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- Australia
- Austria
- Belgium
- Canada
- China
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- Germany
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- United Kingdom

# Developing an international network for Specialist Recruitment

## Financial Highlights

Year ended 30 June 2006	2005	Actual growth	Like-for-like <sup>1</sup>
Net fees <b>£538.2m</b>	£470.6m	<b>+14%</b>	<b>+13%</b>
Profit from continuing operations <b>£193.0m</b>	£166.2m	<b>+16%</b>	<b>+15%</b>
Profit before tax <b>£192.5m</b>	£167.7m	<b>+15%</b>	
Basic earnings per share <b>8.69p</b>	6.82p	<b>+27%</b>	
Dividend per share <b>4.35p<sup>2</sup></b>	3.40p	<b>+28%</b>	

<sup>1</sup> Organic growth at constant currency

<sup>2</sup> Including a proposed final dividend of 2.90 pence per share

<sup>3</sup> Operating profit from continuing operations before goodwill amortisation, under UK GAAP

<sup>4</sup> Profit before tax from continuing operations before goodwill amortisation and exceptional items and before share of interest payable of associate, under UK GAAP

**Fee growth of 7% achieved in the United Kingdom & Ireland (6% like-for-like<sup>1</sup>)**

**Excellent fee growth in the International Division of 38% (35% like-for-like<sup>1</sup>) – now 30% of total business**

**Conversion rate improved by 60bps to 35.9% (H1: 36.3%, H2: 35.4%)**

**Expansion of the office network with 37 new offices added during the year**

**27% increase in basic earnings per share to 8.69 pence**

**Full year dividend of 4.35<sup>2</sup> pence per share, an increase of 28%**

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# Our international network

Our business model allows us to pursue opportunities in international markets.

Hays is now focused entirely on Specialist Recruitment.

We employ 6,410 staff in 352 offices and provide specialist recruitment services in 824 business units across 20 countries.

## United Kingdom & Ireland

---

% of Net fees

---

**70.3%**

Consultants

---

**2,698**  
+0%

Offices

---

**246**

Operating profit

---

**£137.5m**  
+6%

## Continental Europe & Canada

---

% of Net fees

---

**13.8%**

Consultants

---

**657**

+38%

Offices

---

**63**

## Asia Pacific

---

% of Net fees

---

**15.9%**

Consultants

---

**707**

+38%

Offices

---

**43**

Operating profit

---

**£13.8m**

+62%

Operating profit

---

**£41.7m**

+50%

**"The performance highlights the growing strength of our international businesses and our ability to deliver the benefits from the structural growth opportunities."**

Bob Lawson, Chairman

<sup>5</sup> Based upon profit from continuing operations after tax, before goodwill amortisation and exceptional items and before share of interest payable of associate, under UK GAAP

#### Results summary

Net fees for the Group increased by 14% to £538.2 million (2005 – £470.6 million) and profit before tax increased by 15% to £192.5 million (2005 – £167.7 million). We have seen contrasting performances between our businesses in the United Kingdom & Ireland and in the International Division.

In the United Kingdom & Ireland net fees grew by 7% and operating profit grew by 6% with moderate performance in the major specialist activities. There remain attractive growth opportunities in our specialist activities in the United Kingdom & Ireland and we are now investing accordingly.

The Group continues to focus on the significant growth opportunities in the international specialist recruitment markets. The International Division has produced an excellent performance with net fee growth of 38% and operating profit growth of 53%, and has contributed £55.5 million (2005 – £36.3 million) to Group profits. The performance highlights the growing strength of our international businesses and our ability to deliver the benefits from the structural growth opportunities. International now represents 30% (2005 – 25%) of Group net fees and further reduces our dependence on the United Kingdom & Ireland.

We have been able to finalise one of the last remaining legacy issues, the historic investment in Albion, the chemicals business. We received at the end of June this year a final net cash inflow of £30.0 million after Albion was purchased by the German speciality chemicals business, Brenntag.

#### Acquisitions

Whilst the fundamental strategy of the Group is to create growth and value from organic development, geographic in-fill or the acquisition of specialist market sector knowledge remains a part of our development strategy. During the year we acquired Recruitment Solutions Group for £20.6 million (including deferred consideration of £2.7 million) to enter the specialist healthcare and social care markets. In considering this acquisition, the Board was aware that the current market for healthcare professionals would be challenging due to constraints in National Health Service funding, but over the long-term there are good opportunities for growth both in the specialist healthcare and social care markets.

We also acquired for £7.8 million (including deferred consideration of £5.2 million), St. George's Harvey Nash, a small permanent recruitment business primarily based in China, but with complementary search activities in Hong Kong to those of our organic start-up. This business holds the appropriate licences to operate a recruitment business within China and hence provides us with a quality platform to develop the longer term potential of the Chinese market.

#### Capital structure and dividend

The business continued to generate strong free cash flow during the year. The priorities for our free cash flow are to fund Group development particularly in the International Division, purchase of in-fill acquisitions as they arise, support a progressive dividend policy, and to buy-back shares as appropriate.

The initial circa £300 million of the share buy-back programme was completed at the close of the first half this year. We have commenced the second stage of the share buy-back programme and during the second half of the year we have purchased 32.7 million shares at a total cost of £47.1 million. The total number of shares purchased to date is 274.6 million at a total cost of £352.1 million representing, 15.8% of the issued share capital.

Basic earnings per share from continuing operations for the year of 8.69 pence was 27% ahead of last year (2005 – 6.82 pence). The improvement in earnings per share arises from the strong growth in post tax profits from continuing operations, 15% ahead of last year, combined with the favourable effects of the accretion from the share buy-back programme to date.

The Board is aware of the importance of both sustainable and progressive dividend growth and therefore the Board is recommending a final dividend of 2.90 pence per share, which if approved at the Annual General Meeting will make a total of 4.35 pence per share for the full year. This represents a 28% increase on last year, with 15% of this increase attributable to the accretive

effects of the share buy-back programme and 13% attributable to the underlying growth in the profitability of the business. The recommended dividend will be paid on 21 November 2006 to shareholders on the register at 20 October 2006.

**People**

As I announced at the Interim Results in February, John Martin our previous Group Finance Director left the Group in March to join Travelex plc. John played a pivotal role in the transformation and refocusing of Hays into a Specialist Recruitment Group and we wish him every success in the further

**Our continued investment will allow the Group to take full advantage of its substantial growth opportunities.**

development of his career. In May, Paul Venables joined the Group as his replacement. Since joining, Paul's depth of experience in the multi-national service sector has already had a positive impact on the Group's activities. I, and the Board look forward to Paul having a long and fulfilling career with the Group.

Our business has many opportunities for our people. In the United Kingdom the challenge is to capitalise on our market leading positions and to identify and exploit new opportunities, which can subsequently be developed internationally. For the international operations, the opportunity is to develop these markets for our business model and establish Hays in a market leadership position. Having visited many of our operations during the year, I am delighted to report to you the enthusiasm, commitment and professionalism of our teams in meeting these challenges.

I do wish to thank each and every one of them for all their hard work and enthusiasm and look forward to them developing their careers and strengthening the business and its relationships with our clients and our candidates.

**Office of Fair Trading investigation**

As previously announced the Office of Fair Trading (OFT) is conducting an investigation into a number of recruitment companies involved in the construction recruitment sector. Hays is one of the companies currently being investigated. The investigation relates to a small part of our Construction & Property business in the United Kingdom.

As a Group we take this matter very seriously and are co-operating fully with the OFT in its investigation under its

leniency programme, but at this stage we do not know when the OFT investigation will be completed. The Board believes that any financial impact of the matters under investigation will not be material to the Group.

**Board governance**

The Board is conducting its evaluation by questionnaire and interview. This process has proven to be particularly useful in setting and agreeing the Board priorities. The first priority is to devote more formal Board time to the strategic development of the Group. The second priority is to undertake more visits to operating businesses to increase the Board exposure to middle tier executives and to broaden the Board's knowledge of our operating activities. The third priority is to ensure that there are adequate succession plans for the senior management group and to develop more options to address the Group's needs in the future.

The Board has met 10 times in the year including a strategic away day. This year one international visit was undertaken to the French operation, and in addition, the Directors have made individual visits to offices and international operations as their itineraries have allowed. The visit to France gave the Board an insight into the changing nature of the recruitment industry in Continental Europe, together with an opportunity to witness the excellent quality of the French executive team. As noted above, the Board plans to hold a higher proportion of its meetings away from the corporate offices to improve the breadth of exposure for and to the Board.

**Current trading**

In July and August the Group continued to generate strong like-for-like net fee growth of 13%. Growth was 6% in the United Kingdom & Ireland, 28% in Asia Pacific and 37% in Continental Europe & Canada. For the full year the Group expects some slight erosion in Group margins from those achieved in the second half of last year, arising from a modest margin reduction in the United Kingdom temporary business and the impact of investment for future growth. Our continued investment will allow the Group to take full advantage of its substantial growth opportunities.

**Bob Lawson  
Chairman**

**“The proportion of business from our International Division has increased from the 16% of net fees that it represented three years ago to the 30% of net fees that we have achieved this year.”**

Denis Waxman, Chief Executive

The Group has once again delivered a strong set of results producing sustained fee and profit growth. In Hays, as in all large businesses, there is always a mixture of performance within the operations. This has been the case this year with the performance of the United Kingdom & Ireland, which has not produced the levels of growth that we would have liked. In contrast however, we have seen continued excellent net fee growth and profit generation within our international businesses, to the extent that 30% of our total net fees are now derived from our expanding international operations. Our strategy to increase the proportion of business from our International Division has increased from the 16% of net fees that it represented three years ago to the 30% of net fees that we have achieved this year and we fully intend for this trend to continue.

The performance of our business has always had a close relationship and dependence on the underlying growth of the countries' economies in which we operate. Twelve months ago we were uncertain about the outlook for the

economy in the United Kingdom as GDP growth was at its lowest since 1992 at 1.7%. As a consequence of our caution, we decided not to invest last year in either additional net recruitment consultant headcount or significant new office openings. On the basis of the current market conditions in the United Kingdom we are now selectively adding recruitment consultant headcount within the business and new office and business unit openings. In contrast, our businesses in Australia & New Zealand have benefited significantly from a number of years of sustained strong economic growth. In Continental Europe, the economic environment has a less obvious impact on our businesses as the specialist recruitment markets in which we operate are significantly less developed.

The major specialist activities, Accountancy & Finance, Construction & Property and Information Technology in the United Kingdom and Ireland, produced a moderate performance and actions are being taken to improve the performances of these businesses. The success of the smaller specialist activities such as Human Resources, Legal, Purchasing and Sales & Marketing, has demonstrated the strong growth

**We have continued to expand our international footprint by opening 19 new offices and entering Italy, the United Arab Emirates and China.**

prospects in these activities and we will continue to expand these specialist activities across our extensive network in the United Kingdom & Ireland.

During the year we entered the healthcare and social care specialist recruitment markets with the acquisition of the Recruitment Solutions Group. The business is based in the United Kingdom and provides qualified skilled professionals such as consultant grade doctors, therapists and social workers in temporary, contract and permanent roles

in the healthcare and social care sectors. We are pleased that the highly experienced management team have remained with the business to develop market-leading positions and we now have the opportunity to extend our service offering to existing NHS and local authority clients and to expand both healthcare and social care services across the extensive Hays office network.

Our Asia Pacific region now includes our market-leading operations in Australia & New Zealand, the newly opened Hays Hong Kong office and now, the second acquisition completed this year, St. George's Harvey Nash. The business, which has a complementary Hong Kong search business to our own, also has offices in Shanghai, Shenzhen and Guangzhou in mainland China. This small acquisition gives Hays a quality platform to take advantage of the fast growing specialist recruitment market in this region. The performance of our business in Australia & New Zealand has once again been excellent. There were strong performances within each of our specialist activities and across all states.

**Our continuing investment both in the United Kingdom and in our International Division should give a strong indication of our confidence in the future.**

Continental Europe & Canada is a good example of how we have used both acquisitions and organic start-ups to quickly grow the business. After the success of our acquisition in Germany three years ago, the entire growth in that region has been achieved organically, by opening new offices, expansion into new countries and the import of new specialist activities from the United Kingdom. The strong growth this year in Continental Europe & Canada shows that we are reaping the rewards of both our focused strategy and sustained investment. The markets that we operate in, are now evolving their use of specialist recruitment services and employers are starting to fully utilise flexible labour resource facilitated by the pace of legislative change. We see significant growth prospects and will continue our investment in order to fully develop these opportunities.

One of the unique characteristics of Hays is the team of individuals who make the business what it is today. Our team are first-class individuals, who are committed, motivated, professional and

driven to provide both clients and candidates with a quality based recruitment service. We prefer to back our own staff to grow our business, offer them a range of opportunities across the Group and develop a long and successful career with Hays. Our international training programme has continued to ensure that the successful culture of Hays is also taken to each of the new countries that we are now operating in.

We now have 824 business units operating from 352 offices in 20 countries. As we enter the new financial year we have continued our investment in recruitment consultants, new offices and the roll out of specialist activities across our network. Our continuing investment both in the United Kingdom and in our International Division should give a strong indication of our confidence in the future.

**Denis Waxman**  
Chief Executive

4,062 Recruitment consultants

**+10%**

824 Business units

**+14%**

352 Offices

**+8%**

**Hays plc is the largest publicly-listed recruitment group in the United Kingdom and a world-leading Specialist Recruitment Company. Our aim is to be the best Specialist Recruitment Group in the world.**

**Our strategy enables us to deliver a balanced and sustainable business: successfully driving investment, profit, growth and cash flow**

**The following case studies illustrate how Hays is implementing this strategy.**

## Developing specialist activities through investment

### London, United Kingdom

**“The growth of Hays Sales & Marketing and Hays Purchasing has come from a specialist understanding of their respective sectors and by exploiting the unique existing advantages that Hays has as a business – the size and coverage of the UK network and the extensive client relationships.”**

**Andy McRae**, Managing Director, United Kingdom & Ireland

#### **Hays Sales & Marketing and Hays Purchasing**

The recruitment of skilled professionals in the Sales & Marketing and Purchasing sectors is a demanding and specialist service which requires a team which has market and sector knowledge and is dedicated to the provision of a premium service both to clients and candidates. These are the type of sectors where Hays is able to deliver a focused, timely and ultimately successful recruitment service.

Over the last year Hays Sales & Marketing has made a large impact on its market place and grown net fees by 35%, doubled the number of offices and increased the

number of recruitment consultants by nearly 50%. The growth in Hays Purchasing this year has been even more impressive with net fees increasing by over 100%.

The growth and development of Hays Sales & Marketing and Hays Purchasing in the last 12 months has been achieved by using our well-established business model and by investing in our people to successfully add new specialist activities to the growing Hays portfolio of specialist recruitment services. These businesses have also been quick to successfully combine both permanent and temporary recruitment services and have developed a broad mix of both corporate and smaller

business clients in a variety of specialist business sectors.

The future growth and expansion of Hays Sales & Marketing and Hays Purchasing is set to continue as each of the businesses leverages the power of the established Hays brand and expands its geographic footprint by increasing the number of offices across the extensive Hays network.

## Replicating our business model to generate profit

### Madrid, Spain

**“Hays continues to gain momentum in Spain. The performance so far has been excellent. We have built a strong brand, we have a committed management team and a business model that has been welcomed in a fast growing specialist recruitment market.”**

**Mark Bowden**, Managing Director, Hays Spain and Portugal

#### **Developing a start-up business in Spain**

In 2000 we opened our first office in the capital city of Madrid. At that time the Spanish specialist recruitment market was smaller and less developed than some of its European neighbours. However, it was clear early on that the Spanish specialist recruitment market could offer Hays significant growth prospects.

Hays was the first recruitment business in Spain to provide clients with a success only, no placement no fee, based service. With a growing Spanish economy and the increasing sophistication of the Spanish specialist recruitment market there was a clear

opportunity to offer clients this unique service.

Since opening, the business has expanded and now operates from Spain's three largest cities, Madrid, Barcelona and Valencia. Hays offer recruitment services in Accountancy & Finance, Sales & Marketing, Information Technology, Engineering & Construction and Legal.

All of the growth in Spain has been organic; during the last three years the business has grown net fees by more than 100% each year. The business now employs over 55 recruitment consultants who in the last year generated more than 850 permanent placements from both Spanish and international clients.

Hays' investment in the Spanish market will continue by adding more recruitment consultants, opening new offices and the growth of new specialist activities.

## Expanding overseas to generate growth

### Hong Kong, China

**"In May this year we purchased St. George's Harvey Nash, a small permanent recruitment business based in Hong Kong and China. This acquisition provides Hays with a quality platform to enter the large and developing specialist recruitment market in China."**

**Matt Underhill**, Regional Director, Asia Pacific

#### **China & Hong Kong**

Hays was already doing business in Hong Kong through offshore work from Australia. From our experience it was obvious that there was a substantial opportunity for Hays in this region and we opened a new office in Hong Kong earlier this year.

Our opening in Hong Kong was followed closely by the acquisition of St. George's Harvey Nash, a specialist recruitment business which has operations in both Hong Kong and China. The Hong Kong operation has been an excellent *complement to our own new* business but, more significantly, the acquisition has also provided Hays with a high quality platform to enter

the specialist recruitment market in mainland China.

The opportunities in China for Hays are substantial; a burgeoning economy accompanied by double digit GDP growth, a large working population and a fast developing recruitment market. We have 50 staff who are a mixture of both Chinese nationals and expatriates working across our offices in Shanghai, Shenzhen and Guangzhou. We are expanding the office network by opening an office in Beijing shortly.

The highly experienced management team, who have worked extensively in the Chinese and Hong Kong recruitment markets have remained

with the business and have fully integrated the businesses into Hays' existing operations in the Asia Pacific region.

There is a significant opportunity to expand the business in China and we have seen strong demand for skilled candidates in our core brands, Accountancy & Finance, Construction & Property and Information Technology. Taking advantage of the opportunities for growth in the region we will continue to invest in adding new recruitment consultants and the roll-out of specialist activities into the market.

**4**  
offices  
**50**  
recruitment  
consultants

## Driving operational efficiencies to generate cash

### Sydney, Australia

**"The introduction of web-based timesheets has been a great success with our clients, temporary workers and our own staff. This is a great example of how Hays has used technology to increase both the productivity and profitability of the Australian business."**

*Phil Allen, Finance Director, Asia Pacific*

#### **Web-based timesheets**

We are always striving to improve operational efficiency at Hays and the successful implementation and use of web-based timesheets is an excellent example of how we are using technology. It has been so successful that the business in Australia is now processing 5,000 timesheets per week through the system, which is 70% of the total temporary workers processed.

For Hays there are some clear and valuable savings from this new technology. There is the elimination of manual entry of the timesheet, the reduction of costly re-work and the reduction of potential timesheet fraud. This new technology ensures that each timesheet reconciles, that

it includes both the correct client and temporary worker details and has been correctly authorised, which is sometimes impossible to achieve first time when using conventional paper-based timesheets.

Our temporary workers have benefited from being paid on time every week, with a reduced error rate and are able to both complete their timesheets and collect their pay slips in their own secure area on the internet. Our clients have benefited with new on-line access to both current and historical timesheet data and are able to authorise their temporary workers timesheets in one go.

We have seen a reduction of errors in customer invoicing which has produced a cash flow benefit by reducing the length of the payment cycle from our customers.

Our recruitment consultants have benefited from the elimination of dealing with incorrect or lost timesheet queries. This allows them to focus on their core task which is placing candidates in jobs and we have seen a positive impact in their overall level of productivity.

## “The Group has once again delivered strong fee and profit growth leading to an increase in dividends of 28%.”

Denis Waxman, Chief Executive and Paul Venables, Finance Director

### Results overview

Hays Specialist Recruitment produced another year of strong growth. Turnover grew by 11% to £1,826.6 million (2005 – £1,640.4 million). Net fees were 14% ahead of last year at £538.2 million (2005 – £470.6 million) and profit from continuing operations was 16% ahead of last year at £193.0 million (2005 – £166.2 million).

The growth in net fees was greater than the increase in turnover because of the higher growth in fees generated by permanent, as compared to temporary placements.

The results were modestly impacted by favourable exchange rate movements which increased turnover by £10.7 million, net fees by £3.2 million and operating profit by £1.4 million.

Across the Group, permanent fees continued to grow more strongly than temporary fees. The proportion of net fees arising from permanent recruitment increased to 44% (2005 – 42.1%) an increase of 1.9% against last year. Candidate salary inflation was in the range of 3% – 3.5% and the fee rates for permanent placements strengthened by circa 10%. The gross margin on temporary placements across the Group remained broadly flat at 19%.

We expanded the geographic reach of our network, particularly in our international markets and in total we added another 37 new offices – 19 in the International Division (including four from an acquisition) and 18 in the United Kingdom & Ireland (including four from an acquisition). The expansion of specialist activities across our network gathered pace and there was a 14% increase in the number of business units bringing the total number to 824. We enhanced the productive capacity of the International Division by increasing the number of recruitment consultants by 38% to 1,364 (2005 – 989). In the United Kingdom & Ireland the number of recruitment consultants remained flat at 2,698 (2005 – 2,694).

Operating expenses grew at a slightly lower rate than net fees reflecting the combination of the continued tight control over costs and the increased levels of investment within the business during the period. The cost base of the business continues to be predominantly variable and approximately 70% of the total cost base of the business is represented by payroll related costs and allows the business to be responsive to changes in the economic environment.

There was an improvement in the overall efficiency of the

business during the year. The conversion rate, which is the proportion of net fees converted into operating profit, improved to 35.9% (2005 – 35.3%) an increase of 60 basis points (bps) on the prior year. The first half conversion rate of 36.3% reduced to 35.4% in the second half as a result of the impact of seasonality, IFRS accounting changes, some modest margin reduction in the United Kingdom & Ireland temporary business and the Recruitment Solutions Group acquisition.

### Specialist Recruitment summary profit and loss account

Year ended 30 June £m	2006	2005	Actual growth	Like-for- like*
Turnover	<b>1,826.6</b>	1,640.4	+11%	+10%
Net fees				
Temporary	<b>301.6</b>	272.4	+11%	+10%
Permanent	<b>236.6</b>	198.2	+19%	+18%
	<b>538.2</b>	470.6	+14%	+13%
Operating expenses	<b>(345.2)</b>	(304.4)	+13%	
Profit from operations	<b>193.0</b>	166.2	+16%	+15%
Conversion rate	<b>35.9%</b>	35.3%		
Temporary margin	<b>19.0%</b>	18.9%		
Permanent fees % of total	<b>44.0%</b>	42.1%		

\* Organic growth at constant currency

### Specialist Recruitment segmental performance

#### United Kingdom & Ireland

In our largest market, net fees were 7% ahead of last year at £378.4 million (2005 – £354.7 million) and operating profit was up 6% to £137.5 million (2005 – £129.9 million).

The performance of the business in the United Kingdom & Ireland has been moderate in the major specialist activities. A year ago we were uncertain about the outlook for the economy in the United Kingdom & Ireland. As a consequence of our caution we decided not to invest last year in either

additional recruitment consultants or significant new office openings. This decision impacted the growth levels within the major specialist activities. We are currently taking actions to improve the performance of these businesses, one of which is the creation of a new role, a United Kingdom & Ireland Managing Director, to maximise our opportunities in these markets. On the basis of current market conditions we are now selectively adding recruitment consultant headcount and new office and business unit openings within the region.

Year ended 30 June £m	2006	2005	Actual growth	Like-for- like*
Turnover	<b>1,266.9</b>	1,223.4	+4%	+3%
Net fees				
Accountancy & Finance	<b>158.0</b>	149.0	+6%	+6%
Construction & Property	<b>101.6</b>	97.0	+5%	+5%
Information Technology	<b>30.7</b>	29.3	+5%	+5%
Other Specialist activities	<b>88.1</b>	79.4	+11%	+8%
	<b>378.4</b>	354.7	+7%	+6%
Operating expenses	<b>(240.9)</b>	(224.8)	+7%	
Profit from operations	<b>137.5</b>	129.9	+6%	+6%
Conversion rate	<b>36.3%</b>	36.6%		

\* Organic growth at constant currency

Net fees in Accountancy & Finance were 6% ahead of last year at £158.0 million (2005 – £149.0 million). The overall performance of Accountancy & Finance was moderate and fee growth slowed from a combination of both weaker volumes and pricing pressure on the temporary margin as we reached the end of the year. There was strong growth in the Home Counties but this was offset by weak performances elsewhere.

Construction & Property, which serves both the construction and "built" environment sectors, generated net fees of £101.6 million (2005 – £97.0 million), 5% ahead of last year. There was strong growth in the North East, Scotland and Ireland but with weak performance in the South East. We have continued to see shortages of some skilled professionals and permanent fee growth has been strong which provides some evidence of client confidence in the longer term market. However, we have experienced pricing pressure on the temporary margin in the second half of the year.

Our Information Technology business produced net fees of £30.7 million (2005 – £29.3 million), 5% ahead of last year. Permanent fees continued to grow strongly but this was offset by flat temporary fees and contractor volumes. The business achieved improved operational efficiency increasing operating profit by 10% to £11.0 million (2005 – £10.0 million).

Within our Other Specialist activities, net fees grew by 11% to £88.1 million (2005 – £79.4 million). The newer activities, Sales & Marketing, Purchasing and Executive grew strongly and we will continue to expand these specialist activities across our extensive network. Our larger businesses, Human Resources, Recruitment Management, Education and Legal all continued to generate good levels of fee growth. Hays Retail, an organic start-up during the year, has performed strongly and we are encouraged by its level of growth.

We have continued to see growth from the public sector but at a rate lower than our overall net fee growth rate in the United Kingdom & Ireland. The proportion of net fees from the public sector as a total of the United Kingdom & Ireland business was 25%.

The results of the Recruitment Solutions Group are included within Other Specialist activities. Since its acquisition on 2 February 2006, the business has generated net fees of £2.3 million and an operating loss of £0.3 million. The results have been adversely affected by the impact of funding constraints in the National Health Service but we remain confident of the long-term growth opportunities within the healthcare and social care specialist recruitment markets. The business is now fully

integrated into the Hays operation in the United Kingdom with the resulting economies of scale. We are expanding the social care specialist activity into an initial nine offices within the Hays United Kingdom network.

#### Continental Europe & Canada

Fee growth and profit generation have again been excellent from our businesses in Continental Europe & Canada. Net fees of £74.1 million (2005 – £53.3 million) increased by 39% and operating profit increased by 62% to £13.8 million (2005 – £8.5 million).

Year ended 30 June £m	2006	2005	Actual growth	Like-for- like*
Turnover	<b>286.5</b>	216.7	+32%	+31%
Net fees	<b>74.1</b>	53.3	+39%	+38%
Operating expenses	<b>(60.3)</b>	(44.8)	+35%	
Profit from operations	<b>13.8</b>	8.5	+62%	+60%
Conversion rate	<b>18.6%</b>	15.9%		

\* Organic growth at constant currency

We continued to invest heavily in the region during the period and the number of recruitment consultants increased by 38% to 657 (2005 – 476). Our investment also included the establishment of new start-up operations in Italy and the United Arab Emirates. We are pleased with the early performance of these new operations and we will continue to invest for growth in each of these markets.

Germany, our largest business in the region, produced excellent fee growth and strong profit conversion and has continued to gain market share in its core Information Technology business. We have increased the number of recruitment consultants by 33% and opened a new office in Berlin during the year. The business in France grew strongly and built on its growing market position. We have continued to invest, increasing the number of recruitment consultants by 54%. We opened a new office in Strasbourg and expanded the number of business units.

The performance of our smaller operations in the region has also been excellent. Fees from operations in Iberia have grown in excess of 90% and we now have 81 recruitment consultants operating out of five offices. There was strong growth in Sweden, Poland, Benelux and Switzerland. Our Canadian business, which operates from six offices, increased recruitment consultant headcount by 38% to 80 and continued to grow net fees strongly.

#### Asia Pacific

The excellent growth that our business has produced during the year has further enhanced its market leading position in the region with net fees increasing by 37% to £85.7 million (2005 – £62.6 million). Operating profit increased by 50% to £41.7 million (2005 – £27.8 million).

Year ended 30 June £m	2006	2005	Actual growth	Like-for- like*
Turnover	<b>273.2</b>	200.3	+36%	+30%
Net fees	<b>85.7</b>	62.6	+37%	+31%
Operating expenses	<b>(44.0)</b>	(34.8)	+26%	
Profit from operations	<b>41.7</b>	27.8	+50%	+43%
Conversion rate	<b>48.7%</b>	44.4%		

\* Organic growth at constant currency

It has been another year of outstanding fee and profit growth from our business in Australia & New Zealand. We have produced double-digit rates of growth from all of our specialist activities and across all states. The major specialist activities continued to grow rapidly and it has been very encouraging that our relatively young organic start-up

activity, Resources & Mining, now generates 10% of net fees in the region and produced net fee growth of 87% during the year. The new niche activities, Legal, Sales & Marketing and Human Resources all continued to grow strongly and our strategy is to expand these specialist activities across our extensive office network in the region.

The investment in new recruitment consultants continued and was 38% ahead of last year at 707 (2005 – 513). There was strong growth in both permanent and temporary recruitment and the proportion of fees arising from permanent recruitment was 51%. The management team in Australia & New Zealand has built upon the impressive conversion rate achieved last year and has produced an improvement of 430 bps to 48.7% for this year (2005 – 44.4%).

In May this year we completed the acquisition of St. George's Harvey Nash, a small specialist recruitment business based in Hong Kong and mainland China. The business has now been fully integrated into our operations in the Asia Pacific region and reports to our regional management team in Australia. We are pleased with the performance of the business since it joined Hays and we are excited by the growth opportunities in the region.

#### Investment

We have continued our strategy of investment for future growth during the year. Our major investment is in new recruitment consultants who provide the productive capacity of the business. Additional investment is in the opening of new office locations, the development of new specialist activities, entry into new countries and the expansion of specialist activities across our extensive network.

#### Recruitment consultant headcount

As at 30 June	2006	2005	Growth
United Kingdom & Ireland			
Accountancy & Finance	925	971	(5%)
Construction & Property	805	778	+3%
Information Technology	150	165	(9%)
Other Specialist activities	818	780	+5%
	<b>2,698</b>	2,694	~
Continental Europe & Canada	657	476	+38%
Asia Pacific	707	513	+38%
Total	<b>4,062</b>	3,683	+10%

All of the increase in recruitment consultant headcount was within the International Division. We expanded the headcount by 38% in both Continental Europe & Canada and Asia Pacific. In Asia Pacific, the growth in recruitment consultants, excluding the impact of the acquisition of St. George's Harvey Nash, was 32% on a like-for-like basis.

As we were uncertain 12 months ago about the outlook for the economy in the United Kingdom we did not invest in additional recruitment consultants and as a result there has been no growth in the overall number of recruitment consultants in the United Kingdom & Ireland. There was moderate growth of 3% in Construction & Property and 5% in Other Specialist activities. Like-for-like investment in headcount growth within Other Specialist activities was 6% excluding the impact of the acquisition of the Recruitment Solutions Group and the planned reduction in Contact Centre headcount. Based on current trading conditions, we are now starting selectively to add recruitment consultant headcount to specific areas of the business in the United Kingdom & Ireland.

#### Offices

Through continued investment our office network has now reached 352 offices across the Group.

	30 June 2005	Opened	Acquired	Merged	30 June 2006
United Kingdom & Ireland	235	14	4	(7)	246
Continental Europe & Canada	57	10	0	(4)	63
Asia Pacific	34	5	4	0	43
Total	326	29	8	(11)	352

The opening of new office locations is one of our key strategies for growth. We have continued to invest and added 37 new offices during the period, 19 in our International Division and 18 in the United Kingdom & Ireland.

In Continental Europe & Canada we entered into two new countries organically, the United Arab Emirates and Italy, with new offices in Dubai and Milan. We increased the scale of our operations in our existing countries by opening new offices in Berlin, Ottawa, Barcelona, Strasbourg, Rotterdam, Wavre, Brno and Wroclaw.

In Asia Pacific we added nine new offices within our existing business and four of these were in Australia. Additional offices were added to our operations in Melbourne and Brisbane and new offices were opened in Maroochydore and Camberwell. We entered Hong Kong organically with the opening of a new office and also acquired a further four offices in the region through the acquisition of St. George's Harvey Nash. Our offices in the region are located in Shanghai, Shenzhen, and Guangzhou with a further office in Hong Kong, complementary to that of our own.

In the United Kingdom & Ireland we opened 14 new offices in both new and existing locations where the business required additional coverage. New offices were opened in Exeter, Hastings, Southend, Stafford, Macclesfield, Torquay, Keighley, Galway, Chesterfield, Bishops Cleeve, Blackburn, Hartlepool and a further two new offices in London. We also added another four offices from the acquisition of the Recruitment Solutions Group, further increasing our network.

#### Business units

	30 June 2006	30 June 2005
United Kingdom & Ireland	460	423
Continental Europe & Canada	214	155
Asia Pacific	150	145
Total	<b>824</b>	723

Another of our key strategies for growth is the roll-out of specialist activities across the network both in the United Kingdom & Ireland and in our International Division. Our roll-out strategy of adding new specialist activities to existing office locations is low risk, requires minimal capital expenditure, incurs low start-up costs and is able to take advantage of economies of scale by utilising existing front office and back office infrastructures. We have exploited this strategy to grow our business across each of the regions.

The number of business units increased by 38% in Continental Europe & Canada as we expanded the specialist activities in the region. In Asia Pacific our growth was 3% as the business has added headcount to the already extensive number of business units in operation. In the United Kingdom & Ireland our expansion of specialist activities was constrained due to our caution at the start of the year in respect of the economy but we are now investing in the expansion of new specialist activities in specific areas of the business.

**Acquisitions**

During the year we completed two acquisitions. The first acquisition was the purchase of Recruitment Solutions Group, a specialist recruitment business operating in the healthcare and social care markets. The initial consideration was £17.9 million on a debt-free basis. A further £2.7 million will become payable on achievement of certain growth and profitability targets over the next three years.

Our second acquisition was the purchase of St. George's Harvey Nash, a specialist recruitment business providing executive search and selection services in mainland China and Hong Kong. Cash consideration was £2.6 million on a cash and debt-free basis and a further £5.2 million will become payable on achievement of specific growth and profitability targets over the next four years.

**International Financial Reporting Standards**

These are the first full year results we have prepared under International Financial Reporting Standards (IFRS) and the prior year comparatives have been restated accordingly. The impact of the adoption of IFRS, which was described in detail in a press release on 8 February 2006, led to a reduction in operating profit from continuing operations before goodwill amortisation for the year to 30 June 2005 of £(0.9) million.

**Interest**

During the year, the Group entered into a new five year £460 million Revolving Credit Facility. This enables the Group to borrow at a rate of interest based on LIBOR plus a base margin of 0.375% rising to a maximum margin of 0.525%. The average interest rate paid during the year ended 30 June 2006 was 5%, generating a net interest payable on bank balances of £1.3 million (2005 – net interest receivable of £4.0 million).

There was a net IAS 19 finance credit of £1.1 million (2005 – charge of £2.5 million) due mainly to a reduction in the discount rate from 5.73% to 4.95%. Offsetting this, in April 2006, the Pension Protection Fund Levy came into being, and while we have yet to be informed of the actual charge that Hays will incur, we have made a suitable accrual of £0.3 million (2005 – nil) which was charged in the year.

**Tax**

Tax on continuing operations for the period was £60.1 million, an effective rate of 31.2% (2005 – 31.3%). This is slightly better than last year and we expect it to remain in the range 31% to 31.5% for the foreseeable future.

**Earnings per share**

Basic earnings per share from continuing operations increased by 27% to 8.69p (2005 – 6.82p). This increase is due to two reasons: firstly, the weighted average number of shares in issue during the period reduced by 10% to 1,523 million (2005 – 1,690 million) as a result of the share buy-back programme, and secondly, basic earnings from continuing operations increased by 15% to £132.4 million (2005 – £115.2 million). The number of shares in issue at 30 June 2006, excluding shares held in treasury, is 1,468 million (2005 – 1,635.1 million).

Basic earnings per share from continuing and discontinued operations increased by 41% to 12.14p (2005 – 8.64p) as total profit attributable to the equity holders of the parent increased by 27% to £184.9 million (2005 – £145.9 million).

**Discontinued activities**

We have reported profits from discontinued operations after tax of £52.5 million (£30.7m in 2005) comprising £30.0 million of profit on the final settlement of amounts receivable from Albion, the acquirers of Hays Chemicals, £4.3 million net of tax on the disposal of surplus properties and a tax credit of £18.2 million arising from previous disposals.

**Retirement benefits**

The Group's pension liability under IAS 19 at 30 June 2006 of £55.9 million (£39.1 million net of deferred tax) decreased by £13.8 million as compared to 30 June 2005 primarily due to a higher than expected return on scheme assets following a 15.9% rise in the benchmark FTSE All Share Index. During the year the company contributed £5.1 million of cash into the main scheme and that is expected to increase to circa £7 million in 2007. Additionally, there will be a formal actuarial valuation of the Scheme as at 30 June 2006, the results of which will be known by the end of this calendar year.

**Cash flow**

Group cash flow was strong during the period with net cash from operating activities of £136.4 million (2005 – £106.0 million) after investing £24.2 million in additional working capital, broadly commensurate with the growth of the business. Tax paid on continuing operations was £46.7 million. Investing activities comprise £10.7 million net capital expenditure, £20.2 million in respect of the Recruitment Solutions Group and St. George's Harvey Nash acquisitions made during the year and £8.2 million in respect of cash paid for acquisitions made in Germany and Belgium in previous years. The Group received net proceeds from discontinued activities of £20.4 million, primarily the proceeds from the Albion settlement net of continued payments on surplus property leases. £56.7 million was paid out in dividends and £209.2 million was used to buy-back Hays shares, leaving net debt of £77.0 million at the end of the period.

**Treasury and capital structure**

The Group's treasury operations remain relatively straightforward. Group operations are principally financed by retained earnings and bank borrowings. During the year the Group has moved into a net debt position and as at 30 June 2006 the Group had net debt of £77.0 million (30 June 2005 – net cash of £64.3 million). In February 2006, the Group established a new Revolving Credit Facility with a syndicate of 11 banks. The five-year facility, which was heavily oversubscribed, closed at £460 million. The Group has also reviewed the appropriate capital structure in light of its growth plans, and the Board believes that it is appropriate to target a net debt range of £150 million to £250 million for the foreseeable future. The net debt to EBITDA ratio was 0.39 times and interest cover on a net interest charge of £0.5 million was significant; both of these ratios are substantially within the covenants of the facility.

Borrowings are raised by the Group's treasury department, which manages the Group's treasury risk in accordance with policies set by the Board. The Group's treasury department does not engage in speculative transactions and does not operate as a profit centre. Short-term debt and cash are maintained at floating rates.

The Group's financial liabilities are denominated primarily in sterling. The Group's overseas profit streams and net assets are affected by movements in exchange rates, but the Group does not hedge this exposure. Exposure to currency risk at a transactional level is minimal with most transactions being carried out in local currency.

Counterparty risk primarily arises from investment of any surplus funds. The Group restricts transactions to banks and money market funds that have an acceptable credit rating and limits exposure to each institution. No derivative transactions were entered into during the year.

**Insurance**

The Group maintains a comprehensive insurance programme with a number of reputable third-party underwriters. The Group's insurance policies are reviewed annually to ensure that there is adequate cover for insurable risks and that the terms of those policies are optimised.

### Balance sheet

The most significant asset on the balance sheet relates to debtors and operations remain focused on controlling and minimising working capital. 'Days sales outstanding', our measure of cash collection, was 39 days during the period (2005 - 35 days), impacted by our business in the United Kingdom & Ireland where a number of large client contracts secured extended payment terms.

### Share buy-back programme

The Group's share buy-back programme commenced on 5 November 2004 and the Board's target of £300 million of share buy-back was completed at the close of the first half of this year. We have commenced the second stage of the share buy-back programme and during the second half of the year we purchased 32.7 million shares at a total cost of £47.1 million.

The priorities for free cash flow are to fund organic development particularly in the International Division, purchase of in-fill acquisitions as they arise, support a sustainable and progressive dividend policy, and to buy-back shares as appropriate. For the next two years, the Board has provided guidance of an estimated share buy-back programme in the range of £75 million - £100 million per annum, subject to the level of acquisitions. This is consistent with the debt guidance given on page 17.

For the year ended 30 June 2006, the Group acquired a total of 167.1 million shares for a total cost of £215.2 million.

As part of the share buy-back programme, the Group purchased 6.7 million shares, for a total cost of £8.8 million, after the year end.

### Dividends

An interim dividend of 1.45 pence per share was paid during the year and a final dividend of 2.90 pence per share will be proposed, bringing the total for the year to 4.35 pence per share. This represents an increase of 28% compared to last year, with 15% of this increase attributable to the one-off accretive effects of the share buy-back programme and 13% attributable to the underlying growth in profitability of the business.

The dividend is covered two times by earnings. This is within the target cover range of 1.5 to 2.5 times. The Board continues to favour a sustainable and progressive dividend policy.

### Principal risks facing the business

#### Macro economic environment

The performance of the Group has a very close relationship and dependence on the underlying growth of the economies of the countries in which we operate. Our strategy is to continue to grow the size of our international business in both financial terms and in geographic coverage in order to reduce the Group's exposure or dependence on any one specific economy. We have also expanded the business into countries where the specialist recruitment markets are less developed and are therefore less dependent on the performance of the country's underlying economy in the short-term.

#### Competitive environment

In the United Kingdom & Ireland and Australia, the markets for the provision of permanent and temporary recruitment are highly competitive and fragmented. In these more developed markets, competitor risk manifests itself in increased competition for clients and candidates and in pricing pressures. During the year, in the United Kingdom we have experienced modest margin pressure within our temporary business in the major specialist activities.

In Continental Europe & Canada and Asia, the markets for the provision of recruitment services are somewhat less developed and the market place is more fragmented. As these markets are still in a development phase, pricing pressure is less of a risk and our strategy is to rapidly grow our businesses in these territories.

Competitors in our markets range from large multi-national organisations to small, boutique, privately owned businesses. In all of our markets we are continually subject to both existing and new competitors entering into the markets in which we operate, both by geographic region and specialist activity. The competitive threat is from both small start-up operations and large multi-nationals as the costs of entry into specialist recruitment can be relatively low, although these costs have risen with the increased levels of compliance required from local regulators and clients.

#### Commercial relationships

The Group benefits from close commercial relationships with key clients in both the public and private sectors. Within the private sector the Group is not dependent on any single key client. The public sector accounts for approximately 20% of the Group's total net fees. The public sector market that we operate in, includes a large number of national and local government organisations.

#### Foreign exchange

The Group has significant operations outside the United Kingdom and as such is exposed to movements in exchange rates. Currently, the Group does not actively manage its exposure to foreign exchange risk by the use of financial instruments. The impact of foreign exchange will become more important for the Group as the scale of its international operations grow. In the current year, 30% of total net fees were generated by the International Division and we expect this proportion to increase in the future. We will continue to monitor our policies in this area.

#### Technology systems

The Group is reliant on a number of technology systems in providing its services to clients. These systems are housed in various datacentres and the business continues to review and enhance its ability to cope with a datacentre loss as a result of a significant event. The business is also reliant upon a number of important suppliers that provide critical information technology infrastructure.

#### Regulatory environment

In common with many other sectors, the specialist recruitment industry is now governed by an increased level of compliance; this varies from country to country and market to market. In addition, our clients now require more complex levels of compliance in their contractual arrangements. The Group takes its responsibilities seriously, is committed to meeting all of its regulatory responsibilities and continues to strengthen its internal controls and processes with respect to legal and contractual obligations.

## Our Values:

### Passionate About People Work With Empathy Take Personal Ownership Expect Excellence Forward Thinking

As a specialist recruitment business, Hays plays an important role in placing people in jobs, allowing individuals to make the best use of their talents and skills and helping them to maintain their work life balance in the manner that they wish.

Our temporary staffing provides flexible working arrangements for all sectors of society to have access to the workplace.

#### Our Values

At Hays, our aim is to be the best Specialist Recruitment Company in the world in the eyes of clients, candidates, staff and investors. We believe we will achieve this by placing the right person in the right job every time.

Through listening to our clients and our employees, we have created the Hays' values. These clear standards of service and behaviours support everything we do to serve our clients:

- **Passionate About People** – at Hays we believe that finding people jobs is an important task in society that carries with it duties of care and professional behaviour
- **Work With Empathy** – at Hays we treat people as we would like to be treated ourselves
- **Take Personal Ownership** – at Hays we hold ourselves accountable for everything we do. We communicate and act promptly, clearly and with honesty
- **Expect Excellence** – at Hays we are driven to achieve superior results through exceptional service delivery
- **Forward Thinking** – at Hays we strive to improve our customer service by investing our time, energy and profits for the benefit of our staff, clients, candidates and shareholders

We are communicating these values to our employees, our clients and our various stakeholders around the world. These values represent the standards that we expect our employees to deliver and exceed. They also provide a clear mandate for our clients and candidates' expectations of the standard of service they will receive, when dealing with any of our employees, whenever and wherever they use our services in the world.

#### Employees

In line with our business aim, our human resources aim is to be the best Specialist Recruitment Company to work for in the world. To deliver this aim and to support the business strategy, we have a robust Group human resources strategy and plan. We have defined our employee proposition and employee brand which explains what it means to be the "best Specialist Recruitment Company to work for". Our aim is that any of our employees would be able to say:

- I have a genuine interest in people and love placing people in jobs
- I enjoy my job and feel a sense of belonging to Hays
- I am proud to work here and would recommend Hays as a great place to work
- I feel trusted to do my job
- I respect my line manager and they respect and support me
- I am fairly rewarded for my performance
- I am happy to go the extra mile to deliver great commercial customer service

- I want to grow with an international business and make a difference
- I feel able to achieve personal success

Our employee brand and values support our aim to create an environment of mutual respect and trust. Through our annual global employee engagement survey, TALKback, we measure how employees feel about working for Hays and seek feedback. The results of this survey are reviewed by the top management team and local Managing Directors to ensure that we take action on our employees' feedback.

Our desire to attract and retain a high quality and diverse workforce is supported by our Equal Opportunities Policy, which details our legal requirements, and our employee policies that encourage people from a variety of backgrounds to join and remain with the Group. Differences in age, gender, ethnicity, sexuality, physical appearance, religion, education and beliefs are respected and everyone has the opportunity to contribute to the Group and fulfil their potential. In our Australian business, we have been awarded an Employer of Choice for Women citation by the Federal Government's Equal Opportunity for Women in the Workplace Agency (EOWA) to recognise that we have policies and practices in place to support women in the business.

### Finding people jobs is an important task in society, that carries with it duties of social responsibility.

Our employees are fundamental to the success of the business and we are keen to develop their skills and abilities via a variety of training and development programmes. Employees can participate in these programmes which include on the job training, structured courses in a range of key skill areas and management development. Programmes vary according to the needs of each of our countries, regions and brands.

We have an Employee Forum in the United Kingdom where employee representatives can meet with the Chief Executive and Group Human Resources Director and raise issues which they would like considered. The forum also provides an opportunity for management to discuss new initiatives with staff.

#### Health & Safety

We provide safe working conditions for our employees and visitors. The Health & Safety Manager has a responsibility not only for policy development and implementation, but also for the collation and dissemination of information and performance reports. Policies are clear and simple, they are regularly reviewed and updated, and refresher training is provided for Health & Safety Officers in the business units.

The incident reporting system continues to identify accidents that occur to our staff, and the Company Secretary reports significant events to the Executive Committee. The statistics are compiled and shared across the Group enabling management to take a proactive approach to health and safety for their staff. The majority of incidents in 2006 have been 'trips and falls' and 'striking fixed objects'. The frequency of these incidents has been low and the severity minor. Staff concerns over health and safety are raised at the Employees Forum and are passed on to management. Policy continues to be updated to take account of these issues and changes in legislation.

#### Environment

We believe that the Group's operations have a low impact on the environment but we continue to work to reduce this impact further. We have implemented various initiatives to achieve this aim.

Hays offices have recycle bins for waste paper. Last year, over 400 tonnes was collected in the United Kingdom, equivalent to 7,225 trees. Toner and printer cartridges are recycled with the proceeds being donated to the Lighthouse Club, one of the Company's chosen charities. The recycling of old mobile phones also benefits this charity.

To reduce the number of company vehicles, offices have pool cars for consultants to visit clients. Hays also encourages company car owners to choose fuel efficient vehicles to reduce emissions.

Throughout the business, most staff operate from open plan offices, minimising total floor space and associated energy consumption. Our layouts are designed to make operations efficient and encourage strong team development.

We are aware of the initiative to make companies Carbon Neutral, and we are working with The Carbon Neutral Company on our E Shareholder project. A tree will be dedicated for every shareholder who signs up, via [www.shareview.co.uk](http://www.shareview.co.uk), to receive all their future communications from Hays electronically. This includes future annual report and accounts and notices of meetings. This will reduce the environmental impact, as well as reducing costs. Hays is keen to improve its operational efficiency and enhance customer service whilst introducing processes that are environmentally friendly. We have introduced digital scanning of time sheets and are developing web-based time sheet entry. We digitally store candidate resumes for use across the whole business and continue to encourage electronic billing of clients where possible.

We believe that these and other initiatives make good commercial sense as well as being environmentally sound.

#### Charity

For the past two years we have supported the National Society for the Prevention of Cruelty to Children and its sister charity in Scotland, Children 1st as our chosen corporate charity. Our charitable donations and activities across Hays in the United Kingdom have helped to raise over £75,000 for this very worthwhile charity, well in excess of our £60,000 two year target.

We recently conducted a poll via our intranet for employees to choose the next corporate charity that we will support. More than half our employees chose the Marie Curie Cancer Care, which cares for over 25,000 terminally ill patients in the United Kingdom. We will be working closely with the Marie Curie fundraising team to help raise significant funds across Hays using a wide range of activity-based sponsorship including charity walks, cycling events, marathons and mountain trekking challenges.

Across the United Kingdom regions our staff also support a wide range of regional and local charities with individual, team and office-based activities.

£21,500 was raised for the Lighthouse Club, the construction industry charity, by Hays employees recycling toners and mobile phones, and numerous fundraising events.

# £75,000

Raised by employees for the NSPCC £15,000 ahead of our £60,000 two-year target

# £21,500

Raised for the Lighthouse Club

**Bob Lawson, 61  
Chairman**

Appointed Chairman of the Board and of the *Nomination Committee* on 1 July 2001. Joined Hays 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.

**Denis Waxman, 59  
Chief Executive**

Appointed Chief Executive on 1 July 2004. He joined the Hays plc Board on 10 March 1998 as Director responsible for Specialist Recruitment. He has been Managing Director of the business since it was acquired by the Group in 1986 and was one of the original founder Directors of the business in 1969.

**Paul Venables, 44,  
Group Finance Director**

Appointed Group Finance Director on 2 May 2006. A chartered accountant, he came to the Group from DHL Logistics, a division of *Deutsche Post World Net*. Prior to the acquisition of Exel plc by Deutsche Post in December 2005, he was Deputy Group Finance Director and

a member of the Executive Board of Exel plc. During 13 years with Exel he held a number of senior finance and operational roles, including *Finance Director* of Exel's European and Global operations.

**Lesley Knox, 53  
Independent 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. A founder director of British Linen Advisers (a specialist corporate finance adviser) until 2002, previously she was a Corporate Finance Director and then Head of Institutional Asset Management at Kleinwort Benson. She is Chairman of the Alliance Trusts plc, and also a non-executive Director of HMV Group plc and MFI Furniture Group plc.

**Brian Wallace, 52  
Independent Non-Executive Director**

Appointed non-executive Director on 5 March 2001, he is Chairman of the Audit Committee and a member of the Nomination and Remuneration Committees and is Senior Independent Director in accordance with the Combined Code. From 1995 to February 2006, he was a Director of Hilton Group plc, latterly as Deputy Chief Executive and Finance Director. Prior to that, he held various financial positions with Price Waterhouse, Schlumberger, APV plc and Geest.

**From left to right**

Bob Lawson  
Denis Waxman  
Paul Venables  
Lesley Knox  
Brian Wallace  
Alison Yapp  
William Eccleshare  
Paul Stoneham

**Alison Yapp, 40  
Company Secretary and  
General Legal Counsel**

Appointed Company Secretary and General Legal Counsel on 30 January 2006. A qualified Solicitor, with over 14 years' experience within a number of international groups, she was previously Company Secretary and Group Legal Adviser of Charter plc, an international engineering company, and prior to that held senior legal positions in Johnson Matthey plc and Cookson Matthey Ceramics plc.

**William Eccleshare, 50  
Independent Non-Executive Director**

Appointed non-executive Director on 24 November 2004, he is a member of the Audit, Nomination and Remuneration Committees. He is Chairman and Chief Executive of BBDO – Europe, Middle East and Africa. Formerly Chairman and CEO of Young & Rubicam/Wunderman Europe.

**Paul Stoneham, 44  
Independent Non-Executive Director**

Appointed non-executive Director on 24 November 2004, he is a member of the Audit, Nomination and Remuneration Committees. He is President, Global Business Development for the Colgate-Palmolive company. Formerly Managing Director of Boots Healthcare International.

## Report of the Directors

22

Hays plc

The Directors present their report and the audited financial statements of the Company and its subsidiary undertakings for the year ended 30 June 2006.

### Activities

The Group's continuing activities are Specialist Recruitment and the business has no non-core trading interests.

### Review of the business

The Group's results are set out in the financial statements on pages 34 to 63. Details of the Group's operations and future prospects are set out in the Statements on pages 1 to 18. The principal risks and uncertainties faced by the business are set out on page 18.

### Results and dividends

The financial results for the year ended 30 June 2006 are set out in the accompanying financial statements, which were approved by the Board on 4 September 2006. They show profit from continuing operations of £193.0 million (2005 – £166.2 million). The Group achieved a profit before tax from continuing operations of £192.5 million (2005 – £167.7 million), and a profit attributable to equity holders of £184.9 million (2005 – £145.9 million).

An interim dividend of 1.45 pence per share was paid on 26 May 2006. The Directors recommend a final dividend of 2.90 pence per share, which, if approved at the Annual General Meeting, will be paid on 21 November 2006 to shareholders on the register as at 20 October 2006.

### 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 22 to the financial statements. No shares were allotted during the period.

On 10 October 2005 the Company cancelled 86,794,556 Ordinary shares of 1p each held in treasury. On 9 February 2006 a further 85,000,000 Ordinary shares of 1p each held in treasury were cancelled.

### Substantial shareholdings

As at 4 September 2006 the Company had been notified of the following substantial interests in accordance with sections 198 to 208 of the Companies Act 1985:

	% of Ordinary share capital
Barclays plc	22.1%*
Morgan Stanley	14.1%
Lloyds TSB Group and its subsidiaries	7.1%
R E Frost	5.5%
Aviva Plc	3.9%
Legal and General Investment Management Ltd	3.7%

\* Includes R E Frost's holding of 5.5%.

An update will be given in the Notice of Annual General Meeting.

### Directors

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

R A Lawson, Chairman  
 D R Waxman, Chief Executive  
 C W Eccleshare\*  
 L M S Knox\*  
 J W Martin (resigned 16 March 2006)  
 P H Stoneham\*  
 P Venables (appointed 2 May 2006)  
 B G Wallace\*

\* Independent non-executive Directors.

In accordance with the Company's Articles of Association, Mrs L M S Knox and Mr D R Waxman will retire by rotation and, being eligible, offer themselves for re-election. In addition, Mr P Venables, having been appointed since the last Annual General Meeting, will retire and, in accordance with the Company's Articles of Association, offer himself for re-appointment. Biographical details for all Directors are shown on page 21.

The beneficial interests of Directors in office at 30 June 2006 in the Ordinary shares of the Company at 30 June 2006 are set out below:

	30 June 2006 Shares	30 June 2005 Shares
R A Lawson	175,287	125,287
D R Waxman	3,129,976	2,995,896
C W Eccleshare	–	–
L M S Knox	8,000	8,000
P Venables	29,585	–*
P H Stoneham	–	–
B G Wallace	8,000	8,000

\* On appointment.

Details of Directors' options are shown on page 32.

Shares do not include potential entitlements under the Long Term Co-Investment Plan, Performance Share Scheme or other share plans, further details of which are set out on pages 31 and 32.

The executive Directors are regarded as being interested for the purposes of the Companies Act 1985 in 3,009,760 Hays plc shares currently held by the Hays plc Employee Share Trust and in 396,515 shares currently held by the Hays plc Qualifying Employee Share Ownership Trust (the 'Trusts') since they are, together with other Hays Group employees, beneficiaries of the Trusts.

There have been no changes in the above interests between 30 June 2006 and the date of this report with the exception of small changes in the holdings of the Trusts. Except as shown above and on pages 31 and 32, 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.

The Company continues to maintain directors and officers liability insurance and under the Company's Articles of Association each director or officer of the Company is indemnified by the Company for any liability incurred in defending proceedings in which the director is acquitted or judgement is given in his, or her, favour.

A further update of the interests of the Directors in the Ordinary shares of the Company will be given in the Notice of Annual General Meeting.

### Employee involvement and employment of the disabled

The Group maintains a strong commitment to employee involvement. Typically, this includes staff committees, briefing groups, biannual senior management briefings and the Hays intranet, which is used widely for employee communications. The Group also operates an Employee Forum in the UK. 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 both applications for employment and for internal promotions 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 retraining. 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 business concerned. This 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 Social Responsibility statement on pages 19 and 20.

### Charitable and political donations

Charitable donations made during the year totalled £11,140 (2005 – £21,612). Details of the Group's donations are given on page 20. No payments were made to political parties.

### Payments to creditors

It is the Group's policy 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 2006 were an average of 30 (2005 – 34). The Company creditor days at 30 June 2006 were 34 (2005 – 34).

### Post balance sheet events

As part of the share buy-back programme, the Company has purchased an additional 6,715,000 shares held as treasury shares, for a total cost of £8.8 million, after the year end.

### Auditors

Deloitte & Touche LLP 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.

As required by section 234ZA of the Companies Act 1985, each of the Directors as at 4 September 2006 confirms that:

- (a) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Words and phrases used in this confirmation should be interpreted in accordance with section 234ZA of the Companies Act 1985.

### Special business at the Annual General Meeting

The special business to be considered at the Annual General Meeting is detailed on pages 74 and 75.

### Authority to purchase own shares

At the Annual General Meeting of the Company held on 3 November 2005, shareholders gave the Company permission, until the conclusion of the Annual General Meeting to be held on 15 November 2006, to purchase up to 238,940,543 Ordinary shares of 1p of the Company.

The Board has indicated its intention to continue to return surplus cash to shareholders via the on-market purchase of its own shares, where the cash is not required to finance the organic expansion of the business, acquisitions and dividend payments. Shares will only be purchased if to do so would result in an increase in earnings per share and is in the best interest of shareholders generally.

During the period from 30 June 2005 to 30 June 2006, the Company purchased 167,071,044 Ordinary shares of 1p at a weighted average price, including transaction costs, of 128.81 pence and the total aggregate consideration was £215,197,290. The percentage of issued capital purchased was 10.68%.

The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (the 'Regulations') allow companies to hold shares acquired by way of market purchase in treasury, rather than having to cancel them. The Directors may use the authority to purchase shares and hold them in treasury

(and subsequently sell or transfer them out of treasury as permitted in accordance with the Regulations) rather than cancel them, subject to institutional guidelines applicable at the time. The shares purchased by the Company in the period were initially held in treasury, before 171,794,556 Ordinary shares of 1p (including some of those purchased in the prior year) were cancelled.

No dividends have been paid on shares whilst held in treasury and no voting rights attach to the treasury shares.

The Board will be seeking the approval of the shareholders to renew this authority at the forthcoming Annual General Meeting as detailed on page 72.

### Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements. The Directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards (IFRS) and have chosen to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

In the case of Group accounts, International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the fair representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards.

In the case of Company accounts, company law requires the Directors to prepare financial statements which give a true and fair view of the state of affairs of the Company, each financial year.

In preparing each of the Group and the Company financial statements, the Directors are required to:

- properly select and apply accounting policies
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- make judgements and estimates that are reasonable and prudent
- for the Group financial statements provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance
- for the Company's financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' report and Directors' remuneration report which comply with the requirements of the Companies Act 1985.

By order of the Board



A R Yapp  
Company Secretary  
4 September 2006

The Board of Hays plc bases its actions on the principles of openness, integrity and accountability emphasised by the July 2003 FRC Combined Code on Corporate Governance (the 'Code'). This statement describes how the Company applies the principles of the Code.

Throughout the year ended 30 June 2006 the Company has been in compliance with the provisions set out in Section 1 of the Code.

**Board**

The Board provides the Group with both leadership and stewardship. The Board comprises the Chairman, Chief Executive, Finance Director and four independent non-executive Directors. Six Directors served throughout the whole financial year. Mr J W Martin resigned as a Director on 16 March 2006 and Mr P Venables was appointed as a Director on 2 May 2006. Biographical details for all the Directors appear on page 21, and demonstrate the range of experience and independent judgement they each bring to bear on Board matters.

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.

The Board meets at least 10 times a year and additionally as required. A two day strategy review meeting was held and one overseas business unit was visited by the full Board during the financial year. The Board received presentations on key aspects of the business from relevant senior management at other meetings during the financial year.

The Chairman, in conjunction with the Company Secretary, plans the programme for Board visits and presentations from senior executives during the year. The agenda for Board and Committee meetings is considered by the relevant Chairman and issued with supporting papers during the preceding week. For each Board meeting, Directors receive a Board pack including detailed monthly management accounts, proposed acquisitions and disposals and major capital and operating expenditure requests.

The attendance of those Directors in place at the year end at Board and Committee meetings during the year was as follows:

	Board	Audit Committee	Nomination Committee	Remuneration Committee
Held	10	3	3	5
Attended				
R A Lawson	10	-	3	-
D R Waxman	10	-	-	-
C W Eccleshare	10	3	3	5
L M S Knox	10	3	3	5
P H Stoneham	10	3	3	5
P Venables*	2	-	-	-
B G Wallace	9	3	3	5

\* Appointed 2 May 2006.

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

On appointment, Directors receive a formal induction, which includes visits to relevant business units and functions. These are tailored to the individual needs of the Directors and continue throughout their tenure. Briefing sessions on legislative and accounting developments are held for the Board when appropriate.

The Company continues to maintain Directors and Officers liability insurance and under the Company's Articles of Association each Director or Officer of the Company is indemnified by the Company for any liability incurred in defending proceedings in which the Director is acquitted, or judgement is given in his, or her, favour.

**Chairman, Non-Executive Directors and Senior Independent Director**

The roles of Chairman and Chief Executive are separate. A formal division of each individual's responsibilities has been agreed and documented by the Board. Mr B G Wallace is the Senior Independent Director.

The non-executive Directors bring an independent view to the Board's discussions and its development of strategy. Their range of experience ensures that management's performance in achieving the business goals is challenged appropriately. In conjunction with the executive Directors, they ensure that financial controls and systems of risk management are both rigorous and adequate for the businesses' needs.

All the non-executive Directors are considered by the Board to be independent as detailed in the Code.

The letters of appointment for non-executive Directors are available for review at the Registered Office and prior to the Annual General Meeting.

**Performance evaluation**

Building on the review undertaken in April 2005, the Board conducted a subsequent review of its effectiveness in 2006, the findings of which were considered by the Board and certain actions are due to be implemented as a result. The Chairman has met with the non-executive Directors, without the executive Directors being present, to consider the findings of the review. The Senior Independent Director has also met with the other non-executive Directors to review the Chairman's performance, having consulted with the executive Directors. Evaluation of individual Directors as members of the Board has also been conducted by the Chairman in 2006.

Following the review, the Chairman is satisfied that each of the Directors being put forward for re-election at the forthcoming Annual General Meeting continues to be effective and that their ongoing commitment to the role is undiminished. Mrs L M S Knox, who is the non-executive Director being put forward for re-election, has completed one full three year term since appointment.

## Responsibilities and membership of Board Committees

The Board has agreed written terms of reference for the following committees:

### Nomination Committee

The Nomination Committee identifies and selects 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. Mrs L M S Knox and Messrs C W Eccleshare, P H Stoneham and B G Wallace were members of the Committee throughout the year. The Chief Executive attends by invitation when appropriate.

During the year under review, a new Finance Director was appointed to the Board. In consultation with the Board, the Nomination Committee identified the type of candidate and experience needed and, using the services of a search agency, reviewed both internal and external candidates for the consideration of the Board. From the selection of candidates, the Nomination Committee put forward a final recommendation to the Board for approval.

### Remuneration Committee

Mrs L M S Knox, an independent non-executive Director, chairs the Remuneration Committee. Messrs C W Eccleshare, P H Stoneham and B G Wallace were members of the Committee throughout the year.

The Remuneration Committee determines, on behalf of the Board, the remuneration and benefits of the Chairman and executive Directors of the Company and monitors the levels of remuneration and benefits of selected senior managers of 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 Group's remuneration policy is described in the Remuneration Report on page 27.

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

### Audit Committee

The Audit Committee examines all financial statements and preliminary announcements, considers the appropriateness of accounting policies adopted and 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 Internal Audit department and considers compliance with legal, regulatory, ethical and other issues.

Mr B G Wallace, an independent non-executive Director, chairs the Audit Committee. Mrs L M S Knox and Messrs C W Eccleshare and P H Stoneham were members of the Committee throughout the year.

The Board is satisfied that Mr B G Wallace has recent and relevant financial experience.

The external auditors normally attend Audit Committee meetings and, at the request of the Audit Committee, the Finance Director, Head of Internal Audit and other senior managers also attend.

In addition to reviewing the preliminary and interim statements before publication, the Committee reviews financial and control issues throughout the Group. These include tax and treasury issues, issues relating to the disposal of the Group's former businesses, internal audit reports and updates on the recommendations of the internal audit department. The Group's whistleblowing procedure was reviewed during the year.

The Committee reviews and considers whether any appointment of the external auditors for non-audit services is appropriate, thereby ensuring that independence and objectivity are safeguarded.

The Audit Committee meets the external auditors without management being present. The Audit Committee also considers the effectiveness of the external auditors annually.

The terms of reference for all three Board Committees are published on the Company's website, [www.haysplc.com](http://www.haysplc.com), and are also available from the Company Secretary at the Registered Office.

### Internal control

The Directors are responsible for the Group's system of internal control and for maintaining and reviewing its effectiveness. A review has been completed for the year ended 30 June 2006 in accordance with the recommendations of the Turnbull Report. The Group's systems and controls are designed to safeguard the Group's assets and to ensure the reliability of information used both 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 up 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 the Chief Executive and his Executive Committee, comprising the Finance Director, Divisional Managing Directors and Human Resources Director. The Company Secretary attends all Executive Committee meetings. Clear levels of authority and terms of reference exist for the Group's Executive Committee. As far as possible, the business units are given autonomy, whilst operating within an established internal control environment as set out in the Group Policies and Procedures Manual. This manual is designed to ensure that significant risks, investment decisions and management issues are escalated to Board level at the earliest appropriate opportunity. The Group Policies and Procedures Manual is updated on an ongoing basis to reflect changes in procedures as and when they occur.

Certain specific administrative functions are controlled centrally by the Group. Taxation, treasury, and insurance functions report to the Board via the Finance Director. The legal, property, compliance and health and safety functions report to the Board via the Company Secretary. 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 17.

The Group has a process for the identification, evaluation and reporting of major business risks. 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 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 budget and report on key indicators, with detailed explanations for variances and movements in forecasts provided to the Board.

The Group has an internal audit department. The resources of this department are augmented with independent expert external resources, wherever necessary, to review risk and monitor compliance with Group policies and 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.

Although the Group transformation is complete in all material respects, there is a level of residual risk. Management continues to monitor and control any matters that arise.

The monitoring of control procedures is achieved through review by executive management reporting to the Board. This is supplemented by reviews undertaken by the internal audit department of the controls in operation in the business units.

#### **Relations with shareholders**

The executive Directors of the Company have a regular dialogue with analysts and large shareholders. All non-executive Directors are aware of the programme of proposed visits and are invited to attend. Investors have been offered the opportunity to meet the Senior Independent Director and the Chairman following the announcement of the 2006 results.

The Board reviews published broker reports and considers the issues raised within them. The Group's advisers maintain a dialogue with major shareholders and after each investor roadshow compile a report of shareholders' views on key issues and management performance of the report. This report is subsequently considered by the Board. In 2006 the Institutional Investor Magazine named Hays as the most shareholder friendly company in its sector, following a survey of portfolio managers.

The Annual General Meeting is used as an opportunity to communicate with all shareholders. In addition, preliminary results are posted on the Company's website, [www.haysplc.com](http://www.haysplc.com), as soon as they are announced. Also, at least twice a year, the Company hosts a teleconference for analysts and investors. The Notice of Annual General Meeting to be held on 15 November 2006 (see pages 72 to 75) has been sent to shareholders at least 20 working days before the meeting. At the meeting the level of proxy votes lodged on each resolution will be available. Each substantially separate issue is proposed in the Notice of Annual General Meeting as a separate resolution and there are separate resolutions relating to the Report and Accounts and the Directors' Remuneration Report. Furthermore, it is intended that the Chairmen of the Nomination, Audit and Remuneration Committees will be present at the Annual General Meeting.

#### **Going concern**

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

## Remuneration Report

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002 and will be submitted to shareholders for their approval at the Annual General Meeting of the Company to be held on 15 November 2006. In preparing this report, the Board has followed the provisions of Schedule A to the July 2003 FRC Combined Code.

### Composition and terms of reference of the Remuneration Committee

The Board has delegated to the Remuneration Committee, under agreed terms of reference, responsibility for the remuneration policy and for determining specific packages for individual executive Directors including the Chairman. The terms of reference for the Committee are available on the Company's website and from the Company Secretary at the Registered Office.

The Remuneration Committee was chaired by Mrs L M S Knox throughout the year. All the members of the Remuneration Committee are independent non-executive Directors. Messrs C W Eccleshare, P H Stoneham and B G Wallace were committee members throughout the year. The Committee receives assistance from the Chairman, Chief Executive, Group Human Resources Director and Company Secretary who attend meetings by invitation.

The Remuneration Committee used Kepler Associates as independent remuneration advisers during the year. Kepler Associates advised the Committee on levels of Directors' remuneration and the design of suitable incentive arrangements for both the executive Directors and the Group's senior management. Kepler Associates do not provide other services to the Group.

The Remuneration Committee has reviewed the position of external adviser and following a formal evaluation in September 2006 appointed KPMG LLP as independent remuneration advisers. KPMG LLP also provide advice on certain ad hoc corporate tax matters to the Company.

The Remuneration Committee also appointed Lane Clark & Peacock as pension consultants to advise on executive Director pension arrangements. Lane Clark & Peacock also provide advice to the Company on pension issues.

Freshfields Bruckhaus Deringer provide legal advice to the Remuneration Committee. They also advise the Company on legal issues.

### Remuneration policy for executive Directors

The Committee determines the remuneration policy for current and future years which is reviewed on an annual basis.

The remuneration policy is designed to allow the business to attract, retain and motivate the quality of senior management needed to shape and execute strategy and deliver shareholder value.

The following are the principles around which specific reward schemes will be designed :

- Link reward to individual Director's performance and Company performance to align the interests of senior executives with those of shareholders
- Base reward on both individual achievement and Group results to encourage a team approach
- Maintain a competitive package against businesses of a comparable size in the FTSE and comparable peer group businesses in the recruitment sector
- Mirror the incentive and performance philosophy in the business
- Encourage a personal stake in the business and focus on longer term business objectives via a long term incentive plan

- Provide a balanced mix of remuneration – base salary, benefits, pensions, short term cash incentives and longer term equity incentives:

- Set base salaries at either somewhere below or around market median
- Provide an annual bonus opportunity against stretching business targets. On-target performance will be rewarded at or around median level
- Superior performance and business returns will result in a total reward in excess of median and towards upper quartile
- Provide a total reward package with a high percentage based on variable performance elements. Around 50% of the total cash/incentive package will be variable and based on performance elements

Long term incentives primarily comprise the Long Term Co-Investment Plan. The existing Share Option and Performance Share Schemes are now closed, and no further awards under these schemes will be made.

Approximately 50% of the fair value of total remuneration is performance-related based on current salaries and other emoluments, target annual bonuses and expected values for long term incentives.

The executive Directors' packages consist of the following:

#### Base salary

Base salaries are reviewed annually by the Remuneration Committee taking into account the performance of the individual, changes in their responsibilities, information from independent remuneration consultants on levels of salary for similar jobs and the Group's performance against financial objectives.

#### Other benefits

Other benefits provided for Directors are car benefit, medical expenses insurance and permanent health cover.

#### Annual bonus

Annual bonus arrangements have been put in place for each executive Director based on profit targets and individual measures relevant to their responsibilities. For 2006 the targets for bonus achievement were based on financial measures and personal objectives. For 2006, the bonus opportunity was up to 80% of base salary, on terms that any amount of bonus exceeding 60% of base salary must be invested (on an after-tax basis) in shares which the Director will be required to commit under the Long Term Co-Investment Plan. Bonus payments are not pensionable. At the discretion of the Remuneration Committee, further cash bonuses may be paid in exceptional circumstances. No such discretionary payments were made in respect of 2006.

#### Long Term Co-Investment Plan

The Long Term Co-Investment Plan, approved at the Annual General Meeting in 2003, is the primary long term incentive arrangement for the Company. Its principal objectives are to encourage executive Directors and key employees to make committed investments in the Company's shares and to reward superior performance with superior earnings potential.

This arrangement and the overall remuneration structure is currently under review by the Remuneration Committee using its newly appointed advisers KPMG LLP.

The key features of the Plan are:

- Participants have an annual opportunity to commit shares in the Company ('Committed Shares') to the Plan, and will become entitled to receive matching shares if the Company outperforms its peers.
- Executive Directors can invest as Committed Shares an amount up to 30% of annual remuneration. For Executive Committee members the limit is 25% of annual remuneration and for other invitees, 20% of annual remuneration.

- The number of matching shares available will depend on the Company's Total Shareholder Return (TSR) performance relative to a peer group of 14 recruitment companies based in the United Kingdom and elsewhere. At present the comparator companies include: Adecco SA; Robert Half International Inc; Manpower Inc; Monster Worldwide Inc; Vedior NV; Kelly Services Inc; Michael Page International Plc; Spring Group Plc; Robert Walters Plc; Randstad Holdings NV; OPD Group Plc; Whitehead Mann Group Plc; Corporate Services Group Plc and Harvey Nash Group Plc. This performance measure has been selected because the Remuneration Committee considers that a direct TSR comparison against competitors is the most appropriate means of assessing performance and aligning participants' interests with those of shareholders.
- The maximum matching opportunity is five matching shares (pre-tax) for every Committed Share. Matching at this level will only occur in the event of the Company ranking first in the peer group. No matching shares will vest for sub-median performance.
- Matching shares are forfeited if a participant resigns or withdraws their Committed Shares within three years of the start of the performance period.
- In order to encourage wider participation in the Plan amongst managers who are neither executive Directors nor Executive Committee members, such managers will be permitted to treat restricted shares as Committed Shares under the Plan. Restricted shares, which involve a conditional award of free shares, are designed to encourage retention and have been introduced following a review of remuneration arrangements for managers below Executive Committee level. They are satisfied by a transfer of existing shares from an employee trust.
- Matching shares vest three years after participants have been invited to participate, subject to achievement of the performance measure, retention of the Committed Shares throughout the relevant period and the individual participant's continued employment with the Group.
- To the extent that matching shares vest, participants will be entitled to receive an additional number of shares that represents the value of the dividends that would have been paid on those matching shares during the performance period. The number of additional shares will be determined by reference to the share price on each relevant dividend payment date. Participants will not be required to invest the dividends paid on their Committed Shares.

**Share options**

The Company continues to operate the Hays UK Sharesave Scheme (which is open to all eligible staff in the United Kingdom) and the Hays International Sharesave Scheme (which is open to staff in certain other countries where the Group has operations). A resolution to renew the International Sharesave Scheme is being proposed at the Annual General Meeting.

**Pensions**

Pension contributions are made into the Hays Pension Scheme, which is an approved defined benefit scheme providing benefits up to HM Revenue & Customs (HMRC) limits. Only basic salary is pensionable.

Directors who have joined since the closure of the Hays Pension Scheme to new entrants, in 2002, have a salary supplement paid to them in lieu of pension contributions.

**Service contracts**

The Company's policy on service contracts is that Directors' contracts should be terminable on not more than one year's notice. In the event of early termination of a Director's service contract, the Company would be required to pay compensation reflecting the salary and benefits to which the Director would have become entitled under the contract during the notice period. Alternatively, the Company may, at its discretion, pay a predetermined termination sum in lieu of notice. 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 contract details of currently serving Directors are:

	Current contract start date	Unexpired term	Notice period
R A Lawson	July 2001	Indefinite	One year
D R Waxman	March 1998	Five months	One year
P Venables	May 2006	Indefinite	One year

**Non-executive Directors**

The payment policy for non-executive Directors is to pay the market rate to secure persons of a suitable calibre for a Group of this size. The remuneration of the non-executive Directors is determined by the Board. The responsibility of the role and international nature of the Group is fully considered when setting the fee level along with external benchmarking market data on non-executive Director fees. An additional fee is paid to non-executive Directors who chair Board Committees.

The non-executive Directors' fees are non-pensionable. The non-executive Directors are not eligible to participate in any incentive plan.

The non-executive Directors do not have service contracts with the Company. They have letters of appointment which appoint them to the Board for an initial three year period. These are available from the Company for review. They are subject to retirement and re-appointment by shareholders after that initial period and appointments can be terminated immediately by the Company.

The Company permits its executive Directors to hold one non-executive directorship. At present no executive Directors hold any external directorships.

**Performance graph**

The graph below shows the value of £100 invested in the Company's shares compared to the FTSE 350 index over a five year period. The graph shows the Total Shareholder Return generated by both the movement in share value and the reinvestment over the same period of dividend income. The Remuneration Committee considers that the FTSE 350 is the appropriate index because the Company has been a member of this index throughout the period.

## Remuneration Report continued

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Hays plc

### Information subject to audit

#### Emoluments

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

(in £ thousands)	2006 Salary/ fees	2006 Payment in lieu of pension contributions	2006 Car allowance	2006 Benefits in kind	2006 Performance payments	2006 Total emoluments	2005 Total emoluments
R A Lawson	265	-	-	18	-	283	388 <sup>1</sup>
D R Waxman	520	-	18	5	312	855	502 <sup>2</sup>
C W Eccleshare	42	-	-	-	-	42	24
L M S Knox	50	-	-	-	-	50	50
J W Martin (resigned 16 March 2006)	291	84	14	2	-	391	679
P H Stoneham	42	-	-	-	-	42	24
P Venables (appointed 2 May 2006)	69	21	3	-	53	146	-
B G Wallace	55 <sup>3</sup>	-	-	-	-	55	42
Former Directors	-	-	-	-	-	-	20
	<b>1,334</b>	<b>105</b>	<b>35</b>	<b>25</b>	<b>365</b>	<b>1,864</b>	<b>1,729</b>

#### Notes:

1 The Remuneration Committee approved the payment to the Chairman of a one-off bonus for exceptional services during the 2005 financial year in connection with the successful demerger of DX Services, which was the concluding transaction in the restructuring of the Group.

2 Mr D R Waxman waived any entitlement to a discretionary bonus for the year ended 30 June 2005. The Remuneration Committee would otherwise have been minded to pay him a discretionary bonus of £288,000 for the year, and paid an equivalent amount as a money purchase pension contribution in respect of him.

3 This payment includes an adjustment of £4,778 for the prior year for remuneration as Chairman of the Audit Committee.

The remuneration of the highest paid Director, Mr D R Waxman, was £855,000.

The highest paid Director in the previous year was Mr J W Martin.

The non-cash element of the emoluments are disclosed as benefits in kind in the table and comprise car benefits and health insurance.

Mr G J Williams, who retired as a Director on 30 April 2003, received emoluments of £21,346 from his work as a trustee of the Hays Pension Scheme.

Mr N A McLachlan, who resigned as a Director due to ill health on 8 September 2003, continues to be paid in line with the sickness provision contained in his contract. His total emoluments for the period to 30 June 2006 were £334,080.

#### Directors' pension entitlement

The following Directors were members of defined benefit schemes provided by the Company during part of the year.

Pension entitlements and corresponding transfer values changed during the year as follows:

(in £)	Annual pension entitlement at 30 June 2005	Gross increase in accrued pension	Annual pension entitlement at 30 June 2006 <sup>1</sup>	Increase in accrued pension net of inflation	Value of net increase in accrual over period <sup>2</sup>	Value of accrued pension at 30 June 2005	Total change in transfer value during period <sup>3</sup>	Value of accrued pension at 30 June 2006 <sup>4</sup>
D R Waxman	117,333	37,223	154,556	34,055	611,223	2,036,628	737,362	2,773,990
J W Martin	20,517	3,668	24,185	3,144	24,477	152,255	37,843	190,098

#### Notes:

1 Pension accruals shown are the amounts which would be paid annually on retirement based on service to the end of the year.

2 The value of net increase represents the incremental value to the Director of his service during the year, calculated on the assumption that service terminated at the year end. It is based on the accrued pension increase after deducting any contribution made by the Director.

3 The change in the transfer value includes the effect of fluctuations in the transfer value due to factors beyond the control of the Company and Directors, such as stock market movements. It is calculated after deducting Directors' contributions. Voluntary contributions paid by Directors and resulting benefits are not shown.

4 Transfer values have been calculated in accordance with version 9.1 of guidance note GN11 issued by the actuarial profession.

Mr D R Waxman ceased to be an active member of the Hays Pension Scheme on 4 April 2006. The Remuneration Committee decided on the basis of actuarial advice and with the agreement of the Trustee of the Hays Pension Scheme to pay a one-off contribution of £67,454 to the scheme to augment Mr Waxman's pension benefits as if he had continued membership of the scheme to 17 February 2007, his normal retirement date under the scheme.

Mr J W Martin ceased to be an active member of the Hays Pension Scheme on leaving the Company on 16 March 2006.

**Long Term Co-Investment Plan**

In December 2005 an invitation to participate in the plan was issued to employees who committed a total of 2,351,533 shares. The mid-market price on 30 March 2006 (the grant date for the 2005 invitation) was 161 pence.

The maximum matching permitted under the plan rules is five matching shares (pre-tax) for every Committed Share. Maximum matching will only arise should the Company's TSR exceed that of all of the peer group of 14 recruitment businesses based in the United Kingdom and overseas over the measurement period. The peer group is detailed on page 28.

The executive Directors have committed the following numbers of shares to the plan representing, in each case, the maximum that they were invited to commit and as a consequence they could become entitled to the maximum number of matching shares shown below (without payment and prior to income tax on those shares):

	Date of invitation	Committed Shares	Matching Shares (maximum)	Matching Shares lapsed during year	Matching Shares awarded during year	Earliest Vesting Date
D R Waxman	10 December 2003	87,836	439,180	–	–	10 December 2006
	21 December 2004	118,000	590,000	–	–	21 December 2007
	14 December 2005	183,501	917,505	–	–	14 December 2008
J W Martin (resigned 16 March 2006)	10 December 2003	75,441	377,205	377,205	–	–
	21 December 2004	100,000	500,000	500,000	–	–
P Venables (appointed 2 May 2006)	2 May 2006	71,005	355,025	–	–	14 December 2008

Mr Venables' Committed Shares and Matching Shares stated above formed part of special arrangements implemented in connection with his recruitment as Finance Director. Under these arrangements:

- (a) On 2 May 2006, Mr Venables was granted a conditional right to receive 41,420 Ordinary shares (the 'Restricted Share Award'). The Restricted Share Award was granted on terms equivalent to those of the Company's Deferred Equity Share Plan save as modified to enable an award to be made to an executive Director. The Restricted Share Award will vest on 14 December 2008 provided that Mr Venables remains in employment with the Company until that date. He will not be required to pay for these shares on vesting; and
- (b) Mr Venables was invited to commit up to 71,005 Ordinary shares on terms broadly equivalent to the Company's Long Term Co-Investment Plan. Mr Venables complied with the requirement that these shares be committed by 30 June 2006. Mr Venables is therefore potentially entitled (without payment) to the Matching Shares stated above subject to satisfaction of the same performance conditions as applied to the December 2005 invitations to other executives. The shares under the Restricted Share Award to Mr Venables count towards the maximum number of shares he has committed, even though he is not the beneficial owner of such shares prior to their vesting. The mid-market price on 30 June 2006 (the grant date for the Venables' invitation) was 134 pence.

Any Restricted Shares or Matching Shares to which Mr Venables becomes entitled will be satisfied out of existing Ordinary shares only.

The Remuneration Committee considered the grant of the Restricted Share Award and the invitation to commit Ordinary shares essential to secure Mr Venables' services, and was satisfied that the awards were appropriate and would align Mr Venables' interests with those of shareholders. As this was a special arrangement to facilitate, in unusual circumstances, Mr Venables recruitment as Finance Director, shareholder approval was not required by virtue of 9.4.2(2)R of the Listing Rules.

## Remuneration Report continued

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Hays plc

### Options

The Company operates two executive share option plans, although grants have ceased to be made under both of these plans: the Hays plc 1995 Executive Share Option Scheme (ESOS) (which is unapproved for HMRC purposes) and the Hays plc 1996 Company Share Option Plan (CSOP) (which is an HMRC approved scheme).

Options cannot be exercised under the 1995 ESOS and 1996 CSOP unless performance criteria are met. The performance criteria require growth in Earnings Per Share (EPS) to have exceeded the growth rate in the Retail Price Index by 2% per annum in a three year period prior to exercise. The performance measures were selected so as to align participants' and shareholders' interests. The EPS criteria were selected as EPS is a widely recognised, transparent measure of underlying performance.

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire Ordinary shares in the Company granted to or held by the Director.

The following are the options over Ordinary shares of 1p each held by Directors during the year 2006:

Scheme	30 June 2005	Exercised	Granted	Lapsed	30 June 2006	Exercise price	Date from which exercisable	Expiry date	Exercise date	Market price on date of exercise	Gain on exercise
R A Lawson 1996 CSOP	22,770	-	-	-	22,770 <sup>1</sup>	131.75p	19 Sep 04	19 Sep 11	-	-	-
1995 ESOS	424,308	50,000	-	-	374,308	117.13p	19 Sep 04	19 Sep 11	7 Oct 05	115.5p	nil
D R Waxman 1996 CSOP	13,632	-	-	-	13,632 <sup>1</sup>	134.5p	11 Dec 99	11 Dec 06	-	-	-
1995 ESOS	134,080	134,080	-	-	-	79.565p	29 Dec 98	29 Dec 05	18 Nov 05	118.5p	£52,204
1995 ESOS	81,885	-	-	-	81,885	119.57p	11 Dec 99	11 Dec 06	-	-	-
1995 ESOS	89,489	-	-	-	89,489	142.46p	17 Sep 00	17 Sep 07	-	-	-
1995 ESOS	98,500	-	-	-	98,500	187.8p	21 Sep 01	21 Sep 08	-	-	-
1995 ESOS	58,611	-	-	-	58,611	358.27p	11 Nov 02	11 Nov 09	-	-	-
1995 ESOS	65,995	-	-	-	65,995	348.49p	26 Sep 03	26 Sep 10	-	-	-
1995 ESOS	461,018	-	-	-	461,018	117.13p	19 Sep 04	19 Sep 11	-	-	-
1995 ESOS	266,619	-	-	-	266,619	100.457p	25 Sep 05	25 Sep 12	-	-	-
UK Sharesave	9,475	-	-	-	9,475	100p	1 Jan 08	30 Jun 08	-	-	-
J W Martin 1996 CSOP	22,770	22,770 <sup>2</sup>	-	-	-	131.75p	19 Sep 04	19 Sep 11	10 Mar 06	150p	£8,601
1995 ESOS	81,104	81,104	-	-	-	117.13p	19 Sep 04	19 Sep 11	10 Mar 06	150p	£26,658
1995 ESOS	93,732	93,732	-	-	-	100.457p	25 Sep 05	25 Sep 12	10 Mar 06	150p	£46,437
UK Sharesave	9,475	-	-	9,475	-	100p	1 Jan 08	30 Jun 08	-	-	-
	1,933,463	381,686	-	9,475	1,542,302						£133,900

The market price at 30 June 2006 was 134 pence per share. During the year the shares traded in the range 112 pence to 180.75 pence (prices at mid market close).

#### Notes:

- 1 Upon exercise, participants will be entitled to free shares equal to 12.48% of the stated number of shares under option under the arrangements implemented following the demerger of DX Services.
- 2 As part of the exercise Mr J W Martin received a further 2,841 free shares on 13 March 2006 at a value of 156.50 pence per share under the arrangements implemented following the demerger of DX Services.

### Performance Share Scheme

The Company operates a Performance Share Scheme which was available to certain Directors, and a limited number of senior executives, who did not hold shares at the time of the management buy-out in 1987 or at the time of the Company's flotation in 1989. The key attributes of the scheme are that participants have to make a significant financial investment at the outset and that in normal circumstances participants can only realise any gain after five years. The last awards made under this scheme were in 2000.

On 21 April 2002, Mr D R Waxman became entitled to 223,718\* shares arising from a grant made on 21 April 1997. This grant remains exercisable until 21 April 2007.

There are no other awards under the scheme that are exercisable.

No awards were made during the year and no awards were exercised by Directors.

\* The number of options has been adjusted under the arrangements implemented following the demerger of DX Services.

By order of the Board



**LMS Knox**  
Remuneration Committee Chairman  
4 September 2006

## Financial Statements

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## Consolidated Income Statement for the year ended 30 June

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Hays plc

(In £'s million)	Note	2006	2005 Restated*
<b>Turnover</b>			
Continuing operations	4	<b>1,826.6</b>	1,640.4
<b>Net fees</b>			
Continuing operations	4	<b>538.2</b>	470.6
<b>Profit from operations</b>			
Continuing operations	4/5	<b>193.0</b>	166.2
Finance income	7	<b>4.7</b>	6.4
Finance cost	7	<b>(5.2)</b>	(4.9)
		<b>(0.5)</b>	1.5
<b>Profit before tax</b>		<b>192.5</b>	167.7
Tax	8	<b>(60.1)</b>	(52.5)
<b>Profit from continuing operations after tax</b>		<b>132.4</b>	115.2
<b>Profit from discontinued operations</b>	9	<b>52.5</b>	30.7
<b>Profit attributable to equity holders of the parent</b>		<b>184.9</b>	145.9
Earnings per share from continuing operations			
– Basic	11	<b>8.69p</b>	6.82p
– Diluted	11	<b>8.65p</b>	6.75p
Earnings per share from continuing and discontinued operations			
– Basic	11	<b>12.14p</b>	8.64p
– Diluted	11	<b>12.08p</b>	8.55p

\* The comparative numbers shown above have been restated from those previously reported as the Group has adopted International Financial Reporting Standards (IFRS) for the first time this year and has restated comparatives accordingly.

A reconciliation from the numbers previously reported can be found in note 34 of these financial statements.

## Consolidated Statement of Recognised Income and Expense for the year ended 30 June

(In £'s million)	2006	2005
Profit for the financial year	<b>184.9</b>	145.9
Currency translation adjustments taken to equity	<b>0.3</b>	2.8
Actuarial profits on defined benefit pension scheme	<b>15.8</b>	4.6
Tax on items taken directly to equity	<b>(4.8)</b>	(1.3)
Net income recognised directly in equity	<b>11.3</b>	6.1
Total recognised income and expense for the year	<b>196.2</b>	152.0
Attributable to equity shareholders of the parent	<b>196.2</b>	152.0

## Consolidated Balance Sheet at 30 June

(In £'s million)	Note	2006	2005 Restated
<b>Non-current assets</b>			
Goodwill	12	126.2	99.4
Other intangible assets	13	1.6	1.4
Property, plant and equipment	14	20.1	18.1
Deferred tax assets	21	22.2	27.1
		<b>170.1</b>	146.0
<b>Current assets</b>			
Trade and other receivables	15	330.2	292.6
Cash and cash equivalents	16	52.8	71.2
		<b>383.0</b>	363.8
Assets held for sale		-	0.2
<b>Total assets</b>		<b>553.1</b>	510.0
<b>Current liabilities</b>			
Trade and other payables	18	(208.9)	(195.5)
Current tax liabilities		(49.4)	(53.3)
Obligations under finance leases		-	(0.1)
		<b>(258.3)</b>	(248.9)
<b>Non-current liabilities</b>			
Bank loans and overdrafts	17	(129.8)	(6.8)
Trade and other payables	18	(7.9)	-
Retirement benefit obligations	19	(55.9)	(69.7)
Deferred tax liabilities	21	(0.9)	(2.2)
Provisions	20	(57.0)	(76.4)
		<b>(251.5)</b>	(155.1)
<b>Total liabilities</b>		<b>(509.8)</b>	(404.0)
<b>Net assets</b>		<b>43.3</b>	106.0
<b>Equity</b>			
Called up share capital	22	15.7	17.4
Share premium account	23	369.6	369.6
Capital redemption reserve	24	1.7	-
Retained earnings	25	(354.8)	(278.8)
Other reserves	26	11.1	(2.2)
<b>Total shareholders' equity</b>		<b>43.3</b>	106.0

The financial statements were approved by the Board of Directors and authorised for issue on 4 September 2006.

Signed on behalf of the Board of Directors

  
R A Lawson

  
P Venables

## Consolidated Cash Flow Statement for the year ended 30 June

36	(In £'s million)	Note	2006	2005
Hays plc	<b>Operating profit from continuing operations</b>		<b>193.0</b>	166.2
	<b>Operating profit from discontinued operations</b>		–	8.4
			<b>193.0</b>	174.6
	Adjustments for:			
	Depreciation of property, plant and equipment		6.5	8.6
	Amortisation of intangible fixed assets		0.2	0.2
	Net movement in provisions		(0.2)	(0.4)
	Movement in employee benefits and other items		7.8	4.3
			<b>14.3</b>	12.7
	<b>Operating cash flows before movement in working capital</b>		<b>207.3</b>	187.3
	Changes in working capital			
	Increase in receivables		(37.6)	(26.0)
	Increase in share-based payments		–	0.5
	Increase in payables		13.4	(0.5)
			<b>(24.2)</b>	(26.0)
	<b>Cash generated by operations</b>		<b>183.1</b>	161.3
	Income taxes paid		(46.7)	(55.3)
	<b>Net cash from operating activities</b>		<b>136.4</b>	106.0
	<b>Investing activities</b>			
	Purchases of property, plant and equipment		(10.5)	(10.0)
Proceeds from sale of property, plant and equipment		0.2	0.4	
Purchase of intangible assets		(0.4)	(0.5)	
Cash paid in respect of acquisitions made in previous years		(8.2)	–	
Acquisition of subsidiaries		(20.2)	–	
Sale of businesses and related assets		20.4	(6.8)	
Net repayment of DX Services loan notes		–	68.1	
Interest received		4.7	6.4	
<b>Net cash (used)/generated from investing activities</b>		<b>(14.0)</b>	57.6	
<b>Financing activities</b>				
Interest paid		(6.3)	(3.0)	
Equity dividends paid		(56.7)	(53.4)	
Cash outflow in respect of share buy-back		(209.2)	(128.1)	
Disposal of own shares		8.7	6.9	
Net proceeds from issue of ordinary share capital		–	0.2	
Repayment of borrowings		(0.1)	(0.8)	
Issue of loan notes		0.4	–	
Increase in bank overdrafts		122.6	5.7	
<b>Net cash used in financing activities</b>		<b>(140.6)</b>	(172.5)	
<b>Net decrease in cash and cash equivalents</b>		<b>(18.2)</b>	(8.9)	
<b>Cash and cash equivalents at beginning of year</b>	33	<b>71.2</b>	79.4	
Effect of foreign exchange rate changes		(0.2)	0.7	
<b>Cash and cash equivalents at end of year</b>	33	<b>52.8</b>	71.2	

## 1 General information

Hays plc is a company incorporated in the United Kingdom.

The financial statements of the Group are for the year ended 30 June 2006 and have been prepared for the first time in accordance with the International Financial Reporting Standards (IFRS), International Financial Reporting Interpretations Committee (IFRIC) interpretations issued and effective or issued and early adopted as at 30 June 2006 with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

The financial statements have also been prepared in accordance with IFRSs as adopted by the European Union and therefore comply with Article 4 of the EU IAS Regulation. At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRS 7	Financial Instruments: Disclosures and the related amendment to IAS 1 on capital disclosures
IFRIC 4	Determining whether an arrangement contains a lease
IFRIC 5	Rights to interest arising from decommissioning, restoration and environmental rehabilitation funds
IFRIC 6	Liabilities arising from participating in a specific market – Waste Electrical and Electronic Equipment
IFRIC 7	Applying the Restatement Approach under IAS 29 'Financial Reporting in Hyperinflationary Economies'
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group except for additional disclosures on capital and financial instruments when the relevant standards come into effect for subsequent periods.

The Group's principal accounting policies adopted in the presentation of these financial statements are set out below and have been consistently applied to all the periods presented.

## 2 Significant accounting policies

### a Basis of preparation

The disclosures required by IFRS 1 'First-time Adoption of International Financial Reporting Standards' showing reconciliations for comparative periods between UK GAAP and IFRS are shown in note 34. The financial statements have also been prepared in accordance with IFRSs adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation.

These consolidated financial statements have been prepared on the historical cost basis.

### b Basis of consolidation

Subsidiaries are fully consolidated from the date on which power to control is transferred to the Group. They are de-consolidated from the date on which control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. On acquisition, the identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. The financial statements consolidate the accounts of Hays plc and all of its subsidiary undertakings ('subsidiaries'). The results of subsidiaries acquired or disposed of during the year are included from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

### c Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Turnover arising from the placement of permanent candidates is recognised at the time the candidate commences full-time employment. Provision is made for the expected cost of meeting obligations where employees do not work for the specified contractual period.

Turnover arising from temporary placements is recognised over the period that temporary staff are provided. Where the Group is acting as a principal, turnover represents the amounts billed for the services of the temporary staff, including the salary costs of those staff. Where the Group is acting as an agent, turnover represents commission receivable relating to the supply of temporary staff and does not include the salary costs of the temporary staff. Where the Group receives income in respect of payroll processing, only the service fee element of this service is recognised as turnover.

### d Goodwill

Goodwill arising on consolidation represents the excess of purchase consideration less the fair value of the identifiable tangible and intangible assets and liabilities acquired.

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

On disposal of a business, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS (1 July 2004) has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill arising on acquisitions prior to 1 July 1998 was written off direct to reserves under UK GAAP. This goodwill has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

### e Intangible assets

Intangible assets acquired as part of a business combination are stated in the balance sheet at their fair value as at the date of acquisition less accumulated amortisation.

Internally generated intangible assets are stated in the balance sheet at the directly attributable cost of creation of the asset, less accumulated amortisation. Intangible assets are amortised systematically over their estimated useful lives up to a maximum of 10 years. Software is amortised over five years.

### f Property plant and equipment

Property, plant and equipment is recorded at cost net of depreciation and any provision for impairment. 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%

**g Non-current assets held for sale**

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use.

Non-current assets classified as held for sale are valued at the lower of carrying amount and fair value less costs to sell.

**h Leases**

Leases are classified as finance leases whenever the leasing agreement transfers substantially all the risks and rewards of ownership. Assets held under finance leases are recognised as assets of the Group at fair value or if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The capital element of future rentals is treated as a liability. The interest element is charged directly against income over the period of the finance lease in proportion to the balance of the capital repayments outstanding.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

**i Foreign currencies**

On consolidation, the tangible and intangible assets and liabilities of foreign subsidiaries denominated in foreign currencies are translated into sterling at the rates ruling at the balance sheet date. Income and expense items are translated into sterling at average rates of exchange for the period. Any exchange differences which have arisen from an entity's investment in a foreign subsidiary, including long-term loans, are recognised as a separate component of equity and are to be included in the Group's translation reserve.

On disposal of a subsidiary, any amounts transferred to the translation reserve are included in the calculation of profit and loss on disposal.

All other translation differences are dealt with in the income statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

**j Retirement benefit costs**

The expense of defined benefit pension schemes and other post-retirement employee benefits is determined using the projected unit credit method and charged to the income statement as an expense, based on actuarial assumptions reflecting market conditions at the beginning of the financial year. Actuarial gains and losses are recognised in full in the statement of recognised income and expenditure in the period in which they occur. Past service costs are recognised immediately to the extent that benefits have vested, or if not vested, on a straight-line basis over the period until the benefits vest.

The Group has chosen under IFRS 1 to recognise in retained earnings all cumulative actuarial gains and losses as at 1 July 2004, the date of transition to IFRS. The Group has chosen to recognise all actuarial gains and losses arising subsequent to 1 July 2004 in the consolidated statement of recognised income and expense.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contribution to the scheme.

Payments to defined contribution schemes are charged as an expense as they fall due.

**k Share-based payments**

The fair value of all share-based remuneration is determined at the date of grant and recognised as an expense in the income statement on a straight-line basis over the vesting period, taking account of the estimated number of shares that will vest. The fair value is determined by use of the relevant valuation model. All share-based remuneration is equity settled.

**l Borrowing costs**

Borrowing costs are recognised in the income statement in the period in which they are incurred.

**m Taxation**

The tax expense comprises both current and deferred tax.

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

Deferred tax is provided in full on all temporary differences, at rates that are enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent that it is probable that taxable profits will be available against which to offset the deductible temporary differences.

Temporary differences arise where there is a difference between the accounting carrying value in the balance sheet and the amount attributed to that asset or liability for tax purposes.

Deferred tax is provided on unremitted earnings of subsidiaries and associates, where the Group is unable to control the timing of the distribution, and it is probable that the temporary difference will reverse in the future.

**n Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand and current balances with banks and similar institutions which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

**o Provisions**

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event for which it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

**p Trade receivables**

Trade receivables are measured at fair value after appropriate allowances for estimated irrecoverable amounts have been recognised in the income statement where there is objective evidence that the asset is impaired.

**q Trade payables**

Trade payables are measured at fair value.

### 3 Critical accounting judgements and key sources of estimation uncertainty

#### (i) Retirement benefit obligations

Under IAS 19 'Employee Benefits', the Group has recognised a pension deficit of £55.9 million (2005 – £69.7 million). The change in the deficit is mainly attributable to gains on assets in the period less changes in the benefit obligations as a result of changes in discount rate and inflation assumptions. The main assumptions are set out in note 19 of the financial statements.

#### (ii) Goodwill impairment

Goodwill is tested for impairment at least annually. In performing these tests, assumptions are made in respect of future growth rates and the discount rate to be applied to the future cash flows of income generating units. These assumptions are set out in note 12 of the financial statements.

#### (iii) Provisions in respect of disposed businesses

As described in note 20, provisions in respect of disposed businesses have been made. In assessing the adequacy of these provisions, estimates are made of probable cash outflows in the future.

### 4 Segmental information

Continuing operations comprise one class of business, the Specialist Recruitment activities. The Group operates in three identified geographical segments. These results by geography are shown below.

#### Turnover and profit from operations

For the year ended 30 June 2006

(in £'s million)	2006	2005
<b>Turnover</b>		
Continuing operations		
United Kingdom & Ireland	1,266.9	1,223.4
Continental Europe & Canada	286.5	216.7
Asia Pacific	273.2	200.3
	<b>1,826.6</b>	<b>1,640.4</b>
<b>Net fees</b>		
Continuing operations		
United Kingdom & Ireland	378.4	354.7
Continental Europe & Canada	74.1	53.3
Asia Pacific	85.7	62.6
	<b>538.2</b>	<b>470.6</b>
<b>Profit from operations</b>		
Continuing operations		
United Kingdom & Ireland	137.5	129.9
Continental Europe & Canada	13.8	8.5
Asia Pacific	41.7	27.8
	<b>193.0</b>	<b>166.2</b>

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

Discontinued operations (note 9) arose in the United Kingdom & Ireland.

40 **4 Segmental information** continued**Consolidated balance sheet extracts**

at 30 June 2006

(In £'s million)	United Kingdom & Ireland	Continental Europe & Canada	Asia Pacific	Corporate & Other	Group
Goodwill & intangible fixed assets	68.7	51.3	7.8	-	127.8
Property, plant & equipment	15.2	3.2	1.2	0.5	20.1
Net working capital & other	123.6	6.2	11.5	(56.0)	85.3
Provisions for liabilities & charges	-	(1.0)	-	(56.0)	(57.0)
Retirement benefit obligation	-	-	-	(55.9)	(55.9)
	207.5	59.7	20.5	(167.4)	120.3
Net debt	-	-	-	(77.0)	(77.0)
Net assets/(liabilities)	207.5	59.7	20.5	(244.4)	43.3

**Consolidated balance sheet extracts**

At 30 June 2005

(In £'s million)	United Kingdom & Ireland	Continental Europe & Canada	Asia Pacific	Corporate & Other	Group
Goodwill & intangible fixed assets	50.7	50.1	-	-	100.8
Property, plant & equipment	13.0	1.8	0.8	2.5	18.1
Net working capital & other	97.2	6.4	9.4	(44.1)	68.9
Provisions for liabilities & charges	-	(0.7)	-	(75.7)	(76.4)
Retirement benefit obligation	-	-	-	(69.7)	(69.7)
	160.9	57.6	10.2	(187.0)	41.7
Net cash	-	-	-	64.3	64.3
Net assets/(liabilities)	160.9	57.6	10.2	(122.7)	106.0

Corporate & Other includes assets and liabilities relating to certain assets and liabilities that are managed at the Group level including cash and borrowings, Group pension and employee benefits, intercompany balances and corporate tax balances.

**Consolidated cash flow statement extracts**

For the year ended 30 June 2006

(In £'s million)	United Kingdom & Ireland	Continental Europe & Canada	Asia Pacific	Corporate & Other	Group
Operating profit	137.5	13.8	41.7	-	193.0
Depreciation/amortisation of tangible/intangible assets	5.2	0.8	0.5	0.2	6.7
Movement in working capital and other	(26.4)	0.5	(2.1)	11.9	(16.1)
	116.3	15.1	40.1	12.1	183.6
Capital expenditure	(7.3)	(2.3)	(1.1)	(0.2)	(10.9)

For the year ended 30 June 2005

(In £'s million)	United Kingdom & Ireland	Continental Europe & Canada	Asia Pacific	Corporate & Other	Group
Operating profit	129.9	8.4	27.9	8.4	174.6
Depreciation/amortisation of tangible/intangible assets	5.4	0.8	0.4	2.2	8.8
Movement in working capital and other	(17.0)	1.9	(0.5)	(10.4)	(26.0)
	118.3	11.1	27.8	0.2	157.4
Capital expenditure	(7.3)	(0.9)	(0.6)	(1.7)	(10.5)

## 5 Profit from operations

The following costs are deducted from turnover to determine net fees from continuing operations:

(In £'s million)	2006	2005
Turnover	<b>1,826.6</b>	1,640.4
Remuneration of temporary workers	<b>(1,273.7)</b>	(1,129.4)
Cost of employees legally transferred to the Group under a resources management contract awarded in 2002	<b>(14.7)</b>	(40.4)
Costs deducted from turnover to generate net fees	<b>(1,288.4)</b>	(1,169.8)
Net fees	<b>538.2</b>	470.6

Profit from operations is stated after charging/(crediting) the following items to net fees of £538.2 million (2005 – £470.6 million).

(In £'s million)	Note	2006 Continuing operations	2005 Continuing operations
Staff costs	6	<b>271.2</b>	259.5
Costs of employees legally transferred to the Group under a resources management contract awarded in 2002	6	<b>(14.7)</b>	(40.4)
Depreciation of property, plant and equipment		<b>6.5</b>	7.0
Amortisation of intangible assets		<b>0.2</b>	0.2
Auditors' remuneration for statutory audit services		<b>0.7</b>	0.6
Auditors' remuneration for other services		<b>0.2</b>	0.2
Other external charges		<b>81.1</b>	77.3
		<b>345.2</b>	304.4

Auditors' remuneration for other services includes tax services £0.1 million (2005 – £0.1 million), interim review and IFRS services £0.1 million (2005 – £0.1 million).

## 6 Staff costs

The aggregate staff remuneration (including Executive Directors) was:

(In £'s million)	2006 Continuing	2005 Continuing
Wages and salaries	<b>230.0</b>	223.3
Social security costs	<b>25.6</b>	23.7
Other pension costs	<b>10.8</b>	9.0
Share-based payments	<b>4.8</b>	3.5
	<b>271.2</b>	259.5

Included within continuing staff costs is £14.7 million (2005 – £40.4 million) in relation to employees who were legally transferred to the Group under a resources management contract awarded in 2002.

Average number of persons employed including Executive Directors

(Number)	2006	2005
Continuing operations		
United Kingdom & Ireland	<b>5,778</b>	6,872
Continental Europe & Canada	<b>979</b>	732
Asia Pacific	<b>812</b>	614
	<b>7,569</b>	8,218
Discontinued operations		
	<b>-</b>	1,176
	<b>7,569</b>	9,394

Included in the average number of employees in the United Kingdom & Ireland are 1,159 (2005 – 2,949) who were legally transferred to the Group under a resources management contract awarded in 2002. These employees were transferred back to the client in November 2005 when the contract concluded.

**7 Finance income and finance costs**

## Finance Income

(in £'s million)	2006	2005
Interest on bank deposits	4.7	6.4

## Finance costs

(in £'s million)	2006	2005
Interest payable on bank overdrafts and loans	(6.0)	(2.4)
Pension Protection Fund levy	(0.3)	-
Net interest on pension obligations	1.1	(2.5)
	(5.2)	(4.9)
Net finance (charge)/income	(0.5)	1.5

**8 Tax**

(in £'s million)	2006 Continuing	2006 Discontinued	2006 Total	2005 Continuing	2005 Discontinued	2005 Total
Current tax	61.5	(15.5)	46.0	50.2	(1.3)	48.9
Deferred tax	(1.4)	-	(1.4)	2.3	4.2	6.5
	60.1	(15.5)	44.6	52.5	2.9	55.4

## Tax on items taken directly to equity

(in £'s million)	2006	2005
Deferred tax charge on actuarial gain on defined benefit schemes offset in reserves	(4.8)	(1.4)
Deferred tax credit on employee share options	-	0.1
	(4.8)	(1.3)

**Factors affecting the tax charge for the period**

The current tax charged for the period differs from the standard rate of corporation tax in the UK of 30% (2005 - 30%).

The differences are explained below:

(in £'s million)	2006	2005
Profit from continuing operations	192.5	167.7
Profit on ordinary activities before tax at the standard rate of UK Corporation tax of 30% (2005 - 30%)	57.8	50.3
Factors affecting charge for period:		
Tax effect of expenses that are not deductible in determining taxable profit	1.3	0.8
Adjustment in respect of foreign tax rates	0.4	0.1
Exchange adjustments	(0.1)	(0.1)
Other permanent differences	0.5	0.7
Unrelieved overseas losses	1.0	0.7
Profits covered by brought forward losses	(0.8)	-
Tax on continuing operations	60.1	52.5
Effective tax rate for the year on continuing operations	31.2%	31.3%
Profit from discontinued operations	37.0	33.6
Profit on discontinued activities before tax at the standard rate of UK Corporation tax of 30% (2005 - 30%)	11.1	10.1
Factors affecting charge for period:		
Other permanent differences	(18.1)	-
Untaxed profits on disposals	(8.5)	(7.2)
Tax on discontinued operations	(15.5)	2.9
Effective tax rate for the year on discontinued operations	(41.9%)	8.6%

## 9 Discontinued operations

The results of the discontinued businesses which have been included in the consolidated income statement, were as follows:

(in £'s million)	2006	2005
Turnover	-	42.6
Operating costs	-	(34.2)
Operating profit	-	8.4
Profit from disposal of business assets	6.0	24.4
Write back of amounts previously provided against fixed asset investments	27.0	-
Interest	4.0	-
Share of pre-tax profit from associate	-	0.8
Profit before tax	37.0	33.6
Tax	15.5	(2.9)
Post-tax profit from discontinued operations	52.5	30.7

All turnover and operating profit from discontinued operations was generated in the United Kingdom & Ireland. Tax on operating profit from discontinued activities was nil (2005 - £2.6 million).

Profits from discontinued operations in the year were generated from surplus property disposals of £6.0 million (2005 - £1.8 million) and the receipt of £31.0 million as final settlement of amounts receivable from the acquirers of Hays Chemicals.

The tax credit of £15.5 million in the current year is the result of a £18.2 million write-back of tax related accruals that were established when the Group completed the disposal of non-core activities between March 2003 and November 2004 and in the light of subsequent events are no longer required, less £2.7 million of tax charge arising from the profit on disposal of Albion and surplus properties.

In the prior year, operating profit from discontinued operations was generated from the DX Services mail business which was demerged from the Group on 1 November 2004.

Also in the prior year, a review of provisions generated from previous years' disposals resulted in a one-off write-back of £22.0 million and a profit of £2.4 million arose from the disposal of a property in Belgium and the repayment of loan notes previously provided for.

The tax charge in the prior year mainly related to discontinued operating activities.

Cash inflows/(outflows) generated from discontinued operations were the following:

(in £'s million)	2006	2005
Operating activities	-	20.3
Investing activities	20.4	(6.8)
	20.4	13.5

## 10 Dividends

The following dividends were paid by the Group and have been recognised as distributions to equity shareholders in the year:

	2006 Pence per share	2006 £ million	2005 Pence per share	2005 £ million
Previous year final dividend	2.27	35.6	2.00	34.4
Current year interim dividend	1.45	21.1	1.13	19.0

The following dividends were proposed by the Group in respect of the accounting year presented:

	2006 Pence per share	2006 £ million	2005 Pence per share	2005 £ million
Interim dividend	1.45	21.1	1.13	19.0
Final dividend (proposed)	2.90	42.4	2.27	36.1
	4.35	63.5	3.40	55.1

The proposed final dividend of 2.90 pence (£42.4 million) is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

**11 Earnings per share**

For the year ended 30 June 2006

	Earnings (£'s million)	Weighted average number of shares (million)	Per share amount (pence)
<b>Continuing operations:</b>			
Basic earnings per share from continuing operations	132.4	1,523.2	8.69
Dilution effect of share options	–	8.2	(0.04)
Diluted earnings per share from continuing operations	132.4	1,531.4	8.65
<b>Discontinued operations:</b>			
Basic earnings per share from discontinued operations	52.5	1,523.2	3.45
Dilution effect of share options	–	8.2	(0.02)
Diluted earnings per share from discontinued operations	52.5	1,531.4	3.43
<b>Continuing and discontinued operations:</b>			
Basic earnings per share from continuing and discontinued operations	184.9	1,523.2	12.14
Dilution effect of share options	–	8.2	(0.06)
Diluted earnings per share from continuing and discontinued operations	184.9	1,531.4	12.08

The weighted average number of shares in issue excludes shares held in treasury and shares by the Hays Employee Share Trust Ltd and the Hays plc Qualifying Employee Share Ownership Trust.

For the year ended 30 June 2005

	Earnings (£'s million)	Weighted average number of shares (million)	Per share amount (pence)
<b>Continuing operations:</b>			
Basic earnings per share from continuing operations	115.2	1,690.0	6.82
Dilution effect of share options	–	15.8	(0.07)
Diluted earnings per share from continuing operations	115.2	1,705.8	6.75
<b>Discontinued operations:</b>			
Basic earnings per share from discontinued operations	30.7	1,690.0	1.82
Dilution effect of share options	–	15.8	(0.02)
Diluted earnings per share from discontinued operations	30.7	1,705.8	1.80
<b>Continuing and discontinued operations:</b>			
Basic earnings per share from continuing and discontinued operations	145.9	1,690.0	8.64
Dilution effect of share options	–	15.8	(0.09)
Diluted earnings per share from continuing and discontinued operations	145.9	1,705.8	8.55

## 12 Goodwill

(in £'s million)	2006	2005
<b>Cost</b>		
At 1 July	99.4	99.2
Exchange adjustments	1.2	0.4
Acquisition of subsidiary undertakings (note 28)	25.6	-
Amounts written back	-	(0.2)
<b>At 30 June</b>	<b>126.2</b>	<b>99.4</b>

Goodwill has been tested for impairment by comparing the carrying amount of each cash-generating unit, including goodwill, with the recoverable amount of that income-generating unit.

The recoverable amount of a cash-generating unit is determined based on the higher of value in use calculations and its fair value less costs to sell. The value in use calculations, use cash flow projections based on internal business plans approved by the Directors.

Following the above impairment tests, no impairment of goodwill was required in the year or the preceding year.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units "CGUs" that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

(in £'s million)	2006	2005
United Kingdom & Ireland	67.6	49.6
Continental Europe & Canada	51.0	49.8
Asia Pacific	7.6	-
	<b>126.2</b>	<b>99.4</b>

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates and growth rates. Management estimates discount rates using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on management forecasts.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management and extrapolates cash flows for the following years based on an average estimated growth rate of 2.5%. This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows is 10%.

## 13 Other intangible assets

Other intangible assets comprises computer software only.

(in £'s million)	2006	2005
<b>Cost</b>		
At 1 July	3.5	1.9
Exchange adjustments	0.1	-
Reclassification	-	1.1
Additions	0.4	0.5
<b>At 30 June</b>	<b>4.0</b>	<b>3.5</b>
<b>Amortisation</b>		
At 1 July	2.1	0.7
Exchange adjustments	0.1	0.1
Reclassification	-	1.1
Charge for year	0.2	0.2
<b>At 30 June</b>	<b>2.4</b>	<b>2.1</b>
<b>Net book value</b>		
At 30 June	1.6	1.4

The average life of the intangible assets is 5 years (2005 - 5 years).

## 14 Property, plant and equipment

(in £'s million)	Freehold properties	Leasehold properties (short)	Plant and machinery	Fixtures and fittings	Total
<b>Cost</b>					
At 1 July 2005	2.3	4.0	27.5	18.0	51.8
Exchange adjustments	–	–	(0.1)	–	(0.1)
Capital expenditure	0.1	0.8	4.8	4.8	10.5
Subsidiaries acquired	–	–	–	0.2	0.2
Disposals	(1.5)	(2.5)	(3.6)	(1.1)	(8.7)
<b>At 30 June 2006</b>	<b>0.9</b>	<b>2.3</b>	<b>28.6</b>	<b>21.9</b>	<b>53.7</b>
<b>Accumulated depreciation</b>					
At 1 July 2005	0.9	2.6	19.5	10.7	33.7
Exchange adjustments	–	–	(0.1)	–	(0.1)
Charge for the year	0.1	0.3	3.3	2.8	6.5
Disposals	(0.5)	(1.8)	(3.4)	(0.8)	(6.5)
<b>At 30 June 2006</b>	<b>0.5</b>	<b>1.1</b>	<b>19.3</b>	<b>12.7</b>	<b>33.6</b>
<b>Net book value</b>					
<b>At 30 June 2006</b>	<b>0.4</b>	<b>1.2</b>	<b>9.3</b>	<b>9.2</b>	<b>20.1</b>
At 1 July 2005	1.4	1.4	8.0	7.3	18.1

Plant and machinery includes cost of £0.2 million (2005 – £0.2 million) and accumulated depreciation of £0.2 million (2005 – £0.1 million) in respect of assets held under finance leases and hire purchase contracts. The depreciation charge for the year includes £0.1 million (2005 – £0.1 million) in respect of these assets. Capital commitments were nil (2005 – nil).

(in £'s million)	Freehold properties	Leasehold properties (short)	Plant and machinery	Fixtures and fittings	Total
<b>Cost</b>					
At 1 July 2004	2.1	8.5	56.6	14.3	81.5
Exchange adjustments	–	0.1	0.2	0.1	0.4
Capital expenditure	0.1	0.4	4.8	4.7	10.0
Subsidiaries disposed	(0.3)	(4.9)	(32.3)	–	(37.5)
Disposals	0.4	(0.1)	(0.9)	(0.9)	(1.5)
Reclassification	–	–	(0.9)	(0.2)	(1.1)
<b>At 30 June 2005</b>	<b>2.3</b>	<b>4.0</b>	<b>27.5</b>	<b>18.0</b>	<b>51.8</b>
<b>Accumulated depreciation</b>					
At 1 July 2004	1.6	5.1	32.2	9.2	48.1
Exchange adjustments	–	0.1	0.1	0.1	0.3
Charge for the year	0.1	0.6	5.5	2.4	8.6
Subsidiaries disposed	(0.1)	(3.1)	(16.7)	–	(19.9)
Disposals	(0.7)	(0.1)	(0.5)	(1.0)	(2.3)
Reclassification	–	–	(1.1)	–	(1.1)
<b>At 30 June 2005</b>	<b>0.9</b>	<b>2.6</b>	<b>19.5</b>	<b>10.7</b>	<b>33.7</b>
<b>Net book value</b>					
<b>At 30 June 2005</b>	<b>1.4</b>	<b>1.4</b>	<b>8.0</b>	<b>7.3</b>	<b>18.1</b>
At 1 July 2004	0.5	3.4	24.4	5.1	33.4

Plant and machinery includes cost of £0.2 million (2004 – £0.2 million) and accumulated depreciation of £0.2 million (2004 – £0.1 million) in respect of assets held under finance leases and hire purchase contracts. The depreciation charge for the year includes £0.1 million (2004 – £0.1 million) in respect of these assets. Capital commitments were nil (2004 – nil).

**15 Trade and other receivables**

(in £'s million)	2006	2005
Trade receivables	237.5	188.5
Other receivables	7.9	17.5
Prepayments and accrued income	84.8	86.6
	<b>330.2</b>	<b>292.6</b>

The Directors consider that the carrying amount of trade receivables approximates to their fair value.

The average credit period taken is 39 days (2005 – 35 days).

Trade receivables are stated net of an allowance for estimated irrecoverable amounts of £10.9 million (2005 – £10.3 million).

**Credit risk**

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Group has no significant concentration of risk, with exposure spread over a large number of counterparties and clients.

**16 Cash and cash equivalents**

(in £'s million)	2006	2005
Cash at bank and in hand	29.3	28.9
Short term bank deposits	23.5	42.3
	<b>52.8</b>	<b>71.2</b>

The effective interest rate on short term deposits was 3.2% (2005 – 3.1%); these deposits have an average maturity of 1 day (2005 – 2 days).

**Credit risk**

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

**Interest rate risk profile of cash and cash equivalents**

Cash and cash equivalents carry interest at floating rates based on local money market rates.

**17 Bank loans and overdrafts**

(in £'s million)	2006	2005
Loan notes	0.8	0.4
Overdrafts	129.0	6.4
	<b>129.8</b>	<b>6.8</b>

Explanations of the Group's treasury policy and controls are included in the Business Review on page 17.

**(a) Interest rate risk profile of bank loans and overdrafts**

The interest rate risk profile of bank loans and overdrafts are as follows below:

(in £'s million)	2006	2005
Floating rate – Sterling	129.8	6.8

The floating rate liabilities comprise unsecured overdrafts and loan notes bearing interest at rates based on local money market rates.

**(b) Maturities of bank loans and overdrafts**

(in £'s million)	2006	2005
The maturity of borrowings are as follows:		
More than one year	129.8	6.8

The overdraft facility is repayable in February 2011.

**17 Bank loans and overdrafts** continued**(c) Fair values of financial assets and bank loans and overdrafts**

The fair value of financial assets and bank loans and overdrafts is not materially different to their book value due to the short term maturity of the instruments, which are based upon floating rates.

**(d) Committed facilities**

The Group has available a £460 million unsecured revolving credit facility which expires in February 2011. The covenants in the facility require the Group's interest cover to be at least 4:1 and its leverage ratio (net debt divided by EBITDA) to be no greater than 3:1. The interest rate on the facility is based upon a ratchet mechanism with a margin payable over LIBOR in the range 0.375% to 0.525%.

At 30 June 2006, £330.0 million of the committed facility was undrawn.

**(e) Currency exposure**

The Group did not have a material income statement exposure to foreign exchange gains or losses on monetary assets and liabilities denominated in foreign currencies at 30 June 2006.

**(f) Interest rates**

The weighted average interest rates paid were as follows:

	2006	2005
Bank borrowings	5.0%	2.9%

**18 Trade and other payables**

(in £'s million)

	2006	2005
<b>Current</b>		
Trade creditors	26.5	20.2
Other tax and social security	48.4	36.5
Other creditors	15.1	23.5
Accruals and deferred income	118.9	115.3
	<b>208.9</b>	<b>195.5</b>
<b>Non-current</b>		
Acquisition liabilities	7.9	-

The Directors consider that the carrying amount of trade payables approximates to their fair value.

The average credit period taken for trade purchases is 30 days (2005 – 34 days).

**19 Retirement benefit obligations**

Within the UK, the Group operates one defined contribution scheme and two defined benefit schemes. The majority of overseas arrangements are either defined contribution or government-sponsored schemes and these arrangements are not material in the context of the Group results.

**UK Defined contribution scheme**

The Hays Stakeholder Pension Plan was established on 1 July 2001. Money purchase benefits are funded by contributions from employees and, for eligible employees, from the employer. Employer contributions are in the range of 2% to 15% of pensionable salary depending on the length of pensionable service and seniority.

The total cost charged to the income statement of £0.4 million (2005 – £0.2 million) represents contributions payable to the Stakeholder Plan. Contributions of nil (2005 – nil) were outstanding at the end of the year. The assets of the Scheme are held separately from those of the Group.

**UK Defined benefit schemes**

- (i) The main scheme, the Hays Pension Scheme, is a defined benefit scheme where the benefits are based on employees' length of service and final pensionable pay. It is a funded approved defined benefit scheme and closed to new members on 1 July 2001. It is funded through a legally separate trustee administered fund.
- (ii) The Hays Supplementary Pension Scheme is a supplementary unfunded, unapproved, retirement benefit scheme for employees who were subject to HMRC's earnings cap on pensionable salary.

The last formal actuarial valuations were performed at 30 June 2004. A roll forward of the actuarial valuations of the Hays Pension Scheme and the Hays Supplementary Pension Scheme to 30 June 2006 has been performed by the Scheme actuary, an employee of Mercer Human Resource Consulting. The key assumptions used at 30 June 2006 are listed on page 49.

## 19 Retirement benefit obligations continued

### IAS 19 accounting valuation

In accordance with the amendments to IAS 19 'Employee Benefits', the disclosures below are provided prospectively from the 2005 financial year onwards. Hays plc has applied the accounting requirements of IAS 19 as follows:

- scheme assets are measured at fair value at the balance sheet date;
- scheme liabilities are measured using a projected unit credit method and discounted at the current rate of return on high quality corporate bonds of equivalent term to the liability; and
- actuarial gains and losses are recognised in full in the period in which they occur, outside of the income statement, in retained earnings and presented in the statement of recognised income and expense.

The key assumptions are as follows:

	2006	2005
Inflation assumption	<b>2.90%</b>	2.60%
Discount rate	<b>5.22%</b>	4.95%
Rate of increase in salaries	<b>5.40%</b>	5.10%
Rate of increase of pensions in payment and deferment	<b>2.90%</b>	2.60%
Expected long-term rates of return on scheme assets	<b>6.53%</b>	6.30%

The assumption for the expected long-term returns for scheme assets is a weighted average based on the assumed expected return for each asset class and the proportions held of each asset class at the beginning of the year.

The long-term expected rate of return on scheme assets does not affect the level of the obligation but does affect the expected return on pension scheme assets within the net finance income/(charge).

The amounts recognised in the consolidated income statement for the defined benefit schemes are as follows:

(In £'s million)	2006	2005
Current service cost	<b>(8.1)</b>	(7.7)
Past service costs	<b>(0.1)</b>	(0.2)
Total operating charge	<b>(8.2)</b>	(7.9)
Expected return on pension scheme assets	<b>21.2</b>	18.6
Interest on pension liabilities	<b>(20.1)</b>	(21.1)
Net financial income/(charge)	<b>1.1</b>	(2.5)
Total amount charged to the consolidated income statement	<b>(7.1)</b>	(10.4)

The actuarial gains and losses have been recognised in the consolidated statement of recognised income and expense as follows:

(In £'s million)	2006	2005
Actuarial gain on scheme assets	<b>19.1</b>	20.6
Actuarial (losses)/gain on scheme liabilities	<b>(4.7)</b>	9.4
Impact of changes in assumptions relating to the present value of scheme liabilities	<b>1.4</b>	(25.8)
Net income recognised directly in consolidated statement of recognised income and expense	<b>15.8</b>	4.2

(In £'s million)	2006	2005
Deficit in the scheme brought forward	<b>(69.7)</b>	(69.5)
Current service cost	<b>(8.1)</b>	(7.7)
Past service costs	<b>(0.1)</b>	(0.2)
Contributions	<b>5.1</b>	5.6
Net financial return	<b>1.1</b>	(2.5)
Actuarial gain	<b>15.8</b>	4.6
Deficit in the scheme carried forward	<b>(55.9)</b>	(69.7)

**19 Retirement benefit obligations** continued

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit retirement schemes is as follows:

(in £'s million)	2006	2005
Present value of defined benefit obligations	<b>(431.7)</b>	(406.3)
Fair value of scheme assets	<b>375.8</b>	336.6
Defined benefit scheme deficit	<b>(55.9)</b>	(69.7)
Liability recognised in the balance sheet	<b>(55.9)</b>	(69.7)

Changes in the present value of defined benefit obligations are as follows:

(in £'s million)	2006	2005
<b>Change in benefit obligation</b>		
Balance at 1 July	<b>(406.3)</b>	(366.9)
Current service cost	<b>(8.1)</b>	(7.7)
Interest cost	<b>(20.1)</b>	(21.1)
Members' contributions	<b>(1.0)</b>	(1.2)
Past service cost	<b>(0.1)</b>	(0.2)
Actuarial (losses)/gains	<b>(4.7)</b>	9.4
Changes in assumptions	<b>1.4</b>	(25.8)
Benefits paid	<b>7.2</b>	7.2
Benefit obligation at 30 June	<b>(431.7)</b>	(406.3)
<b>Analysis of defined benefit obligation</b>		
Plans that are wholly or partly funded	<b>(421.5)</b>	(395.1)
Plans that are wholly unfunded	<b>(10.2)</b>	(11.2)
Total	<b>(431.7)</b>	(406.3)

**Changes in the fair value of scheme assets are as follows:**

Fair value of plan assets at 1 July	<b>336.6</b>	297.4
Expected return on plan assets	<b>21.2</b>	18.6
Actuarial gains	<b>19.1</b>	21.0
Employer contributions	<b>5.1</b>	5.6
Member contributions	<b>1.0</b>	1.2
Benefits paid	<b>(7.2)</b>	(7.2)
Fair value of plan assets at 30 June	<b>375.8</b>	336.6

The analysis of the scheme assets and the expected return at the balance sheet date was as follows:

	2006 Fair value £'s million	2006 Expected return %	2005 Fair value £'s million	2005 Expected return %
Equities	<b>229.3</b>	<b>7.60%</b>	217.6	7.25%
Bonds	<b>132.4</b>	<b>4.90%</b>	110.6	4.60%
Cash and other	<b>14.1</b>	<b>4.50%</b>	8.4	4.75%
	<b>375.8</b>	<b>6.53%</b>	336.6	6.30%

The expected return on scheme assets are based on long-term expectations at the beginning of the year for returns over the entire life of the benefit obligations. The expected rates of return for corporate bonds have been based on market yields at the balance sheet date, with equity returns assumed to be 3.0% per annum above gilt returns.

**19 Retirement benefit obligations** continued

The history of experience adjustments is as follows:

(in £'s million)	2006	2005
Present value of defined benefit obligations	<b>(431.7)</b>	(406.3)
Fair value of scheme assets	<b>375.8</b>	336.6
Deficit in the scheme	<b>(55.9)</b>	(69.7)
Experience adjustments on scheme liabilities		
Amount (£'s million)	<b>(4.7)</b>	9.4
Percentage of scheme liabilities (%)	<b>(1%)</b>	2%
Experience adjustments on scheme assets		
Amounts (£'s million)	<b>19.1</b>	21.0
Percentage of scheme assets (%)	<b>5%</b>	6%

The estimated amounts of contributions expected to be paid to the Scheme during the current financial year is £7 million, excluding any impact of the latest full actuarial valuation currently being undertaken.

**20 Provisions**

(in £'s million)	Property	Deferred employee benefits	Other	Total
Balance at 1 July 2005	26.2	2.4	47.8	76.4
Exchange adjustments	–	–	0.1	0.1
Reclassification	(3.4)	–	6.2	2.8
Charged to Income Statement	–	–	0.2	0.2
Utilised	(8.0)	(0.2)	(14.3)	(22.5)
<b>Balance at 30 June 2006</b>	<b>14.8</b>	<b>2.2</b>	<b>40.0</b>	<b>57.0</b>

Property provisions are for rents and other related amounts payable on certain leased properties for periods in which they are not anticipated to be in use by the Group. The leases expire in periods up to 2013.

Deferred employee benefits include provision for the Performance Share Scheme and other employee related provisions. It is not possible to estimate the timing of payments against the other deferred employee benefit provisions.

Other provisions comprise liabilities arising as a result of business disposals and the Group transformation including the following items:

- Provisions of £7.1 million (2005 – £8.9 million) relating to restructuring costs arising from the Group transformation and closure of former shared service facilities and the closure of the former head office. These provisions are expected to be utilised over the next 12-36 months.
- Provisions of £6.2 million (2005 – £16.0 million) for potential liabilities relating to the disposal of the chemicals business including certain site restitution costs.
- Provisions of £19.1 million (2005 – £19.4 million) relating to possible warranty and environmental claims in relation to businesses disposed. It is not possible to estimate the timing of payments against these provisions.

## 21 Deferred tax assets and liabilities

(In £'s million)	Accelerated tax depreciation	Retirement benefit obligations	Share based payments	Other	Total
<b>Assets</b>					
Balance at 1 July 2005	0.5	19.2	0.1	7.3	27.1
Reclassifications	-	1.6	1.7	(4.6)	(1.3)
Charge to income	0.4	0.8	-	0.2	1.4
Charge to equity	-	(4.8)	-	-	(4.8)
Exchange difference	-	-	-	(0.2)	(0.2)
<b>Balance at 30 June 2006</b>	<b>0.9</b>	<b>16.8</b>	<b>1.8</b>	<b>2.7</b>	<b>22.2</b>

(In £'s million)	Accelerated tax depreciation	Retirement benefit obligations	Share based payments	Other	Total
<b>Liabilities</b>					
Balance at 1 July 2005	(0.1)	(1.3)	-	(0.8)	(2.2)
Reclassification	-	1.3	-	-	1.3
<b>Balance at 30 June 2006</b>	<b>(0.1)</b>	<b>-</b>	<b>-</b>	<b>(0.8)</b>	<b>(0.9)</b>

At the balance sheet date, the Group has unused tax losses of £15.9 million (2005 - £16.8 million) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses (2005 - nil asset). These are unrecognised tax losses that are likely to expire in the short-term.

There are no material unrecognised deferred tax liabilities in respect of temporary differences associated with investments in subsidiaries, branches, associates and interests in joint ventures.

(In £'s million)	Accelerated tax depreciation	Retirement benefit obligations	Share based payments	Other	Total
<b>Assets</b>					
Balance at 1 July 2004	-	18.5	0.1	11.9	30.5
Reclassifications	0.5	-	-	(6.0)	(5.5)
Charge to income	-	0.7	-	1.4	2.1
<b>Balance at 30 June 2005</b>	<b>0.5</b>	<b>19.2</b>	<b>0.1</b>	<b>7.3</b>	<b>27.1</b>

(In £'s million)	Accelerated tax depreciation	Retirement benefit obligations	Share based payments	Other	Total
<b>Liabilities</b>					
Balance at 1 July 2004	-	-	-	(6.4)	(6.4)
Reclassification	(0.1)	-	-	5.6	5.5
Charge to equity	-	(1.3)	-	-	(1.3)
<b>Balance at 30 June 2005</b>	<b>(0.1)</b>	<b>(1.3)</b>	<b>-</b>	<b>(0.8)</b>	<b>(2.2)</b>

**22 Called up share capital****Authorised share capital**

	Number 000's	2006 £'s million	Number 000's	2005 £'s million
Ordinary shares of 1p each	<b>8,890,894</b>	<b>88.9</b>	8,890,894	88.9

**Called up, allotted and fully paid share capital**

	Share capital number 000's	Share capital £'s million
At 1 July 2005	1,735,891	17.4
Cancellation of shares	(171,794)	(1.7)
<b>At 30 June 2006</b>	<b>1,564,097</b>	<b>15.7</b>

In February 2006, 85.0 million shares were cancelled and a further 86.8 million shares were cancelled in October 2005. Under s162B of the Companies Act, the Company is only allowed to hold 10% of issued share capital in treasury.

As at 30 June 2006, the Company holds 96.1 million (2005 - 100.8 million) Hays plc shares in treasury.

**23 Share premium**

(in £'s million)	2006	2005
At 1 July	<b>369.6</b>	369.4
New share capital issued	-	0.2
<b>At 30 June</b>	<b>369.6</b>	369.6

**24 Capital redemption reserve**

(in £'s million)	2006	2005
At 1 July	-	-
Cancellation of shares	<b>1.7</b>	-
<b>At 30 June</b>	<b>1.7</b>	-

**25 Retained earnings**

(in £'s million)	2006	2005
At 1 July	<b>(278.8)</b>	(328.8)
Actuarial profits on defined benefits scheme	<b>15.8</b>	4.6
Tax on items taken directly to reserves	<b>(4.8)</b>	(1.3)
Profit for the period	<b>184.9</b>	145.9
Dividends paid	<b>(56.7)</b>	(53.4)
Dividend in specie	-	82.3
Share buy-back	<b>(215.2)</b>	(128.1)
<b>At 30 June</b>	<b>(354.8)</b>	(278.8)

Hays continued its share buy-back programme in the period, purchasing 167.1 million shares (2005 - 100.8 million) for a total cost of £215.2 million (2005 - £128.1 million).

**26 Other reserves**

(In £'s million)	2006	2005
Own shares	<b>(0.7)</b>	(9.4)
Equity reserve	<b>8.7</b>	4.4
Cumulative translation	<b>3.1</b>	2.8
	<b>11.1</b>	(2.2)

**(a) Other reserves – Own shares**

(In £'s million)	2006	2005
At 1 July	<b>(9.4)</b>	(16.3)
Disposal of Own shares	<b>8.7</b>	6.9
At 30 June	<b>(0.7)</b>	(9.4)

Investments in 'Own shares' are held by an employee benefit trust to satisfy options awarded under the Executive Share Option Scheme. Dividends in respect of 'Own shares' have not been waived. The number of shares held at 30 June 2006 is 3,009,760 (2005 – 8,186,868).

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 2006, the number of shares held by the QUEST was 396,515 (2005 – 529,778). The QUEST shares are held in the balance sheet at nil valuation.

The 'Own shares' reserve does not include the shares held in treasury as a result of the share buy-back programme. The share buy-back purchases are deducted from retained earnings.

**(b) Other reserves – equity reserve**

(In £'s million)	2006	2005
At 1 July	<b>4.4</b>	0.7
Share-based payments	<b>4.3</b>	3.7
At 30 June	<b>8.7</b>	4.4

The equity reserve is generated as a result of IFRS 2 (Share-based payments).

**(c) Other reserves – cumulative translation reserve**

(In £'s million)	2006	2005
At 1 July	<b>2.8</b>	–
Currency translation adjustments	<b>0.3</b>	2.8
At 30 June	<b>3.1</b>	2.8

## 27 Share-based payments

### Share Options

At 30 June 2006 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	Nominal value of shares £	Subscription Price pence/share	Date normally exercisable
Hays plc 1995 Executive Share Option Scheme	552,192	5,522	120*	1999-2006
	895,489	8,955	142*	2000-2007
	1,357,370	13,574	188*	2001-2008
	971,524	9,715	358*	2002-2009
	1,440,367	14,404	348*	2003-2010
	4,600,000	46,000	117*	2004-2011
	3,528	35	158*	2005-2011
	2,416,826	24,168	100*	2005-2012
	12,237,296	122,373		
Hays plc 1996 Company Share Option Plan	134,345	1,344	134	1999-2006
	357,931	3,579	160	2000-2007
	687,993	6,880	211	2001-2008
	317,639	3,177	403	2002-2009
	285,700	2,857	392	2003-2010
	385,936	3,859	132	2004-2011
	63,905	639	177	2005-2012
	1,138,936	11,389	113	2005-2012
	3,372,385	33,724		
Hays plc Savings-Related Share Option Scheme	3,986	40	276	2005-2006
Hays UK Sharesave Scheme	5,636	56	326	2005-2008
	25,336	254	229	2005-2009
	1,147,318	11,473	109	2005-2009
	50,582	506	152	2005-2010
	5,753,080	57,531	100	2008-2013
	6,981,952	69,820		
Hays International Sharesave Scheme	1,183,436	11,834	100 to 408	2005-2007
	23,779,055	237,791		

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

\* As a consequence of the demerger of DX Services on 1 November 2004, the options held under the 1995 Executive Share Option Scheme were adjusted in accordance with an arrangement agreed by the Remuneration Committee and advised to shareholders in the circular dated 27 September 2004. The purpose of this adjustment was to neutralise the effect of the demerger of DX Services on option holders.

56 **27 Share-based payments** continued

Details of the share options outstanding during the year are as follows:

	2006 Number of share options 000's	2006 Weighted average exercise price pence	2005 Number of share options 000's	2005 Weighted average exercise price pence
Share Options (excluding Sharesave)				
Outstanding at beginning of period	26,962	155	39,683	160
Granted during the period	-	-	-	-
Adjustment due to DX demerger	-	-	3,016	-
Forfeited during the period	(106)	103	(1,583)	115
Exercised during the period	(7,500)	110	(6,557)	105
Expired during the period	(3,747)	162	(7,597)	232
Outstanding at the end of the period	15,609	175	26,962	155
Exercisable at the end of the period	15,609	175	26,962	155

The weighted average share price at the date of exercise for share options exercised during the period was 110 pence. The shares outstanding at 30 June 2006 had a weighted average exercise price of 175 pence and a weighted average remaining contractual life of three years. During the year to 30 June 2006 no options were granted.

	2006 Number of share options 000's	2006 Weighted average exercise price pence	2005 Number of share options 000's	2005 Weighted average exercise price pence
Sharesave				
Outstanding at beginning of period	10,519	105	8,425	120
Granted during the period	-	-	8,005	100
Forfeited during the period	(76)	107	(910)	107
Exercised during the period	(176)	109	(3,379)	109
Expired during the period	(2,098)	115	(1,622)	141
Outstanding at the end of the period	8,169	103	10,519	105
Exercisable at the end of the period	10	249	879	112

No Sharesave options were granted in the period. In the prior year, 8.0 million Sharesave options were granted on 15 December 2004. The aggregate of the estimated fair values of the options granted on that date is £2.4 million.

The inputs into the valuation model (a binomial valuation model) are as follows:

Share price at grant	124 pence
Exercise price	100 pence
Expected volatility	27.8%
Risk free rate	4.4%
Expected dividends	3.5%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 18 months.

The Group recognised total expenses of £4.8 million (2005 – £3.5 million) related to equity settled share-based payment transactions.

**Long Term Co-Investment Plan (LTCIP)**

Certain employees are invited to commit a number of shares to the LTCIP. The TSR performance of the Group is then compared to a peer group of 15 (including Hays) over a three year period to determine the performance ranking of Hays relative to the peer group. Dependent upon the ranking performance, the Company will match up to five times the number of shares committed by the employee. If the ranking of Hays is ninth or less then there is no matching of shares by the Company.

During the year, 2.4 million invitations (2005 – 1.6 million invitations) to the LTCIP were made. The fair value of these invitations was £4.8 million (2005 – £2.6 million). The fair value of invitations is calculated at the final date of commitment and is charged to the income statement over the vesting period of three years. At the end of the year there were 2.2 million commitments for the 2006 invitation and 1.5 million commitments for the 2005 invitation.

The valuation methodology uses Monte-Carlo simulations in conjunction with a Brownian motion stochastic process.

**27 Share-based payments** continued

The main assumptions to determine the fair value were as follows:

	2006	2005
Share price at grant	122p	121p
Volatility	22%	21%
Risk free rate	4.5%	4.5%
Expected dividends	3.0%	3.0%

**28 Acquisitions, disposals and demerger**

The Group made two acquisitions during the year (2005 – no acquisitions were made). Under IFRS 3 (Business Combinations) management has a period of 12 months from acquisition to finalise their calculations of fair value of the assets and liabilities of the acquired businesses. The details of the acquisitions made are the following:

On 2 February 2006 the Group acquired 100% of the issued share capital of Oval (1620) Limited (Recruitment Solutions Group) and its subsidiaries for a consideration of £20.6 million.

Oval (1620) Limited was the parent of a group of companies involved in recruitment services within the Health and Social Work sector. This transaction has been accounted for by the purchase method of accounting.

(In £'s million)	Book value	Fair value adjustments	Fair value
Net assets acquired			
Property, plant and equipment	0.1	–	0.1
Trade and other receivables	4.3	–	4.3
Trade and other payables	(1.4)	–	(1.4)
Current tax liabilities	(0.4)	–	(0.4)
	2.6	–	2.6
Goodwill			18.0
Total consideration			20.6
Satisfied by			
Cash			17.2
Loan Notes Issued			0.4
Deferred Consideration			2.7
Directly attributable costs			0.3
			20.6
Net cash outflow arising on acquisition			
Cash consideration			17.9
Cash and cash equivalents acquired			–
			17.9

The goodwill arising on the acquisition of Oval (1620) Limited and its subsidiaries is attributable to the anticipated profitability of the Group's services in the new markets and the anticipated future operating synergies from the combination. The acquired business has subsequently been rebranded as Hays Healthcare and Hays Social Care.

Hays Healthcare and Hays Social Care contributed £9.4 million of turnover, net fees of £2.3 million and £0.3 million loss to the Group profit before tax for the period between the date of acquisition and the balance sheet date.

If the acquisition of Oval (1620) Limited and its subsidiaries had been completed on 1 July 2005 the Group turnover for the period would have increased by £16.0 million, net fees would have increased by £4.6 million and Group profit attributable to equity holders of the parent would have increased by £0.8 million.

**28 Acquisitions, disposals and demerger** continued

On 4 May 2006 the Group acquired 100% of the issued share capital of St George's Harvey Nash Limited and its 70% owned Chinese subsidiary for a total consideration of up to £7.8 million.

The acquired companies offer recruitment services within Hong Kong and China. The transaction has been accounted for by the purchase method of accounting.

(In £'s million)	Book value	Fair value adjustments	Fair value
Net assets acquired			
Property, plant and equipment	0.1	–	0.1
Trade and other receivables	0.2	–	0.2
Trade and other payables	(0.1)	–	(0.1)
Current tax liabilities	–	–	–
	0.2	–	0.2
Goodwill			7.6
Total consideration			7.8
Satisfied by			
Cash			2.3
Deferred Consideration			5.2
Directly attributable costs			0.3
			7.8
Net cash outflow arising on acquisition			
Cash consideration			2.6
Cash and cash equivalents acquired			–
			2.6

The goodwill arising on the acquisition of St. George's Harvey Nash Limited and its subsidiary is attributable to the platform the business provides for expansion into the Asian recruitment markets and the associated profit stream which is anticipated as part of the post-acquisition business plan. The acquired business has subsequently been re-branded as Hays Executive.

Hays Executive contributed £0.3 million of turnover and net fees, and nil to the Group profit before tax in the period between the date of acquisition and the balance sheet date.

If the acquisition of St. George's Harvey Nash Limited and its subsidiary had been completed on 1 July 2005 the Group turnover and net fees for the period would have increased by £1.0 million and Group profit attributable to equity holders of the parent would have increased by £0.2 million.

**Prior year**

On 1 November 2004, DX Services was demerged from the Group. The summary balance sheet of DX Services at the date of demerger was:

(In £'s million)	
Tangible fixed assets	17.6
Net current liabilities	(31.8)
Net debt	(68.1)
Net liabilities	(82.3)

In accordance with IFRS 3 'Business Combinations', goodwill previously written off to reserves under UK GAAP in respect of the DX Services business of £121.6 million has not been included.

## 29 Post balance sheet events

As part of the share buy-back programme, the Company has purchased an additional 6.7 million shares (held as treasury shares) for a total cost of £8.8 million, after the year end.

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

## 30 Related parties

### Remuneration of key management personnel

The remuneration of the Executive Committee who are key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of executive Directors is provided in the audited part of the Directors' remuneration report on pages 27 to 32.

(in £'s million)	2006	2005
Short-term employee benefits	2.9	2.7
Post-employment benefits	0.2	0.3
Termination benefits	-	0.1
	<b>3.1</b>	<b>3.1</b>

## 31 Contingent liabilities

In June 2006, Hays was visited by the UK Office of Fair Trading ('OFT') as part of an investigation into possible breaches of competition law by Hays and other recruitment companies in the construction recruitment sector. The OFT investigation related to a small part of Hays' Construction & Property business. Hays is cooperating fully with the OFT under the OFT's leniency programme and the Board believes that any financial impact of the matters under investigation will not be material to the Group.

## 32 Operating lease arrangements

The Group as lessee

(in £'s million)	2006	2005
Minimum lease payments under operating leases recognised in income for the year	14.1	13.4

At 30 June 2006, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

(in £'s million)	2006	2005
Within one year	2.3	2.6
Between two and five years	14.9	12.4
After five years	34.4	39.3
	<b>51.6</b>	<b>54.3</b>

## 33 Movement in net cash/(debt)

(in £'s million)	1 July 2005	Cash flow	Exchange movement	30 June 2006
Cash and cash equivalents	71.2	(18.2)	(0.2)	<b>52.8</b>
Bank loans and overdrafts	(6.8)	(123.0)	-	<b>(129.8)</b>
Finance leases	(0.1)	0.1	-	-
	64.3	(141.1)	(0.2)	<b>(77.0)</b>

The table above is presented as additional information to show movement in net cash/(debt), defined as cash and cash equivalents less overdraft and bank loans.

### 34 Reconciliation from UK GAAP to IFRS

Pages 61 to 63 contain reconciliations from previously published UK GAAP results to IFRS. The most significant areas of change to the Group on adoption of IFRS are summarised below:

#### a) Employee Benefits (IAS 19)

Hays has elected, in accordance with IAS 19 'Employee Benefits' to adopt a policy of accounting for defined benefit employee retirement schemes through full recognition of the schemes' surpluses or deficits in the balance sheet at each year end. Actuarial gains and losses will be recorded in the Statement of Recognised Income and Expense ('SORIE'). This is similar to the approach required by the UK Standard FRS 17 'Retirement Benefits' for which Hays plc has previously provided transitional disclosure information. At the date of transition, all cumulative actuarial gains and losses are recognised in the balance sheet as permitted by IFRS 1.

The impact of adopting IAS 19 is a reduction in net assets of £65.7 million at 30 June 2005 (1 July 2004 – £66.9 million). Profit after tax has reduced by £2.1 million for the year ended 30 June 2005.

#### b) Share-based Payment (IFRS 2)

Hays plc operates a number of share-based incentive schemes that are impacted by IFRS 2 'Share-based Payment'. Under UK GAAP an expense is recognised where an intrinsic loss is suffered by the Group. This means that for share options granted at the market price there is no charge to the income statement. IFRS 2 requires the fair value of all equity instruments issued to be charged to the income statement. For all Hays plc equity-settled share-based awards, the fair value has been calculated using a stochastic option valuation modelling approach. The impact on the opening balance sheet is immaterial. However, in future periods as more equity-settled share-based awards are made, the charge to the income statement will increase.

The impact on net assets at 30 June 2005 was an increase of £3.6 million (1 July 2004 – £0.5 million). Profit after tax has reduced by £0.6 million for the year ended 30 June 2005.

#### c) Goodwill (IFRS 3)

IFRS 3 'Business Combinations' requires that goodwill arising on acquisitions is not amortised, but is subject to annual impairment testing in accordance with IAS 36 'Impairment of Assets'.

This results in an increase in both net assets and profit after tax of £13.2 million at 30 June 2005.

The net book value of goodwill at 30 June 2004 under UK GAAP is used as the opening net book value as permitted by IFRS 1 at 1 July 2004.

#### d) Dividends Payable (IAS 10)

Under UK GAAP, dividends are provided for in the year in respect of which they are declared or proposed by the directors. Under IAS 10 'Events after the Balance Sheet Date' dividends are only recognised in the period in which they are formally approved for payment.

As a result, under IFRS the net assets have been increased by £36.1 million at 30 June 2005 in respect of dividends not formally approved at the balance sheet date (1 July 2004 – £34.3 million).

#### e) Intangible Assets (IAS 38)

Computer software is recorded as an intangible asset unless it forms an integral part of the related hardware, in accordance with IAS 38 'Intangible Assets'. Under UK GAAP, software is classified as property, plant and equipment. There is no change to the useful economic lives and subsequent amortisation/depreciation charges in respect of such assets.

Computer software recorded as an intangible asset amounted to £1.4 million at 30 June 2005 (1 July 2004 – £1.2 million).

#### f) Assets Held for Sale (IFRS 5)

Properties in respect of discontinued operations in Belgium and Germany which were previously included within tangible fixed assets or debtors meet the criteria to be classified as assets held for sale under IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. These assets are held at the lower of carrying amount and fair value less costs to sell. There will be no subsequent depreciation on these assets as long as they remain classified as held for sale.

This results in a reclassification adjustment at 30 June 2005 of £0.2 million (1 July 2004 – £4.3 million).

#### g) Deferred Tax (IAS 12)

The changes to deferred tax arise from presentational changes to disclose tax assets and liabilities.

There was no change to the net cash flow generated by operations as a result of the restatement to IFRS.

### 34 Reconciliation from UK GAAP to IFRS continued

#### Consolidated income statement

For the year ended 30 June 2005

(In £'s million)	UK GAAP	IFRS adjustments				IFRS
		Employee benefits	Share based payment	Goodwill amortisation	Discontinued operations	
<b>Turnover</b>						
Continuing operations	1,640.4	-	-	-	-	1,640.4
Discontinued operations	42.6	-	-	-	(42.6)	-
	1,683.0	-	-	-	(42.6)	1,640.4
<b>Profit from operations</b>						
Continuing operations	153.9	(0.4)	(0.5)	13.2	-	166.2
Discontinued operations	8.4	-	-	-	(8.4)	-
	162.3	(0.4)	(0.5)	13.2	(8.4)	166.2
Share of operating profit of associated company	1.4	-	-	-	(1.4)	-
	163.7	(0.4)	(0.5)	13.2	(9.8)	166.2
<b>Exceptional items</b>	24.4	-	-	-	(24.4)	-
	188.1	(0.4)	(0.5)	13.2	(34.2)	166.2
Finance income	6.4	-	-	-	-	6.4
Finance costs	(3.0)	(2.5)	-	-	0.6	(4.9)
	3.4	(2.5)	-	-	0.6	1.5
<b>Profit before tax</b>	191.5	(2.9)	(0.5)	13.2	(33.6)	167.7
Tax	(56.1)	0.8	(0.1)	-	2.9	(52.5)
<b>Profit from continuing operations</b>	135.4	(2.1)	(0.6)	13.2	(30.7)	115.2
<b>Profit from discontinued operations</b>	-	-	-	-	30.7	30.7
<b>Profit attributable to equity holders</b>	135.4	(2.1)	(0.6)	13.2	-	145.9
DX Services demerger (dividend in specie)	(39.3)					
Dividends	(55.1)					
	41.0					

## 34 Reconciliation from UK GAAP to IFRS continued

## Reconciliation of equity

As at 30 June 2005

(In £'s million)	IFRS adjustments						IFRS
	UK GAAP	Employee benefits	Share based payment	Goodwill	Dividends	Other	
Goodwill	86.2	-	-	13.2	-	-	99.4
Other intangible assets	-	-	-	-	-	1.4	1.4
Property, plant & equipment	19.5	-	-	-	-	(1.4)	18.1
Deferred tax assets	-	19.2	0.1	-	-	7.8	27.1
<b>Non-current assets</b>	<b>105.7</b>	<b>19.2</b>	<b>0.1</b>	<b>13.2</b>	<b>-</b>	<b>7.8</b>	<b>146.0</b>
Trade & other receivables	337.0	(37.3)	-	-	-	(7.1)	292.6
Cash & cash equivalents	71.2	-	-	-	-	-	71.2
<b>Current assets</b>	<b>408.2</b>	<b>(37.3)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7.1)</b>	<b>363.8</b>
Assets held for sale	-	-	-	-	-	0.2	0.2
<b>Total assets</b>	<b>513.9</b>	<b>(18.1)</b>	<b>0.1</b>	<b>13.2</b>	<b>-</b>	<b>0.9</b>	<b>510.0</b>
Trade & other payables	(172.6)	-	3.7	-	-	(26.6)	(195.5)
Current tax liabilities	(89.8)	10.3	(0.2)	-	-	26.4	(53.3)
Dividends to shareholders	(36.1)	-	-	-	36.1	-	-
Obligations under finance lease	-	-	-	-	-	(0.1)	(0.1)
<b>Current liabilities</b>	<b>(298.5)</b>	<b>10.3</b>	<b>3.5</b>	<b>-</b>	<b>36.1</b>	<b>(0.3)</b>	<b>(248.9)</b>
Bank loans & overdrafts	(6.9)	-	-	-	-	0.1	(6.8)
Retirement benefit obligations	-	(69.7)	-	-	-	-	(69.7)
Deferred tax liabilities	-	(1.3)	-	-	-	(0.9)	(2.2)
Provisions	(89.5)	13.1	-	-	-	-	(76.4)
<b>Non-current liabilities</b>	<b>(96.4)</b>	<b>(57.9)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.8)</b>	<b>(155.1)</b>
<b>Total liabilities</b>	<b>(394.9)</b>	<b>(47.6)</b>	<b>3.5</b>	<b>-</b>	<b>36.1</b>	<b>(1.1)</b>	<b>(404.0)</b>
<b>Net assets</b>	<b>119.0</b>	<b>(65.7)</b>	<b>3.6</b>	<b>13.2</b>	<b>36.1</b>	<b>(0.2)</b>	<b>106.0</b>
Called up share capital	17.4	-	-	-	-	-	17.4
Share premium account	369.6	-	-	-	-	-	369.6
Retained earnings	(258.6)	(65.7)	(0.8)	13.2	36.1	(3.0)	(278.8)
Other reserves	(9.4)	-	4.4	-	-	2.8	(2.2)
<b>Total equity</b>	<b>119.0</b>	<b>(65.7)</b>	<b>3.6</b>	<b>13.2</b>	<b>36.1</b>	<b>(0.2)</b>	<b>106.0</b>

### 34 Reconciliation from UK GAAP to IFRS continued

#### Reconciliation of equity

As at 1 July 2004 (date of transition)

(In \$'s million)	UK GAAP	IFRS adjustments				IFRS
		Employee benefits	Share based payment	Dividends payable	Other	
Goodwill	99.2	-	-	-	-	99.2
Other intangible assets	-	-	-	-	1.2	1.2
Property, plant & equipment	38.7	-	-	-	(5.3)	33.4
Deferred tax assets	-	18.5	0.2	-	11.8	30.5
<b>Non-current assets</b>	<b>137.9</b>	<b>18.5</b>	<b>0.2</b>	<b>-</b>	<b>7.7</b>	<b>164.3</b>
Inventories	0.1	-	-	-	-	0.1
Trade & other receivables	312.8	(37.0)	-	-	(5.6)	270.2
Cash & cash equivalents	79.4	-	-	-	-	79.4
<b>Current assets</b>	<b>392.3</b>	<b>(37.0)</b>	<b>-</b>	<b>-</b>	<b>(5.6)</b>	<b>349.7</b>
Assets held for sale	-	-	-	-	4.3	4.3
<b>Total assets</b>	<b>530.2</b>	<b>(18.5)</b>	<b>0.2</b>	<b>-</b>	<b>6.4</b>	<b>518.3</b>
Trade & other payables	(177.0)	-	0.5	-	-	(176.5)
Tax liabilities	(110.3)	10.2	(0.2)	-	-	(100.3)
Dividends to shareholders	(34.3)	-	-	34.3	-	-
<b>Current liabilities</b>	<b>(321.6)</b>	<b>10.2</b>	<b>0.3</b>	<b>34.3</b>	<b>-</b>	<b>(276.8)</b>
Bank loans & overdrafts	(1.9)	-	-	-	-	(1.9)
Trade & other payables	(6.7)	-	-	-	-	(6.7)
Retirement benefit obligations	-	(69.2)	-	-	-	(69.2)
Deferred tax liabilities	-	-	-	-	(6.4)	(6.4)
Provisions & other liabilities	(125.4)	10.6	-	-	-	(114.8)
Obligations under finance lease	(0.1)	-	-	-	-	(0.1)
<b>Non-current liabilities</b>	<b>(134.1)</b>	<b>(58.6)</b>	<b>-</b>	<b>-</b>	<b>(6.4)</b>	<b>(199.1)</b>
<b>Total liabilities</b>	<b>(455.7)</b>	<b>(48.4)</b>	<b>0.3</b>	<b>34.3</b>	<b>(6.4)</b>	<b>(475.9)</b>
<b>Net assets</b>	<b>74.5</b>	<b>(66.9)</b>	<b>0.5</b>	<b>34.3</b>	<b>-</b>	<b>42.4</b>
Called up share capital	17.4	-	-	-	-	17.4
Share premium account	369.4	-	-	-	-	369.4
Retained earnings	(296.0)	(66.9)	(0.2)	34.3	-	(328.8)
Other reserves	(16.3)	-	0.7	-	-	(15.6)
<b>Total equity</b>	<b>74.5</b>	<b>(66.9)</b>	<b>0.5</b>	<b>34.3</b>	<b>-</b>	<b>42.4</b>

## Independent auditors' report to the members of Hays plc

We have audited the Group financial statements of Hays plc for the year ended 30 June 2006 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of recognised income and expense, the statement of accounting policies and the related notes 1 to 34. These Group financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' remuneration report that is described as having been audited.

We have reported separately on the individual Company financial statements of Hays plc for the year ended 30 June 2006.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the annual report, the Directors' remuneration report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the Group financial statements and the part of the Directors' remuneration report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view, in accordance with the relevant financial reporting framework, and whether the Group financial statements and the part of the Directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We report to you whether in our opinion the information given in the Directors' report is consistent with the Group financial statements. We also report to you if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' transactions with the Company and other members of the Group is not disclosed.

We also report to you if, in our opinion, the Company has not complied with any of the four Directors' remuneration disclosure requirements specified for our review by the Listing Rules of the Financial Services Authority. These comprise the amount of each element in the remuneration package and information on share options, details of long-term incentive schemes, and money purchase and defined benefit schemes. We give a statement, to the extent possible, of details of any non-compliance.

We review whether the corporate governance statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statement on internal control covers 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 Directors' report and the other information contained in the annual report for the above year as described in the contents section including the unaudited part of the Directors' remuneration report and we consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements and the part of the Directors' remuneration report described as having been audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, 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 Group financial statements and the part of the Directors' remuneration report described as having been audited 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 Group financial statements and the part of the Directors' remuneration report described as having been audited.

### Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union, of the state of the Group's affairs as at 30 June 2006 and of its profit for the year then ended;
- the Group financial statements and the part of the Directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' report is consistent with the Group financial statements.

### Separate opinion in relation to IFRS

As explained in note 1 of the Group financial statements, the Group, in addition to complying with its legal obligation to comply with IFRSs as adopted for use in the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board. Accordingly, in our opinion the financial statements give a true and fair view, in accordance with IFRSs, of the state of the Group's affairs as at 30 June 2006 and of its profit for the year then ended.

### Deloitte & Touche LLP

Chartered Accountants and Registered Auditors  
London

4 September 2006

*Deloitte & Touche LLP*

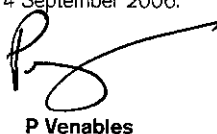
# Company Balance Sheet at 30 June

(in £'s million)	Note	Company 2006	Company 2005 Restated
<b>Fixed assets</b>			
Tangible assets		0.5	0.7
Investments	5	910.4	915.8
		<b>910.9</b>	916.5
<b>Current assets</b>			
Debtors due within one year	6	0.5	4.1
Debtors due after more than one year	7	403.6	379.0
Cash at bank and in hand		30.0	42.8
		<b>434.1</b>	425.9
<b>Creditors: amounts falling due within one year</b>			
Borrowings	8	(24.8)	(61.7)
Other creditors	10	(507.0)	(495.3)
		<b>(531.8)</b>	(557.0)
<b>Net current liabilities</b>			
		<b>(97.7)</b>	(131.1)
<b>Total assets less current liabilities</b>			
		<b>813.2</b>	785.4
<b>Creditors: amounts falling due after more than one year</b>			
Borrowings	9	(129.4)	-
Retirement benefit obligations	11	(39.1)	(48.8)
Provisions for liabilities and charges	12	(25.8)	(34.7)
		<b>618.9</b>	701.9
<b>Net assets</b>			
<b>Capital and reserves</b>			
Called up share capital	13,14	15.7	17.4
Capital redemption reserve	14	1.7	-
Share premium account	14	369.6	369.6
Profit and loss account	14	232.6	324.3
Own shares	14	(0.7)	(9.4)
<b>Equity shareholders' interests</b>			
		<b>618.9</b>	701.9

These accounts were approved by the Board of Directors on 4 September 2006.

Signed on behalf of the Board of Directors

  
R A Lawson

  
P Venables

## 1 Basis of preparation

### (i) Accounting basis

The separate financial statements of the Company are presented as required by the Companies Act 1985. They have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards and law.

As permitted by section 230 of the Companies Act 1985, the Company's profit and loss account has not been presented.

The Company's principal accounting policies adopted in the presentation of these financial statements are set out below and have been consistently applied to all periods presented.

#### Cash flow statement and related party disclosures

The results, assets and liabilities of the Company are included in the consolidated financial statements of Hays plc, which are publicly available. Consequently, the Company has taken exemption from preparing a cash flow statement under the terms of FRS 1 (revised) 'Cash Flow Statements'. The Company is also exempt under the terms of FRS 8 'Related Party Disclosures' from disclosing related party transactions with entities that are part of the Group.

#### Changes in accounting policies

The Company has adopted FRS 17, 'Retirement Benefits', FRS 21 'Events after the Balance Sheet Date', and FRS 28, 'Corresponding Amounts' in these financial statements. The adoption of each of these standards represents a change in accounting policy and the comparative figures have been restated accordingly, except where the exemption to restate comparatives have been taken.

As a result of adopting FRS 21, the Company's profit for the year ended 30 June 2005 increased by £36.1 million.

As a result of adopting FRS 17, the Company's retained earnings decreased by £67.8 million.

None of the other new accounting standards had any effect on the Company's profit or net assets.

### (ii) Investments

Shares in subsidiaries are valued at cost less provision for impairment. Investments in associated undertakings ('associated companies') are stated at cost.

### (iii) Deferred taxation

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.

### (iv) Dividends

Dividends are recognised in the period that they are declared and approved.

## 2 Employee information

Details of Directors' emoluments and interests are included in the remuneration report on pages 27 to 32 in the Group annual report. Except for the Directors there were no employees of the Company in 2006 or 2005.

## 3 Profit for the year

Hays plc has not presented its own profit and loss account and related notes as permitted by section 230 (3) of the Companies Act 1985. The profit for the financial year dealt with in the financial statements of the parent Company is £168.8 million (2005 restated – £228.6 million). The auditors remuneration for audit services to the Company was £0.1 million (2005 – £0.1 million).

## 4 Prior year adjustment

As detailed in note 1, the Company has adopted certain new accounting standards this year; the effect of the adoption of these standards on the prior year is detailed below:

#### FRS 17 – Retirement benefits

The adoption of FRS 17 has resulted in a decrease in shareholders' funds of £67.8 million at 30 June 2005. The profit and loss impact of this adoption was to reduce profit by £1.0 million.

#### FRS 21 – Events after the balance sheet date

The adoption of FRS 21 has resulted in an increase in shareholders' funds of £36.1 million at 30 June 2005 due to the write back of the final dividend proposed at 30 June 2005.

## 5 Investments

(in £'s million)	Shares in subsidiary undertakings
Cost	
At 1 July 2005	929.4
Disposals	(5.4)
<b>At 30 June 2006</b>	<b>924.0</b>
Provisions for impairment	
At 1 July 2005 and 30 June 2006	(13.6)
Total	
<b>At 30 June 2006</b>	<b>910.4</b>
At 30 June 2005	915.8

The principal subsidiary undertakings of the Group are listed in note 15.

## 6 Debtors: amounts falling due within one year

(in £'s million)	2006	2005
Other debtors	0.4	3.7
Prepayments	0.1	0.4
	<b>0.5</b>	<b>4.1</b>

## 7 Debtors: amounts falling due after more than one year

(in £'s million)	2006	2005
Other debtors	-	1.2
Prepayments	0.8	-
Amounts owed by subsidiary undertakings	402.2	369.6
Deferred tax	0.6	8.2
	<b>403.6</b>	<b>379.0</b>

## 8 Borrowings: amounts falling due within one year

(in £'s million)	2006	2005
Loan notes	-	0.4
Overdrafts	24.8	61.3
	<b>24.8</b>	<b>61.7</b>

## 9 Borrowings: amounts falling due after more than one year

(in £'s million)	2006	2005
Loan notes	0.4	-
Overdrafts	129.0	-
	<b>129.4</b>	<b>-</b>

The overdraft facility is repayable in February 2011.

## 10 Other creditors: amounts falling due within one year

(in £'s million)	2006	2005
Accruals and deferred income	26.7	15.3
Amounts owed to subsidiary undertakings	462.8	465.0
Taxation	17.5	15.0
	<b>507.0</b>	<b>495.3</b>

Comparative figures have been restated in accordance with FRS 21 (note 4).

**11 Retirement benefit obligations**

The Company is the sponsoring employer for all of the Hays defined benefit pension schemes and recognises the full liability on its balance sheet. Under FRS 17 the actual cost of providing pensions to the Company is charged to the profit and loss account as incurred during the year, net of costs paid by subsidiary companies. The pension cost charged to the Company's profit and loss account is £3.4 million (2005 – £3.0 million).

The movement in the deficit during the year is analysed below:

(in £'s million)	2006	2005
Deficit in the scheme brought forward	<b>(69.7)</b>	(69.5)
Current service cost	<b>(8.1)</b>	(7.7)
Past service costs	<b>(0.1)</b>	(0.2)
Contributions	<b>5.1</b>	5.6
Net financial return	<b>1.1</b>	(2.5)
Actuarial gain	<b>15.8</b>	4.6
Deficit in the scheme carried forward	<b>(55.9)</b>	(69.7)

Based on actuarial advice, the financial assumptions used in calculating the scheme's liabilities under FRS 17 are:

(in £'s million)	2006	2005	2004	2003	2002
Rate of increase in salaries	<b>5.40%</b>	5.10%	5.45%	5.10%	5.10%
Rate of increase of pensions in payment and deferment	<b>2.90%</b>	2.60%	2.95%	2.60%	2.58%
Discount rate	<b>5.22%</b>	4.95%	5.73%	5.26%	5.80%
Inflation assumption	<b>2.90%</b>	2.60%	2.95%	2.60%	2.58%

The expected rates of return on scheme assets are shown below:

(% expected rate of return)	2006	2005	2004	2003	2002
Equities	<b>7.60%</b>	7.25%	8.00%	7.50%	8.00%
Bonds	<b>4.90%</b>	4.60%	5.37%	4.90%	5.40%
Cash and other assets	<b>4.50%</b>	4.75%	4.50%	3.75%	4.00%

The assets and liabilities of the schemes operated by the Group are shown below:

(in £'s million)	2006	2005	2004	2003	2002
Equities	<b>229.3</b>	217.6	189.1	160.2	166.4
Bonds	<b>132.4</b>	110.6	43.6	46.7	43.7
Cash and other assets	<b>14.1</b>	8.4	64.7	2.9	6.4
Market value of scheme assets	<b>375.8</b>	336.6	297.4	209.8	216.5
Present value of scheme liabilities	<b>(431.7)</b>	(406.3)	(366.9)	(368.8)	(312.7)
Deficit in the scheme	<b>(55.9)</b>	(69.7)	(69.5)	(159.0)	(96.2)
Related deferred tax asset	<b>16.8</b>	20.9	20.8	47.7	28.9
Net pension liability under FRS 17	<b>(39.1)</b>	(48.8)	(48.7)	(111.3)	(67.3)

The five year history of experience adjustments is as follows:

(in £'s million)	2006	2005	2004	2003	2002
Present value of defined benefit obligations	<b>(431.7)</b>	(406.3)	(366.9)	(368.8)	(312.7)
Fair value of scheme assets	<b>375.8</b>	336.6	297.4	209.8	216.5
Deficit in the scheme	<b>(55.9)</b>	(69.7)	(69.5)	(159.0)	(96.2)

The history of experience adjustments is as follows:

Experience adjustments on scheme liabilities					
Amount (£'s million)	<b>(4.7)</b>	9.4	16.1	19.4	0.3
Percentage of scheme liabilities (%)	<b>(1%)</b>	2%	4%	5%	-
Experience adjustments on scheme assets					
Amounts (£'s million)	<b>19.1</b>	21.0	14.4	(30.0)	(44.9)
Percentage of scheme assets (%)	<b>5%</b>	6%	5%	(14%)	(21%)

## 11 Retirement benefit obligations continued

### Future profile of Hays Pension Scheme

The Hays Pension Scheme was closed to new members with effect from 1 July 2001. The age profile of the active membership will rise over time and hence the future service cost is also likely to rise. The Group has considered the impact of the FRS 17 deficit in respect of the Group, its employees and pensioners. 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.

## 12 Provisions

(in £'s million)	Property	Other	Total
Balance at 1 July 2005	13.3	21.4	34.7
Reclassification	(2.0)	2.0	-
Utilised	(5.4)	(3.5)	(8.9)
<b>Balance at 30 June 2006</b>	<b>5.9</b>	<b>19.9</b>	<b>25.8</b>

## 13 Called up share capital

### Authorised share capital

	2006 Number 000's	2006 £'s million	2005 Number 000's	2005 £'s million
Ordinary shares of 1p each	<b>8,890,894</b>	<b>88.9</b>	8,890,894	88.9

### Called up, allotted and fully paid share capital

	Share capital number 000's	Share capital £'s million
At 1 July 2005	1,735,891	17.4
Cancellation of shares	(171,794)	(1.7)
<b>At 30 June 2006</b>	<b>1,564,097</b>	<b>15.7</b>

## 14 Reconciliation of movements in shareholders' funds

(in £'s million)	Share capital	Share premium	Capital redemption reserve	Profit and loss account	Own shares	Total
At 1 July 2005	17.4	369.6	-	356.0	(9.4)	733.6
Prior year adjustment (note 4)	-	-	-	(31.7)	-	(31.7)
As restated	17.4	369.6	-	324.3	(9.4)	701.9
Total recognised gains and losses	-	-	-	180.2	-	180.2
Share buy-back	-	-	-	(215.2)	-	(215.2)
Disposals of own shares in the period	-	-	-	-	8.7	8.7
Dividends paid	-	-	-	(56.7)	-	(56.7)
Cancellation of treasury shares	(1.7)	-	1.7	-	-	-
<b>At 30 June 2006</b>	<b>15.7</b>	<b>369.6</b>	<b>1.7</b>	<b>232.6</b>	<b>(0.7)</b>	<b>618.9</b>

Hays continued its share buy-back programme in the period, purchasing 167.1 million shares (2005 – 100.8 million) for a total cost of £215.2 million (2005 – £128.1 million).

Investments in 'Own shares' are held by an employee benefit trust to satisfy options awarded under the Executive Share Option Scheme. Dividends in respect of 'Own shares' have not been waived. The number of shares held at 30 June 2006 is 3,009,760 (2005 – 8,186,868).

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 2006 the number of shares held was 396,515 (2005 – 529,778). The QUEST shares are held in the balance sheet at nil valuation.

**15 Principal subsidiaries**

	Country of registration
<b>Holding companies</b>	
*Hays Holdings Ltd	England & Wales
*Hays Overseas Holdings Ltd	England & Wales
Hays Commercial Services Ltd	England & Wales
*Hays Specialist Recruitment (Holdings) Ltd	England & Wales
*Hays International Holdings Ltd	England & Wales
Hays Holdings BV	The Netherlands
<b>Trading companies (Recruitment)</b>	
Hays Specialist Recruitment Ltd	England & Wales
Hays Specialist Recruitment (Ireland) Ltd	Ireland
Hays Personnel Services (Australia) Pty Ltd	Australia
Hays Hong Kong Ltd	Hong Kong SAR
Hays Specialist Recruitment Hong Kong Ltd	Hong Kong SAR
Hays Travail Temporaire SASU	France
Hays IT SASU	France
Hays Regions SASU	France
Hays SASU	France
Hays AG	Germany
Hays Temp GmbH	Germany
Hays (Schweiz) AG	Switzerland
Hays Osterreich GmbH	Austria
Hays Specialist Recruitment (Canada) Inc	Canada
Hays Personnel Services BV	The Netherlands
Hays S.a.r.l	Luxembourg
Hays Personnel BV	Belgium
Hays Czech Republic S.r.o	Czech Republic
Hays Poland sp z.o.o	Poland
Hays Personnel Services Espana SA	Spain
Hays Personnel Espana Temporal SA	Spain
Hays Overseas (Portugal) SGPS IDA	Portugal
Hays Specialist Recruitment AB	Sweden
Hays FZ-LLC	Dubai
Hays S.r.l	Italy

At 30 June 2006, Hays plc and/or a subsidiary or subsidiaries in aggregate owned 100% of each class of the issued shares of each of these companies. 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.

The list of companies includes holding companies and those which had a material effect on the consolidated results to 30 June 2006. Information on the other companies in the Group will be included in the next annual return.

**16 Subsequent events**

The final dividend for 2006 of 2.90 pence per share (£42.4 million) will be proposed at the Annual General Meeting on 15 November 2006 and has not been included as a liability as at 30 June 2006. The final dividend will be paid on 21 November 2006 to shareholders on the register at 5pm on 20 October 2006.

**Independent auditors' report to the members of Hays plc**

We have audited the individual Company financial statements of Hays plc for the year ended 30 June 2006 which comprise the balance sheet, the statement of accounting policies and the related notes 1 to 16. These individual Company financial statements have been prepared under the accounting policies set out therein.

The corporate governance statement and the Directors' remuneration report are included in the Group annual report of Hays plc for the year ended 30 June 2006. We have reported separately on the Group financial statements of Hays plc for the year ended 30 June 2006 and on the information in the Directors' remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

The Directors' responsibilities for preparing the annual report and the individual Company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the individual Company financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the individual Company financial statements give a true and fair view, in accordance with the relevant financial reporting framework, and whether the individual Company financial statements have been properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' report is consistent with the individual Company financial statements. We also report to you if, in our opinion, 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 regarding Directors' remuneration and other transactions is not disclosed.

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

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the individual Company financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the individual Company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, 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 individual Company 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 individual Company financial statements.

**Opinion**

In our opinion:

- the individual Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 June 2006;
- the individual Company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.

**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors  
London

4 September 2006

*DELOITTE & TOUCHE LLP*

## Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the nineteenth Annual General Meeting of Hays plc will be held at Grocers' Hall, Princes Street, London EC2R 8AD at 12 noon on Wednesday, 15 November 2006, for the following purposes:

### Ordinary Business

#### Resolution No 1

To receive and adopt the Accounts for the year ended 30 June 2006 and the reports of the Directors and Auditors thereon.

#### Resolution No 2

To declare a final dividend of 2.90 pence for the year ended 30 June 2006 which, if approved, will be paid on 21 November 2006 to shareholders on the register at the close of business on 20 October 2006.

#### Resolution No 3

To approve the Board's report on remuneration for the year ended 30 June 2006.

To re-appoint the following Director who, having been appointed since the last Annual General Meeting, will retire in accordance with the Company's Articles of Association and, being eligible, offers himself for re-appointment:

#### Resolution No 4

Mr P Venables

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

#### Resolution No 5

Mrs L M S Knox

#### Resolution No 6

Mr D R Waxman

Biographical details for the current Directors are shown on page 21.

#### Resolution No 7

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

#### Resolution No 8

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

### Special Business

#### Resolution No 9

##### Ordinary Resolution

THAT the authority conferred on the Directors by Article 12 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 £4,871,037.

#### Resolution No 10

##### Special Resolution

THAT subject to the passing of Resolution 9 above the power conferred on the Directors by Article 13 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 £730,655. Notwithstanding the provisions of Article 13 of the Company's Articles of Association, this power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 94 (3A) of the Companies Act 1985.

#### Resolution No 11

##### 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 219,196,666;
- (b) the minimum price (exclusive of expenses) which may be paid for each Ordinary share is 1p;
- (c) the maximum price (exclusive of expenses) which may be paid for each Ordinary share is an amount not more than: (i) 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; or (ii) the higher of the price of the last independent trade of an Ordinary share and the current independent bid for an Ordinary share on the London Stock Exchange; and
- (d) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company or 31 December 2007, 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.

#### Resolution No 12

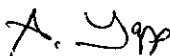
##### Ordinary Resolution

THAT the Hays International Sharesave Scheme (the 'International Scheme'), the main features of which are summarised in the explanatory notes to the Notice of Annual General Meeting and the rules of which are produced to the meeting and signed by the Chairman for the purpose of identification, be and is hereby renewed and extended and the Directors be and are hereby authorised to do all such acts and things as they may consider necessary or expedient to carry the International Scheme into effect.

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

141 Moorgate  
London  
EC2M 6TX

By order of the Board



A R Yapp  
Company Secretary  
13 October 2006

## 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 Annual General 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 Annual General Meeting, instead of your proxy, if you wish to do so. Those attending the Annual General 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 and non-executive Directors' letters of appointment 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 On 27 September 2006, the latest date practical before the publication of this Notice, there had been:
  - i. No movements since 4 September 2006 in either the beneficial or non-beneficial holdings of the Directors, apart from minor movements in the Hays plc Employee Share Trust and the Hays plc Qualifying Employee Share Ownership Trust as detailed in the Directors Report on page 22.
  - ii. No movements since 4 September 2006 in the information disclosed to the Company, detailed in the Directors Report on page 22, in accordance with sections 198 to 208 of the Companies Act 1985 (disclosure of certain major interests in the share capital of a company).
- 4 The proposed amended rules of the International Scheme will be available for inspection at the registered office of the Company on weekdays (Saturdays and public holidays excepted) during 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.
- 5 Mr D R Waxman has a service contract which at the date of the Annual General Meeting will have a period of four months unexpired. Mr P Venables' contract has a notice period of one year unexpired. Mrs L M S Knox does not have a service contract with the Company.
- 6 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting to be held on 15 November 2006 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 7RA01) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

- 7 The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members entered in the register of members of the Company at the close of business at 12 noon on 13 November 2006, or, if this Annual General Meeting is adjourned, in the register of members 48 hours before the time of any adjourned Annual General Meeting, shall be entitled to attend and vote at the Annual General Meeting in respect of the number of ordinary shares registered in their name at that time. Changes to the entries in the register of members after 12 noon on 13 November 2006 or, if this Annual General Meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting.

## Special business at the Annual General Meeting

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Hays plc

The Notice of the Annual General Meeting on page 72 sets out the following special business (resolutions 9, 10, 11 and 12).

### Allotment of shares

Resolution 9 authorises the Directors to allot Ordinary shares of the Company up to an aggregate nominal amount of £4,871,037 being approximately one third of the Company's issued share capital, excluding the 102,785,458 Ordinary shares (being 6.57% of the Company's issued share capital) held in treasury as at 4 September 2006, being the latest practicable date prior to the publication of the document. This authority will expire at the conclusion of the next Annual General Meeting. The Directors have no present intention of using this authority.

Resolution 10 empowers the Directors to allot Ordinary shares of the Company (including Ordinary shares held in treasury) 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 £730,655, being 5% of the Company's issued share capital, excluding the 102,785,458 Ordinary shares (being 6.57% of the Company's issued share capital) held in treasury as at 4 September 2006, being the latest practicable date prior to the publication of the document, 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.

### Authority to purchase own shares

At the Annual General Meeting of the Company held on 3 November 2005, shareholders gave the Company permission, until the conclusion of the Annual General Meeting to be held on 15 November 2006, to purchase up to 238,940,543 Ordinary shares of the Company.

The Board has indicated its intention to continue to return surplus cash to shareholders where it is not required to finance the organic expansion of the business, acquisitions and dividend payments, via the on-market purchase of its own shares. Shares will only be purchased if to do so would result in an increase in earnings per share and is in the best interest of shareholders generally.

During the period from 30 June 2005 to 30 June 2006, the Company purchased 167,071,044 Ordinary shares of 1p at a weighted average price, including transaction costs, of 128.81 pence. Including transaction costs, the total aggregate consideration was £215,197,292. The percentage of issued capital purchased was 10.68%.

The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (the 'Regulations') allow companies to hold shares acquired by way of market purchase in treasury, rather than having to cancel them. The Directors may use the authority to purchase shares and hold them in treasury (and subsequently sell or transfer them out of treasury as permitted in accordance with the Regulations) rather than cancel them, subject to institutional guidelines applicable at the time. The shares purchased by the Company in the period were initially held in treasury, before 171,794,556 (including some of those purchased in the prior year) were cancelled.

No dividends have been paid on shares whilst held in treasury and no voting rights attach to the treasury shares.

On 4 September 2006, being the latest practicable date prior to the publication of the document, the Company had 23,779,055 options outstanding under its various share schemes as detailed in note 27. This represented 1.63% of issued share capital of the Company excluding the 102,785,458 Ordinary shares held in treasury at that date.

Resolution 11 renews the Company's general authority to repurchase up to 219,196,666 of its own shares in the market (being less than 15% of the Company's issued share capital), excluding the 102,785,458 Ordinary shares (being 6.57% of the Company's issued share capital) held in treasury as at 4 September 2006, being the latest practicable date prior to the publication of the document, at or between the maximum and minimum prices specified in the resolution giving the authority.

### International Sharesave Scheme

Resolution 12 seeks shareholder approval for the renewal and extension of the Hays International Sharesave Scheme (the 'International Scheme'). The International Scheme was approved by shareholders in 1999 for a five year period. It is proposed to extend the life of the International Scheme until 15 November 2009, so that the next renewal date coincides with the renewal date for the UK Sharesave Scheme, which was approved in 1999 for a ten year period. The approval of this extension will also have the effect of ratifying options granted under the International Scheme in 2004. The following paragraphs summarise the main features of the International Scheme in the form in which it will be renewed.

Non-UK resident employees (including any full-time executive directors) of participating members of the Hays Group who have the requisite period of qualifying service with a Group Company may apply for options under the International Scheme whenever it is operated. The Board may permit other employees to participate and may amend the period of qualifying service (but not so as to exceed five years).

Invitations to participate in the International Scheme may normally only be issued within six weeks after the announcement of Hays' results for any period, or any day on which the Board determines that exceptional circumstances justify a grant. In 2006, options may be granted within six weeks of the Annual General Meeting approving the renewal of the International Scheme, pursuant to an invitation issued during October 2006.

Options may be satisfied by way of an issue of new Ordinary shares in the Company ('Shares'), a transfer of treasury shares, or a transfer of existing shares acquired on the market by an employee trust or other vehicle.

No option may be granted under the International Scheme or under any other employee share scheme established by the Company which would, at the time of grant, cause the number of Shares which have been or may be issued in pursuance of options or awards granted under all employee share schemes established by the Company to exceed either of the following limits:

- (i) 10% of the Company's ordinary share capital (or 5% of such capital if only options or awards granted under executive schemes are taken into account) in relation to options or awards granted in the 10 years ending with the date of grant; and
- (ii) 5% of the Company's issued ordinary share capital in relation to options or awards granted in the five years ending with the date of grant.

For the purposes of the limits set out above, (i) treasury shares transferred, as well as any new Shares issued to any employee benefit trust, for the purpose of satisfying options or awards will count, and (ii) existing shares purchased on the market and transferred to participants in satisfaction of options will not count.

The exercise price of options may not be less than 80% of the middle market quotation of a Share derived from the London Stock Exchange Daily Official List on the dealing day immediately before the date of invitation or, in the case of any option under which Shares are to be issued, the nominal value of a Share.

At the time of receiving options, participants must enter into a savings contract designated by the Board under which they agree to make monthly contributions, of up to the local equivalent of £250 (or any higher amount permitted by legislation governing the UK Sharesave Scheme), from their pay. The number of Shares over which a participant is granted an option will be the number that are anticipated to be acquired, at the exercise price, with the savings made plus (if applicable) interest payable on the savings contract. However, as the exercise price will be in sterling and the number of Shares under option pre-set at the time of grant, participants will be permitted to top-up their savings contract in the event that the maturity value of their savings is insufficient to allow the full number of Shares under option to be acquired. If the maturity value of the savings contract is higher than the total exercise price of the Shares under option, the excess cannot be used to acquire additional Shares, but will be returned to the participant.

Options may normally only be exercised during the six month period following the maturity date of the related savings contract. This may be after the third, fourth, fifth or seventh anniversary of the start date of the related savings contract. In certain circumstances, early exercise of options is permitted in respect of the number of Shares that may be acquired using the proceeds of the partially completed savings contract. Examples are where a participant leaves employment with the Hays Group in circumstances of death, injury, disability or redundancy (within the meaning of the UK Employment Rights Act 1996), or (in the case of five or seven year options) on leaving employment for any reason (other than dismissal for cause) following the third anniversary of an option's grant. Options are also exercisable early where the participant reaches age 60 (irrespective of leaving employment), or where Hays is taken over or reorganised. If a participant leaves employment with the Hays Group other than in such circumstances his option will lapse.

In the event of any capitalisation issue, rights issue, subdivision, consolidation or reduction of Hays' share capital, the number of Shares under option and/or the exercise price may be adjusted by the Board where the auditors confirm in writing that the adjustment is, in their opinion, fair and reasonable.

Options are not transferable and may only be exercised by the persons to whom they were granted or their personal representatives. Shares allotted or transferred under the International Scheme will rank *pari passu* with shares of the same class then in issue (except in respect of entitlements arising prior to the date of allotment). Hays will apply to the UKLA for the listing of, and to the London Stock Exchange for admission to trading of, any newly issued Shares.

The provisions governing eligibility requirements, equity dilution, share utilisation and individual participation limits and the adjustments that may be made following a rights issue or any other variation of capital cannot be altered to the advantage of eligible employees or option holders without the prior approval of shareholders at the Annual General Meeting (except for minor amendments to benefit the administration of the International Scheme, to take account of a change in legislation or developments in the law affecting the International Scheme or to obtain or maintain favourable tax, exchange control or regulatory treatment, for participants in the International Scheme or for any member of the Group).

No options may be granted under the International Scheme after 15 November 2009, or at such earlier time as the Board may determine, but the rights of existing option holders will not thereby be affected. In the event of termination no further options will be granted.

The rules of the International Scheme permit the Board to adopt Appendices setting out specific requirements in relation to particular countries if that is necessary or desirable to take account of local tax, exchange control or securities laws in the relevant countries. In countries where there are legal or practical difficulties in providing Shares to employees, an Appendix may permit a participant to receive, on completion of his savings contract, a cash amount equivalent to the profit that he would have made on exercise of an option.

## Shareholder information

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: 0870 600 3970. Textphone: 0870 600 3950. International: +44 121 415 7047.

- 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](http://www.shareview.co.uk)

### Shareholder Information

Information concerning the day-to-day movement of the share price of the Company can be found on our website [www.haysplc.com](http://www.haysplc.com) or that of the London Stock Exchange [www.prices.londonstockexchange.com](http://www.prices.londonstockexchange.com)

### Capital Gains Tax base cost of Hays Shares

Following the demerger of DX Services on 1 November 2004, the original base cost of your Hays plc shares for Capital Gains Tax purposes should be allocated between your Hays plc shares and the DX Services plc shares that you received as follows:

Hays plc shares 89.57%

DX Services plc shares 10.43%

For example, suppose you held 100 Hays plc shares for which the base cost is £100. Immediately after the demerger, you held 100 Hays plc shares and 5 DX Services plc shares. The £100 cost should be allocated between these shares as follows:

Hays plc shares  $89.57\% \times £100 = £89.57$ , or £0.90 per share

DX Services plc shares  $10.43\% \times £100 = £10.43$ , or £2.09 per share

If you are in any doubt about the allocation of the base cost between the shares of the two companies, you should consult your tax advisor.

### 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: 0870 242 4244. Website: [www.lloydstsb-registrars.co.uk](http://www.lloydstsb-registrars.co.uk)

### Dealing Service

JPMorgan Cazenove 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: JPMorgan Cazenove Ltd, 20 Moorgate, London, EC2R 6DA, Telephone: +44 (0) 20 7588 2828. Website: [www.jporgancazenove.com](http://www.jporgancazenove.com)

Lloyds TSB Registrars offer Shareview Dealing, a service which allows you to sell your Hays plc shares or add to your holding if you are a UK resident. You can deal in your shares on the internet or by phone. Log on to [www.shareview.co.uk/dealing](http://www.shareview.co.uk/dealing) or call them on 0870 850 0852 between 8.30am and 4.30pm, Monday to Friday, for more information about this service and for details of their rates. If you wish to deal, you will need your account/shareholder reference number which appears on your share certificate.

### ShareGift

ShareGift is a charity share donation scheme for shareholders administered by the Orr Mackintosh Foundation. It is especially useful for those shareholders who may wish to dispose of a small parcel of shares whose value makes it uneconomic to sell on a normal commission basis. Further information can be obtained from [www.sharegift.org](http://www.sharegift.org) or from Lloyds TSB Registrars.

### 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: 0870 600 3970. Website: [www.lloydstsb-registrars.co.uk](http://www.lloydstsb-registrars.co.uk)

### Electronic Communications

Every year, Hays sends out thousands of Annual and Interim Reports to our Shareholders. There is a better way for you to receive this information and it's kinder to the environment.

We'd like to invite you to receive all your shareholder communications from us in future by email and the internet. This will save paper and the global warming gases associated with print and production. And you'll receive information faster.

As a 'thank you' and at no cost to you, we will dedicate a tree for you at Donkeywood, Northumberland National Park, in association with The Carbon Neutral Company. We'll also email you a map of 'your' forest.

To register to receive your shareholder communications via email and have a tree dedicated to you, simply go to [www.shareview.co.uk](http://www.shareview.co.uk), click on 'Register now' on the top left hand side of the page, and select 'H' and 'Hays' from the drop down list of companies. You will then be able to enter your details and you'll be allocated a PIN. If you have any questions, please call 0870 600 3989.

### 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: 0845 703 4599. Website: [www.mpsonline.org.uk](http://www.mpsonline.org.uk)

### Financial Calendar 2006/7

Annual General Meeting	15 November 2006
Final Dividend	21 November 2006
Interim Statement	February/March 2007
Interim Dividend	May 2007

### Registered Office

141 Moorgate  
London EC2M 6TX  
Registered in England & Wales no. 2150950  
Telephone: +44 (0) 20 7628 9999

**Hays plc**

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General Enquiries  
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141 Moorgate  
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Telephone: +44 (0) 20 7628 9999

**Hays Customer Services**

Freephone: 0800 716 026  
Telephone: +44 (0)20 7259 8805  
[www.hays.com/officelocator](http://www.hays.com/officelocator)  
Email: [info@hays.com](mailto:info@hays.com)

Ebury Gate  
23 Lower Belgrave Street  
London SW1W 0NT

**Shareholders**

To use our specialist recruitment services contact your local office (overleaf), or see below:

**Your Hays Recruitment Consultant**

Hays Customer Services  
Ebury Gate, 23 Lower Belgrave Street, London, SW1W 0NT  
Freephone: 0800 716 026  
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