business days immediately preceding the day on which the Ordinary share is purchased; and

(d) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company or 31 December 2003, whichever is earlier (except in relation to the purchase of Ordinary shares the contract for which was concluded before such date and which would or might be executed wholly or partly after such date), unless such authority is renewed prior to such time.

Words and expressions defined in or for the purposes of the Companies Act 1985 (as amended) shall bear the same meaning herein.

Hays House
Millmead
Guildford
Surrey GU2 4HJ

By order of the Board

S J Charnock
Secretary
4 October 2002

Notes

1 A member entitled to attend and vote is entitled to appoint one or more proxies to attend and on a poll, vote instead of him or her. A proxy need not be a member of the Company. A form of proxy is enclosed which you are invited to complete and return not less than 48 hours before the time appointed for holding the meeting, or any adjournment thereof. Completion and return of the proxy form in accordance with the instructions thereon will not prevent you from attending and voting at the meeting, instead of your proxy, if you wish to do so. Those attending the meeting should bring with them the attendance card attached to the form of proxy.

2 The register of interests of Directors (and their families) together with copies of the Directors' service contracts will be available for inspection at the registered office of the Company on weekdays (Saturdays and public holidays excepted) during usual business hours from the date of this notice until the date of the Annual General Meeting and will, on the day of the Annual General Meeting, be available for inspection at the place of the meeting from 11.45am until the conclusion of the meeting.

3 At the date of the Annual General Meeting the service contracts of Messrs R A Lawson and G J Williams will have a period of two years unexpired. The service contract of Mr C S Matthews is for an initial period of two years from 1 November 2002 and is terminable on 12 months notice expiring on or after 1 November 2004.

www.hays.com

Hays plc
THE BUSINESS SERVICES GROUP

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