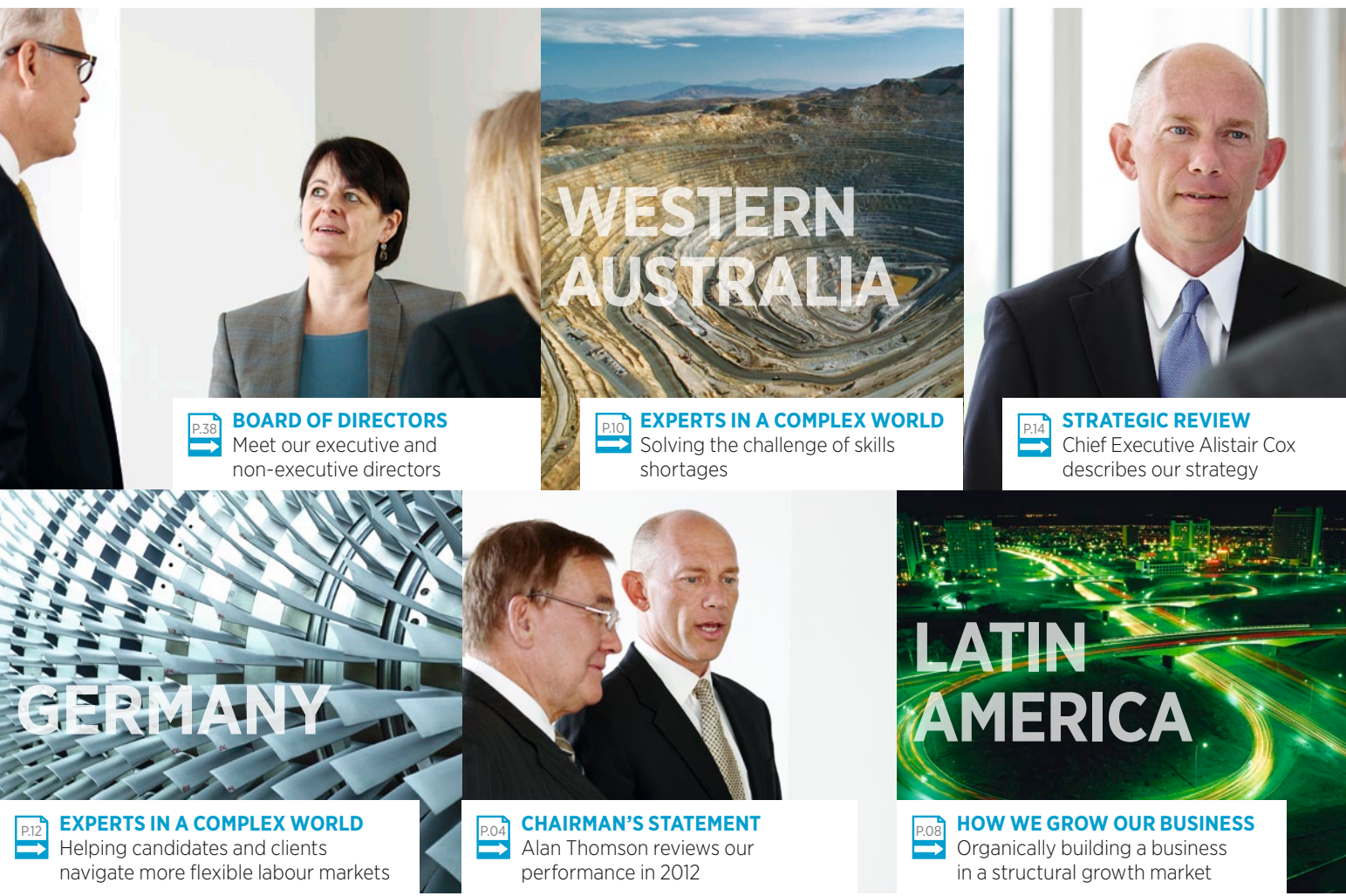


AUSTRALIA/AUSTRIA/BELGIUM/BRAZIL/CANADA/CHILE/CHINA/COLOMBIA/CZECH REPUBLIC/DENMARK/France/GERMANY/HONG KONG/HUNGARY/INDIA/IRELAND/ITALY/JAPAN/LUXEMBOURG/MALAYSIA/MEXICO/NETHERLANDS/NEW ZEALAND/POLAND/PORTUGAL/RUSSIA/SINGAPORE/SPAIN/SWEDEN/SWITZERLAND/UNITED ARAB EMIRATES/UNITED KINGDOM/UNITED STATES/AUSTRALIA/AUSTRIA/BELGIUM/BRAZIL/CANADA/ **EXPERTS IN A COMPLEX WORLD** /CHILE/CHINA/COLOMBIA/CZECH REPUBLIC/DENMARK/France/GERMANY/HONG KONG/HUNGARY/INDIA/IRELAND/ITALY/JAPAN/LUXEMBOURG/MALAYSIA/MEXICO/NETHERLANDS/NEW ZEALAND/POLAND/PORTUGAL/RUSSIA/SINGAPORE/SPAIN/SWEDEN/SWITZERLAND/UNITED ARAB EMIRATES/UNITED KINGDOM/UNITED STATES/AUSTRALIA/AUSTRIA/BELGIUM/BRAZIL/CANADA/CHILE/CHINA/COLOMBIA/CZECH REPUBLIC

ACCOUNTANCY & TAX/CONSTRUCTION/CONTACT CENTRES/EDUCATION/ENGINEERING/HUMAN RESOURCES/LEGAL SAFETY/POLICY & COMPLIANCE/LOGISTICS/FACILITIES MANAGEMENT/MANUFACTURING & OPERATIONS/MARKETING/OPERATIONS/PHARMACEUTICALS/PUBLIC SERVICES/SALES & MARKETING/TELECOMS/TRANSPORT/UTILITY/WORKFORCE MANAGEMENT

ACCOUNTANCY & TAX/CONSTRUCTION/CONTACT CENTRES/EDUCATION/ENGINEERING/HUMAN RESOURCES/LEGAL SAFETY/POLICY & COMPLIANCE/LOGISTICS/FACILITIES MANAGEMENT/MANUFACTURING & OPERATIONS/MARKETING/OPERATIONS/PHARMACEUTICALS/PUBLIC SERVICES/SALES & MARKETING/TELECOMS/TRANSPORT/UTILITY/WORKFORCE MANAGEMENT



#### BOARD OF DIRECTORS

Meet our executive and non-executive directors



#### EXPERTS IN A COMPLEX WORLD

Solving the challenge of skills shortages



#### STRATEGIC REVIEW

Chief Executive Alistair Cox describes our strategy



#### EXPERTS IN A COMPLEX WORLD

Helping candidates and clients navigate more flexible labour markets



#### CHAIRMAN'S STATEMENT

Alan Thomson reviews our performance in 2012



#### HOW WE GROW OUR BUSINESS

Organically building a business in a structural growth market

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For a two-minute video review of our year go to [hays.com/investors](http://hays.com/investors)



For more information about our Group go to [hays.com](http://hays.com)

# HAYS AT A GLANCE

## OUR AIM

We aim to be the world's pre-eminent specialist recruitment business. We hire the best people in our industry and provide them with first-class training and sector-leading global IT systems so that we can understand and solve the challenges faced by our clients and candidates around the world.

We have a business model and strategy focused on achieving this aim by positioning the Group to capitalise on long-term structural market opportunities, whilst driving profitable, well-diversified fee growth in the short term.

Find out much more about our Group, including a two-minute video review of our year at [hays.com/investors](http://hays.com/investors).

### NET FEES

**£734.0m**

2011: £672.1m

### OPERATING PROFIT<sup>(1)</sup>

**£128.1m**

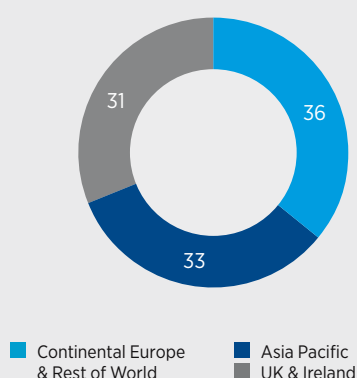
2011: £114.1m

### EARNINGS PER SHARE<sup>(1)</sup>

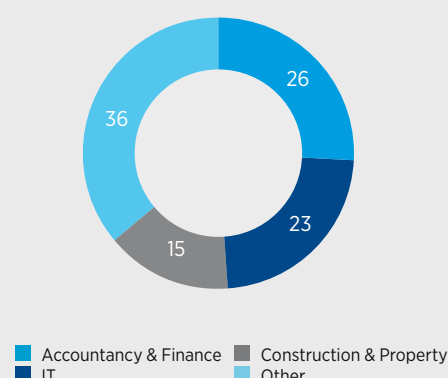
**5.47p**

2011: 5.19p

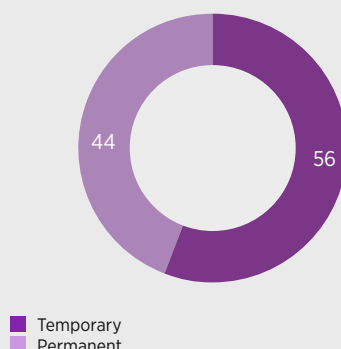
### NET FEES BY DIVISION (%)



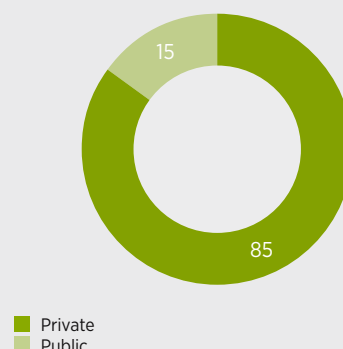
### NET FEES BY SPECIALISM (%)



### TEMPORARY/PERMANENT SPLIT OF NET FEES (%)



### PRIVATE/PUBLIC SECTOR SPLIT OF NET FEES (%)

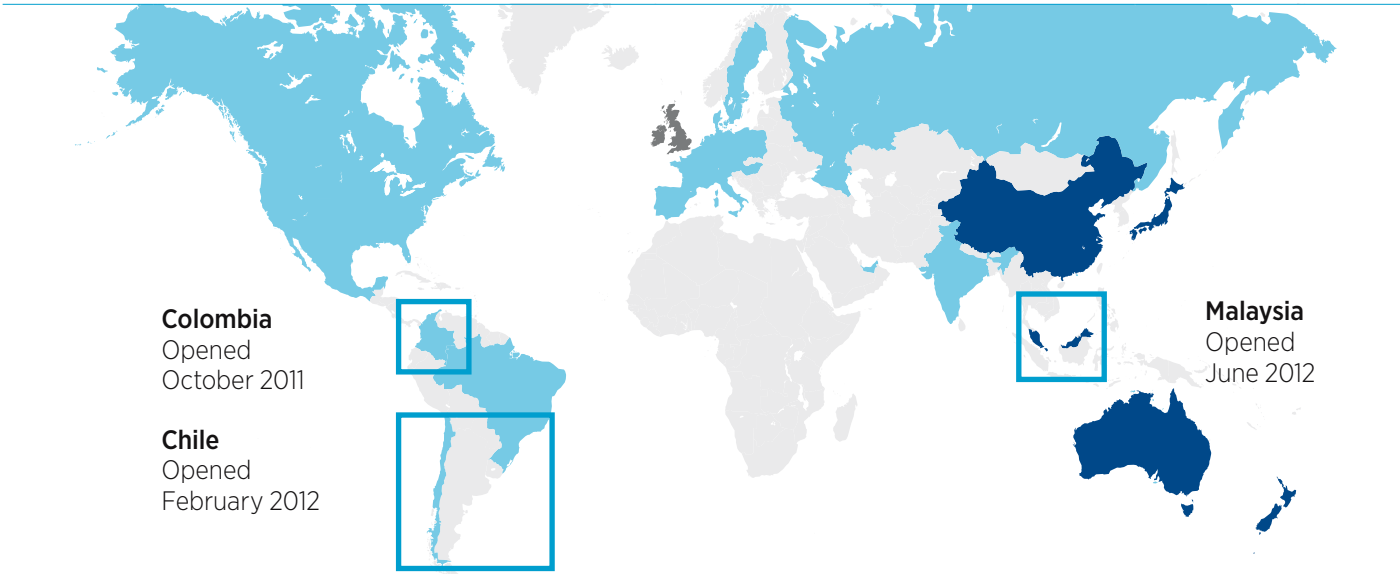


<sup>(1)</sup> Continuing activities only, before exceptional items. 2011 operating profit of £118.2 million and earnings per share of 5.69p from continuing operations included an exceptional credit of £4.1 million.

# WORLDWIDE OPERATIONS

## 33 COUNTRIES

Australia	Chile	France	Ireland	Mexico	Russia	UAE
Austria	China	Germany	Italy	Netherlands	Singapore	United Kingdom
Belgium	Colombia	Hong Kong	Japan	New Zealand	Spain	United States
Brazil	Czech Republic	Hungary	Luxembourg	Poland	Sweden	
Canada	Denmark	India	Malaysia	Portugal	Switzerland	



**HAYS OFFICES WORLDWIDE**

245

**HAYS EMPLOYEES WORLDWIDE**

7,800

**PERMANENT CANDIDATES PLACED  
LAST YEAR**

55,000

**PEOPLE PLACED INTO TEMPORARY  
ASSIGNMENTS LAST YEAR**

182,000

**AREAS OF SPECIALISM**

20

- Accountancy & Finance
- Construction & Property
- Information Technology
- Life Sciences
- Sales & Marketing
- Banking & Capital Markets
- Contact Centres
- Education
- Engineering & Manufacturing
- Executive
- Financial Services
- Health & Social Care
- Human Resources
- Legal
- Office Professionals
- Energy, Oil & Gas
- Purchasing
- Retail
- Resources & Mining
- Telecoms



# INTRODUCTION

## EXPERTS IN A COMPLEX WORLD

We are leading global experts in qualified, professional and skilled recruitment. Every day we help clients simultaneously dealing with talent shortages in certain markets, while having to reshape workforces in others. The nature of employment is also changing fast, with technological advances driving evolutions in the way people work.

We understand these complexities and are uniquely positioned across our markets to solve them.

Last year our experts placed around 55,000 people into permanent jobs and around 182,000 people into temporary assignments. We opened new Hays businesses in Chile, Colombia and most recently Malaysia, our 33rd country of operation.

## HAYS IN 2012



Welcome to our 2012 Annual Report & Financial Statements. 2012 was fast-changing and increasingly complex both in terms of the macroeconomic backdrop in which we operated and also the challenges faced by our clients and candidates around the world. Over the last 10 years, Hays has strategically built a business that is unmatched in terms of its sectoral diversification and geographic footprint, meaning we are able to understand and solve these challenges wherever they occur.

This year we have delivered a good set of results in this context, whilst continuing to develop the Group to ensure we are well placed to meet the challenges and capitalise on the opportunities of the future.

I am proud to be Chairman of a Group with 7,800 experts in 33 countries across 20 specialisms around the world. It is this diversity that means Hays really are the experts in today's complex world.

**ALAN THOMSON** CHAIRMAN

# HIGHLIGHTS IN 2012

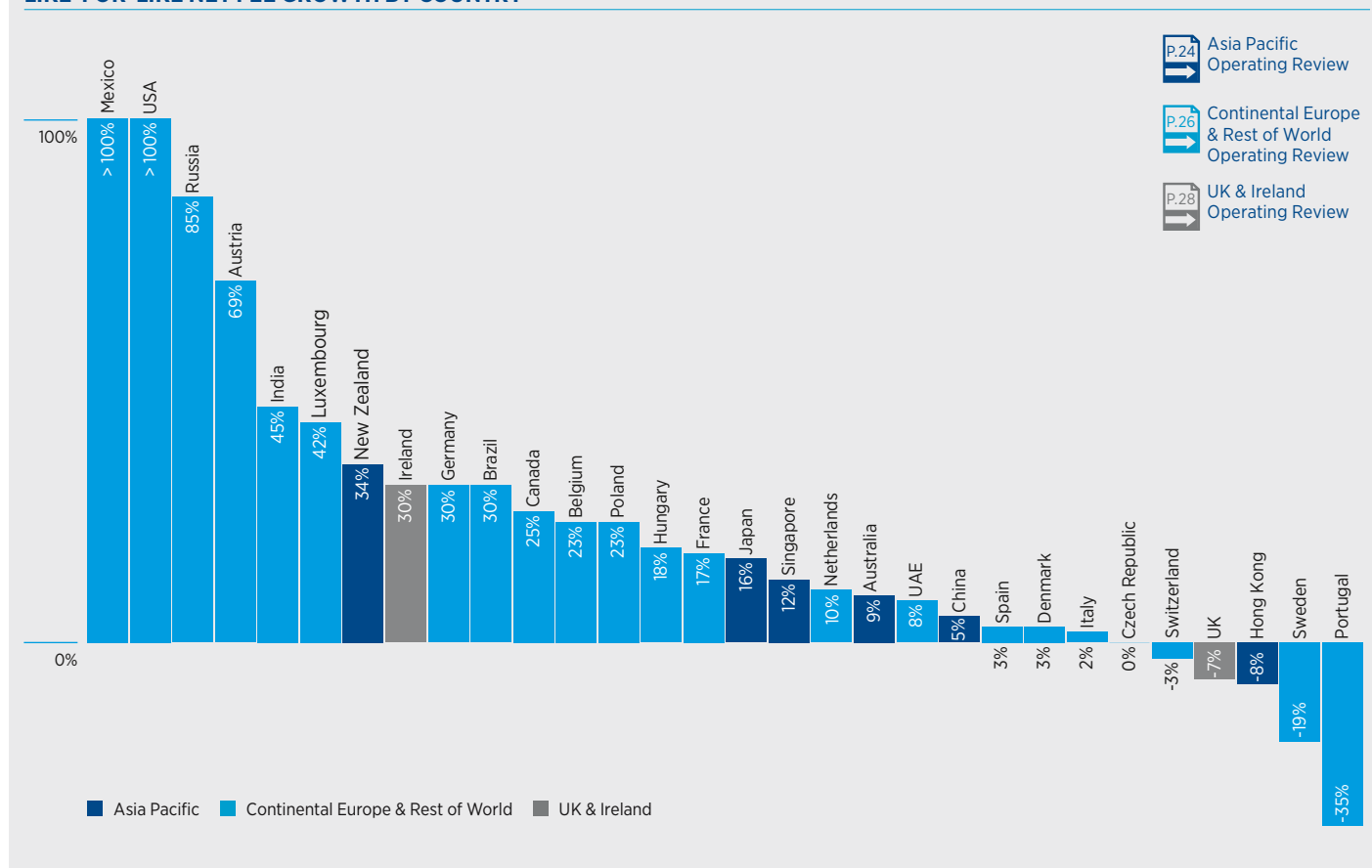
## GOOD FEE GROWTH, SELECTIVE INVESTMENT AND STRONG COST CONTROL TO DEFEND GROUP PROFITABILITY

We have delivered good net fee growth of 8%<sup>(1)</sup> driven by a strong performance by our International business, in the context of increasingly challenging conditions in many of our markets.

The year saw fast-changing, volatile market conditions around the world, with sentiment amongst our clients and candidates varying from quarter to quarter. As such, our approach to managing the business has been nimble and responsive to reflect this volatility, most notably in terms of prioritising appropriate areas of investment.

We have continued to grow our business to maximise fees in more buoyant markets, such as the resource-based regions of Australia and our global IT, Engineering, Life Sciences and Oil & Gas specialisms. Equally, we have continued to invest in order to capitalise on structural growth markets such as Germany, Japan and Brazil. At the same time, we have taken appropriate action to defend the profit of the Group by focusing on strong cost control in more challenging markets, and leveraging our best-in-class IT systems to drive consultant productivity.

LIKE-FOR-LIKE NET FEE GROWTH BY COUNTRY<sup>(1)</sup>



(1) LFL (like-for-like) growth represents organic growth of continuing activities at constant currency, before exceptional items.

(2) Operating profit and earnings per share are from continuing activities before exceptional items.

(3) 2011 figure is before exceptional credit of £4.1 million.

(4) Conversion rate is the proportion of net fees converted into operating profit, before exceptional items.

NET FEES<sup>(5)</sup>

# £734.0m

**Growth in net fees 8%<sup>(1)</sup>**

Driven by a strong performance by our International business, which now represents 69% of Group net fees.

OPERATING PROFIT<sup>(2)</sup>

# £128.1m

**Growth in operating profit 9%<sup>(3)</sup>**

Due to net fee growth, more selective investment, improved productivity and tight cost control.

EARNINGS PER SHARE<sup>(2)</sup>

# 5.47p

**Growth in earning per share 5%<sup>(3)</sup>**

Driven by operating profits and a lower net finance charge, offset by an increase in the effective tax rate.

## FULL YEAR DIVIDEND

# 2.50p

Rebased to a more appropriate level, covered by earnings within the revised cover range of 2.0x – 3.0x earnings per share.

CONSULTANTS<sup>(6)</sup>

# 5,013

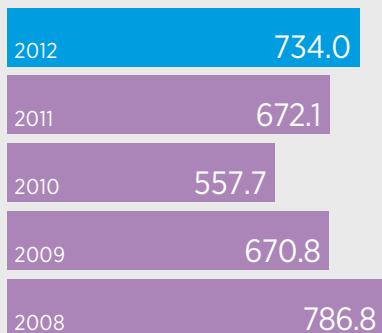
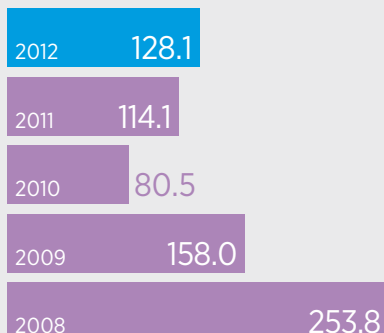
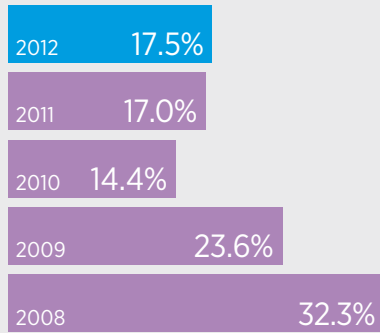
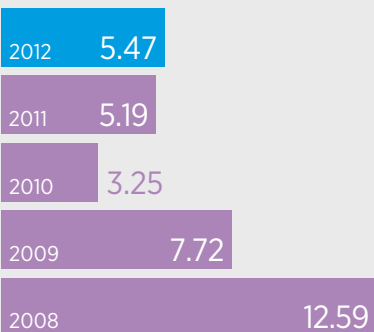
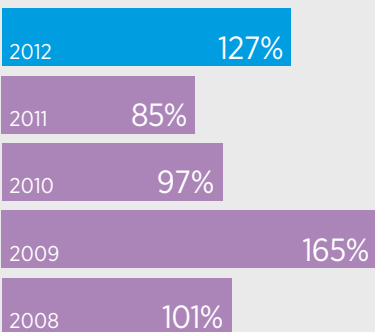
Continued focused and selective investment in the International business adding 11%, offset by a fall of 10% in the UK.

CASH CONVERSION<sup>(7)</sup>

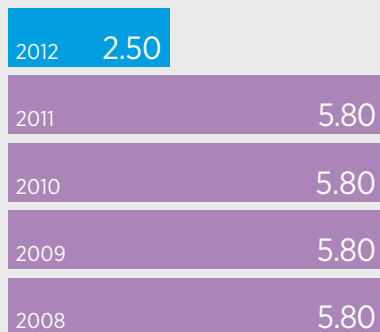
# 127%

Improved conversion of operating profit to operating cash flow due to strong working capital management.

## NET FEES (£M)

OPERATING PROFIT (£M)<sup>(2)(3)</sup>CONVERSION RATE<sup>(4)</sup>BASIC EARNINGS PER SHARE (PENCE)<sup>(2)</sup>CASH CONVERSION<sup>(7)</sup>

## DIVIDEND PER SHARE (PENCE)



(5) 2012 net fees of £734.0 million (2011: £672.1 million) are reconciled to statutory turnover of £3,654.6 million (2011: £3,256.0 million) in note 6 to the Consolidated Financial Statements on page 76.

(6) Consultant numbers, and changes in consultants, are shown on a closing basis, comparing 30 June 2012 with 30 June 2011.

(7) Cash conversion is the conversion of operating profit before exceptional items into operating cash flow (before exceptional items and capital expenditure).

# CHAIRMAN'S STATEMENT BALANCING PROFITABILITY IN TODAY'S COMPLEX WORLD WITH INVESTMENT TO DELIVER OUR LONG-TERM GOALS



**ALAN THOMSON** CHAIRMAN

This year the Group has delivered good organic fee and profit growth in the context of an increasingly uncertain economic environment.

Group net fees increased by 8%<sup>(1)</sup> in 2012 as we benefited from the diversity of the Group's operations both by geography and specialism. Management focus throughout the year has been on defending the Group's financial performance in more challenging markets, whilst selectively investing for growth in more buoyant areas. As a result, the Group delivered good growth in underlying operating profits of 9%<sup>(1)(2)</sup>, whilst earnings per share increased by 5%<sup>(3)</sup> and our cash flow performance was excellent.

## DIVIDEND

Increased global economic uncertainty slowed the pace of the Group's profit growth as the first half progressed and as a result first half operating profit was only 2% sequentially higher than the previous half. Considering this, and the Board's view at that time regarding likely growth in Group profitability in the second half of the year, we decided that, whilst the dividend remained affordable, it was no longer appropriate to maintain it at its previous level, which had been uncovered by earnings for two years.

We therefore took the very difficult decision in February to reduce the interim dividend

and we propose to pay a final dividend of 1.67 pence, which is in line with our one-third/two-thirds split, and results in a full year dividend of 2.5 pence, down 57% on the previous level.

The Board fully understands the importance to shareholders of paying a sustainable and progressive dividend. We believe that future dividends should be covered by earnings in the range 2.0x – 3.0x<sup>(3)</sup> and we are committed to growing the dividend when cover sustainably reaches 2.5x<sup>(3)</sup>.

## GOVERNANCE AND BOARD

As Chairman, one of my primary responsibilities is to ensure that the Group operates to the highest standards in all aspects of governance and risk management. We are making good progress in broadening our corporate responsibility programme. When I joined Hays in late 2010, it was clear to me that the Group takes all of these aspects very seriously and this remains the case. Transparency is central to this, and you will find more detail about our approach and progress over the last year in the governance section starting on page 34, and in our separately published Corporate Responsibility Report.

I was delighted to welcome Pippa Wicks to the Board as a non-executive director on 1 January 2012. Pippa is a member of the Audit, Nomination and Remuneration Committees and is currently Managing Director at AlixPartners. She brings with her a wealth of experience and, along with Victoria Jarman who joined our Board in October 2011 and who I introduced in last year's Annual Report, has had an immediate positive impact. At this year's Annual General Meeting, Paul Stoneham will be retiring as a non-executive director having served on the Board for eight years. I would like to thank Paul for his commitment and contribution in that time.

It is critical that the make-up of the Board reflects not only the shape of our business today, but also evolves to reflect what is a fast-paced, structural growth industry. Whether that is in terms of responding to the development of new media and technology, understanding the changing needs of our clients or reflecting the rapid internationalisation of the business, my focus is on ensuring that the make-up of the Board

appropriately reflects the way the Group is developing, and is fully aligned to the focus and goals of our executive management team.

## PEOPLE

Over the last year I have continued to travel and meet our people around the Group. What strikes me above all is their professionalism and their focus on solving the challenges of our clients and candidates around the world. Our people are undoubtedly our key asset and over the past year we have continued to welcome new experts into the Group, as well as opening new Hays businesses in Chile, Colombia and Malaysia – our 33rd country. I am convinced that the long-term opportunities for growth we offer, as well as the unrivalled support and development opportunities available, mean that our people will continue to find Hays a place where they can forge exciting and rewarding careers. I would like to personally thank them all for their hard work and commitment throughout the year.

## SUMMARY

We have continued to make significant progress in 2012. The fast-changing economic backdrop we have faced has meant that we have had to become more selective about areas of investment to ensure that we maximise opportunities for growth whilst defending the financial performance of the Group. For as long as the economic outlook remains uncertain, we will continue with this approach. Longer term, the structural growth opportunities for our industry remain undiminished and the Board will continue to focus on ensuring that the Group takes full advantage of them.

**Alan Thomson**  
Chairman

## FURTHER INFORMATION



For more detail go to our Corporate Governance Report



For more detail on our approach to corporate responsibility visit [hays.com/corporate-responsibility](http://hays.com/corporate-responsibility)

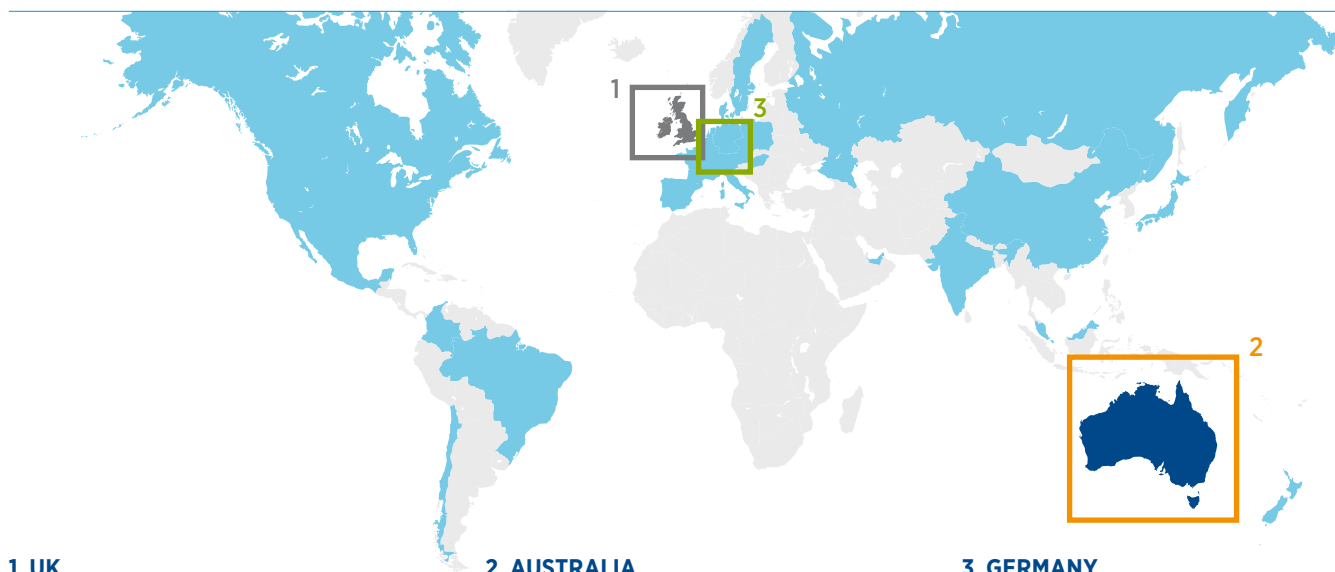
(1) LFL (like-for-like) growth represents organic growth of continuing activities at constant currency, before exceptional items.

(2) 2011 figure is before exceptional credit of £4.1 million.

(3) Earnings per share, from continuing operations only, before exceptional items.

# THE MARKETPLACE IN 2012

## THEMES WE SAW IN OUR KEY BUSINESSES AROUND THE WORLD



### 1. UK

Conditions remained challenging overall and in several markets became tougher as the year progressed as heightened macroeconomic concerns negatively impacted candidate and client confidence.

The private sector became more difficult over the year particularly in our Banking and City-related specialisms. Elsewhere, those specialisms characterised by skills and candidate shortages remained relatively resilient, and we saw good growth in areas such as IT, Energy, Oil & Gas and Life Sciences.

In the public sector, which makes up 24% of our net fees in the UK, activity remained subdued but broadly sequentially stable, although areas such as Office Support and Construction & Property were especially difficult.

### 2. AUSTRALIA

The market became increasingly dual-track, as the resources and mining focused economies of Western Australia and Queensland (around 35% of our net fees in Australia) saw very strong growth, driven primarily by a shortage of skilled people. Market conditions in the rest of Australia became more difficult as the year progressed.

The market for permanent placements became more difficult in the second half as candidate confidence was impacted by the more uncertain global macroeconomic climate.

Temporary markets were more robust, driven largely by Resources & Mining, where many roles are filled by people on longer-term contracts. Elsewhere, we saw clients turn to temporary employees to fill roles when they were unable to find a suitable permanent candidate, or were more cautious about their hiring decisions.

### 3. GERMANY

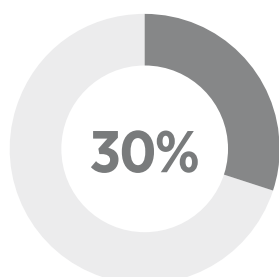
We saw broad-based growth throughout the year across all of the sectors in which we operate.

Specialist recruitment in Germany is still relatively immature; the vast majority of recruitment is still undertaken in-house.

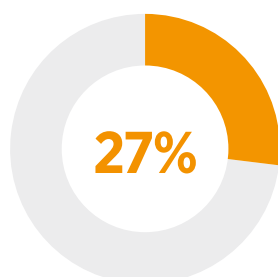
This is changing, however, and the outsourcing of recruitment was again a trend.

This is particularly the case in the IT & Engineering sectors, which make up 77% of our net fees in Germany. The market continued to be driven by this structural move towards outsourcing, but was also, in our experience, buoyed by a shortage of skilled candidates (notably in the Engineering sector) and the continued adoption of more flexible working arrangements both by companies and employees.

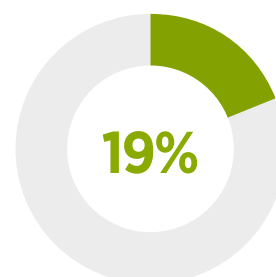
#### PROPORTION OF GROUP NET FEES



#### PROPORTION OF GROUP NET FEES



#### PROPORTION OF GROUP NET FEES

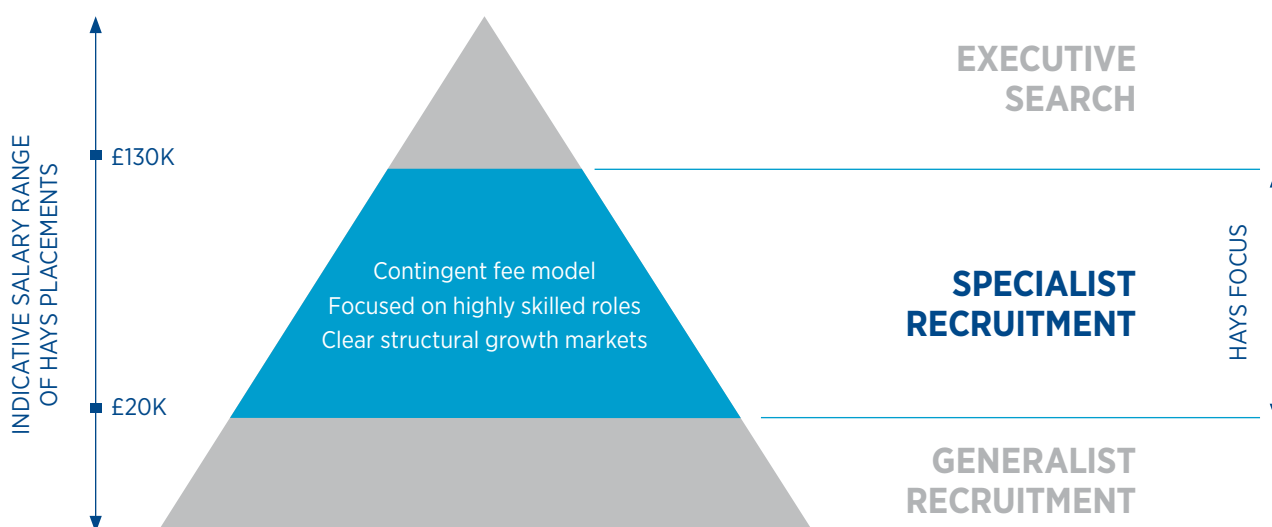




# OUR BUSINESS MODEL

## WHAT WE DO

We are focused on the specialist recruitment market. In the vast majority of our businesses, we operate a contingent fee model, with fees paid to us by our clients derived as a proportion of the salary of the candidate placed. In the permanent business, we recognise fees when the candidate starts work. For temporary placements, we earn fees when a candidate is active in an assignment.




## WHERE WE DO IT

Our organisational structure is simple and is built around three regions globally. Within this structure, our 5,013 consultants operate from 245 offices in 33 countries – an unrivalled footprint in specialist recruitment. Critically, we have market-leading positions in many of the most important markets in the world, including Australia, Germany and the UK. All of this means we understand our clients' challenges locally, with the ability to solve them globally.

### ASIA PACIFIC

# 33%


of Group net fees  
OFFICES: 48  
CONSULTANTS: 1,112

 P.24 For more detail go to the Asia Pacific Operating Review

### CONTINENTAL EUROPE & REST OF WORLD

# 36%


of Group net fees  
OFFICES: 87  
CONSULTANTS: 1,967

 P.26 For more detail go to the Continental Europe & Rest of World Operating Review

### UNITED KINGDOM & IRELAND

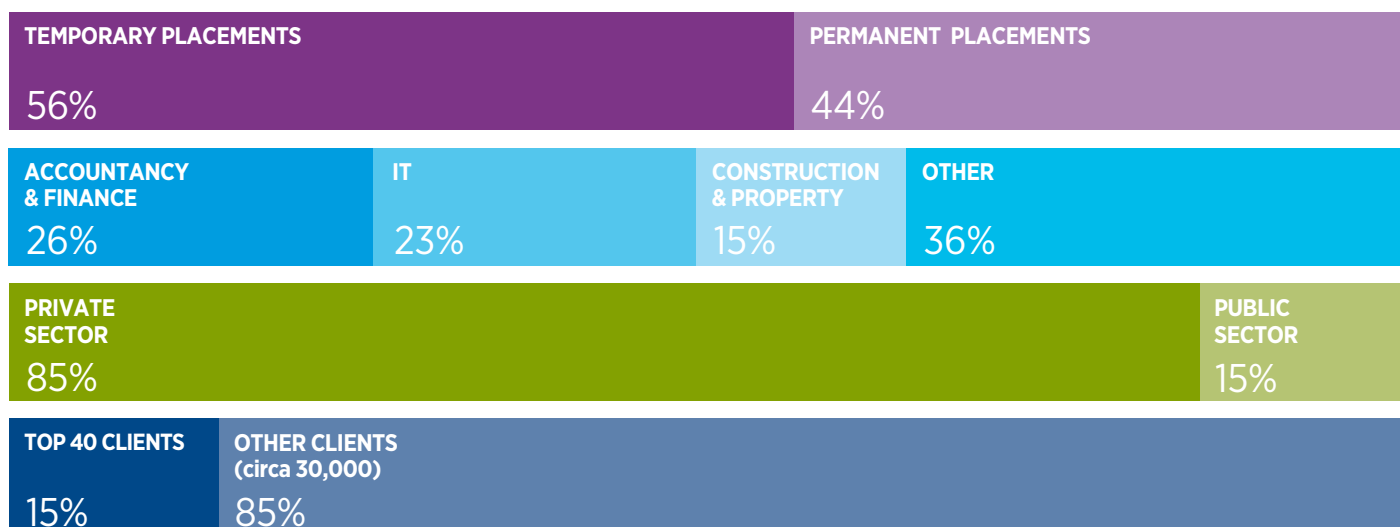
# 31%

of Group net fees  
OFFICES: 110  
CONSULTANTS: 1,934

 P.28 For more detail go to the UK & Ireland Operating Review

## A BALANCED, DIVERSE OFFERING

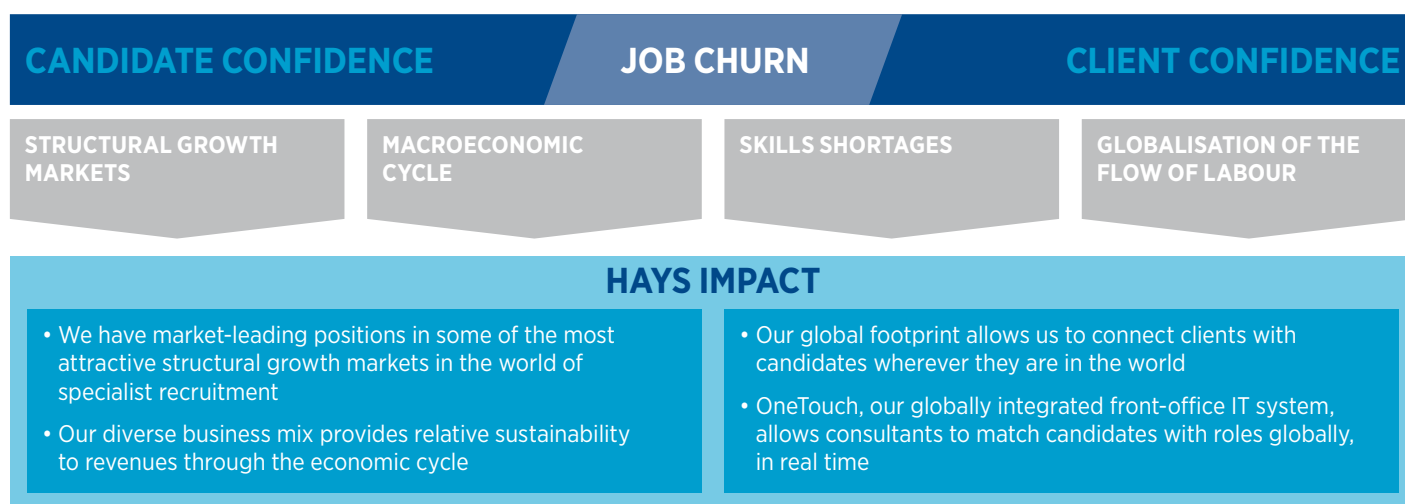
What makes Hays unique in the world of specialist recruitment is the diversity of our business model. The breadth of our expertise by contract type, geography and specialism positions us well to withstand various stages of the macroeconomic cycle and best serve our clients around the world, regardless of the challenges they face.



Note: All figures represented as a percentage of Group net fees.

## WHAT DRIVES GROWTH

The global specialist recruitment market is driven primarily by confidence amongst both businesses, to replace people who leave, and candidates to move jobs. We call this 'job churn'. In addition, we identify four further factors currently driving fee growth: the emergence of structural growth markets; the macroeconomic cycle; skills shortages; and the globalisation of the flow of labour.



# A BUSINESS MODEL FOR A COMPLEX WORLD ORGANICALLY BUILDING OUR BUSINESS IN A STRUCTURAL GROWTH MARKET

## SPOTLIGHT ON LATIN AMERICA

We have a proven track record of organically entering new markets that allows us to establish a business quickly and with minimal risk.

Following the launch of Hays Brazil in 2007, we have successfully leveraged our scale across Latin America by organically growing our footprint to seven offices across four countries with the launch of Mexico and Colombia in FY 2011 and Chile in FY 2012.

We launched these countries using our replicable business model and our market-leading international database of clients and candidates to forge relationships and build a local market presence.

Central to the success of our new country entries is ensuring that we build the business based on the culture of Hays under our single global brand and we use this as a key competitive advantage in the marketplace.

Duarte Ramos, Country Manager of Colombia, has been with Hays for eight years and was instrumental in the launch of our Mexican business in September 2010. He started his career with Hays as a consultant in Lisbon and was responsible for setting up our Oporto operation (our second office in Portugal) in 2005. He then moved back to Lisbon as a Regional Director of the Portuguese business.

Hays Chile is managed by Giordano Righi. He is equally experienced, having held key managerial positions within Hays Germany's Permanent, Temporary and Contracting business divisions. Before moving to Chile, Giordano most recently set up our Permanent Engineering division across Germany.

# 36%

ORGANIC GROWTH IN  
LATIN AMERICA<sup>(1)</sup>

# 127

CONSULTANTS

# 7

OFFICES

<sup>(1)</sup> LFL (like-for-like) growth represents organic growth of continuing activities at constant currency, pre-exceptional items.

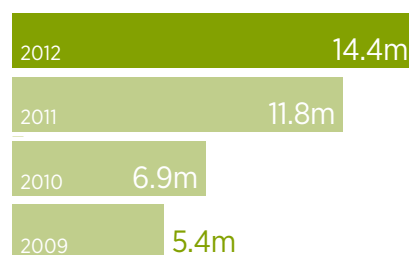
## ORGANIC ROLL-OUT IN LATIN AMERICA



## BRAZILIAN NET FEES (£)

# 30%

GROWTH IN 2012<sup>(1)</sup>



# A BUSINESS MODEL FOR A COMPLEX WORLD

## BALANCED EXPOSURE TO STRUCTURAL GROWTH AND MATURE MARKETS

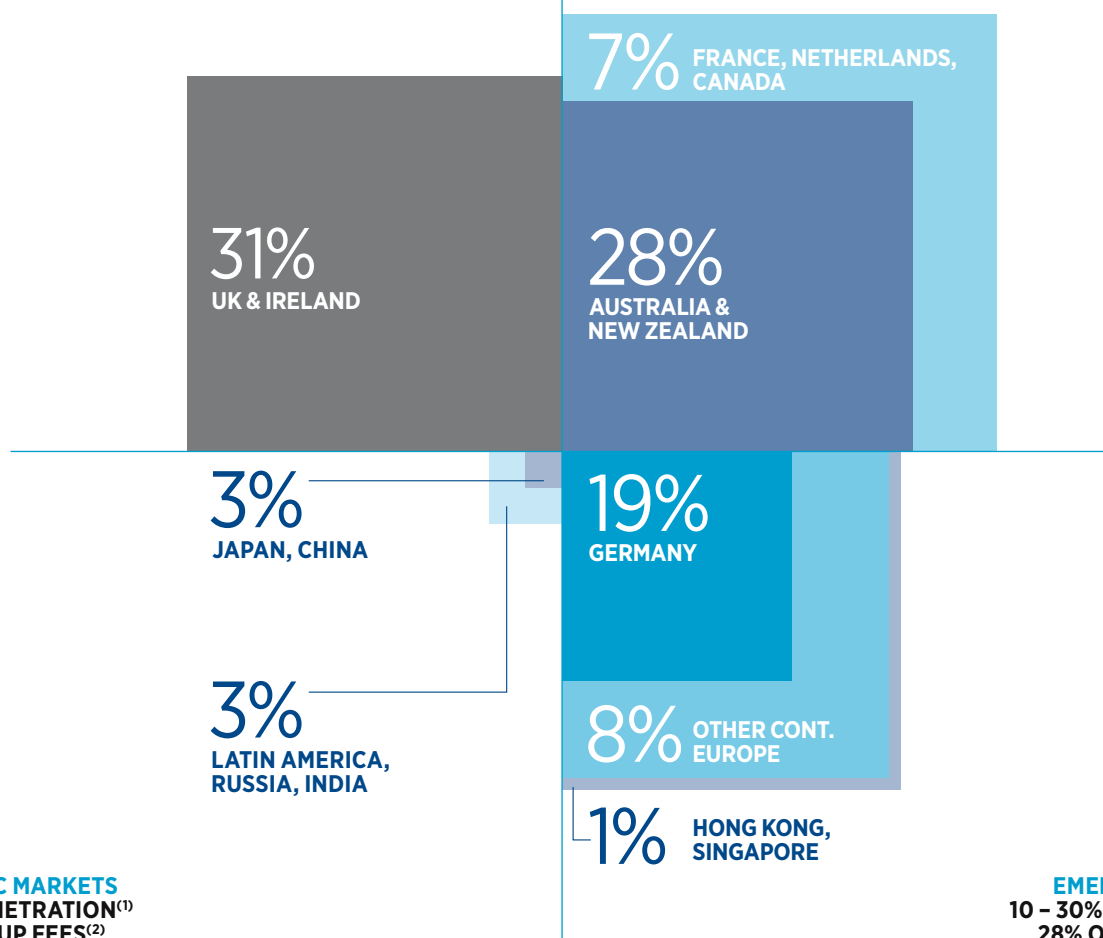
In most countries, the vast majority of professional recruitment is still done in-house with minimal outsourcing to agencies, even in developed economies such as Germany or Japan. We have very deliberately built a business model that provides us with a balanced exposure to these high structural growth markets, as well as in more mature markets such as the UK and the US.

### ESTABLISHED MARKETS

>70% PENETRATION<sup>(1)</sup>  
31% OF GROUP FEES<sup>(2)</sup>  
-7% GROWTH IN 2012<sup>(3)</sup>

### DEVELOPING MARKETS

30 – 70% PENETRATION<sup>(1)</sup>  
35% OF GROUP FEES<sup>(2)</sup>  
+12% GROWTH IN 2012<sup>(3)</sup>



### EMBRYONIC MARKETS

0 – 10% PENETRATION<sup>(1)</sup>  
6% OF GROUP FEES<sup>(2)</sup>  
+26% GROWTH IN 2012<sup>(3)</sup>

### EMERGING MARKETS

10 – 30% PENETRATION<sup>(1)</sup>  
28% OF GROUP FEES<sup>(2)</sup>  
+21% GROWTH IN 2012<sup>(3)</sup>

(1) Market penetration is defined as the % of skilled and professional recruitment that is outsourced, based on Hays Management estimates.

(2) Percentages in the chart show the % Group net fees in 2012.

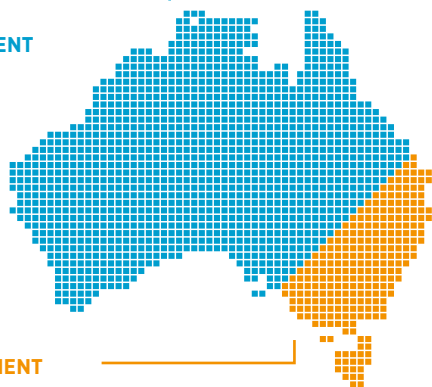
(3) LFL (like-for-like) growth represents organic net fee growth of continuing activities at constant currency.

Note: Excludes new country openings.



SHORTFALL IN EXPERTISE<sup>(1)</sup>

**20%**  
OF EMPLOYMENT  
**53%**  
OF INVESTMENT  
PROJECTS



**80%**  
OF EMPLOYMENT  
**47%**  
OF INVESTMENT PROJECTS

“

The way that Hays worked with me to secure this role was a true partnership. Not only did they manage the relationship with Newmont to ensure that my CV fitted the role, they made sure I understood the culture of the company and that my global relocation was as seamless as possible

”

**FREDRIK GRANSELL** DRILL & BLAST ENGINEER







# EXPERTS IN A COMPLEX WORLD SOLVING CLIENT CHALLENGES IN A WORLD OF SKILLS SHORTAGES

## SPOTLIGHT ON WESTERN AUSTRALIA

The mining industry in Western Australia has seen tremendous recent growth.

### THE CONTEXT

The forecast demand for Australian resources will mean that up to half of all new jobs created in the next few years will be in the mining sector and related industries.<sup>(2)</sup>

Whilst in the long term this is good news for job creation in Australia, the immediate issue is one of skills shortages in the mining regions. Many of the roles that are vital to the sector require experts with niche skills and experience and sourcing this talent is proving to be a challenge for many of our clients.

### THE CLIENT'S CHALLENGE

Newmont is one of the world's top five global gold producers, with multiple underground and open pit mining operations in Western Australia. The mining talent they need to source is highly skilled and in short supply, as the level of knowledge and qualifications needed for roles is exceptionally high. As part of the ongoing relationship we have with them, they came to Hays for help in finding a drill & blast engineer, a position that they have struggled to fill in the past due to the technical nature of the role and the lack of available candidates.

### HAYS EXPERTISE IN ACTION

Due to our in-depth knowledge of Newmont's requirements and our extensive global database of candidates we were quickly able to present a qualified experienced mining engineer. Newmont was so impressed with the candidate, Fredrik Gransell, that within an hour of receiving his CV they arranged an interview on-site. They flew Fredrik from his native Stockholm to Perth and then to their Jundee site for an interview and induction.

Hays was able to work with both Fredrik and Newmont throughout the process to ensure that the fit was right, and two months after the visit, Fredrik relocated to Perth to start his new life and career.

(1) Deloitte Access Economics.

(2) Reserve Bank of Australia: May 2012.



# EXPERTS IN A COMPLEX WORLD HELPING CANDIDATES IN A FAST MOVING, FAST CHANGING LABOUR MARKET

## SPOTLIGHT ON GERMANY

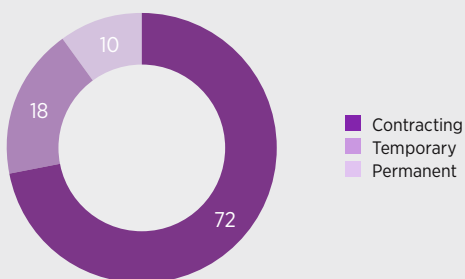
A key driver of the structural growth we are seeing in the German specialist recruitment market is the increasing prevalence of flexible working, driven by both corporates and highly skilled candidates.

## HAYS EXPERTISE IN ACTION

Both Gerd and Roberto demonstrate how Hays is uniquely positioned to help candidates and clients alike deal with the complexities brought about by these fast-changing labour market dynamics.

They are typical of the highly skilled, in-demand professionals who increasingly seek flexibility and diversity in their careers and therefore choose to work as contractors. Similarly, our clients in Germany are becoming more and more aware of the benefits of a flexible and nimble labour force. As the leader in so many markets characterised by these challenges, we understand them and deliver for both our clients and our candidates.

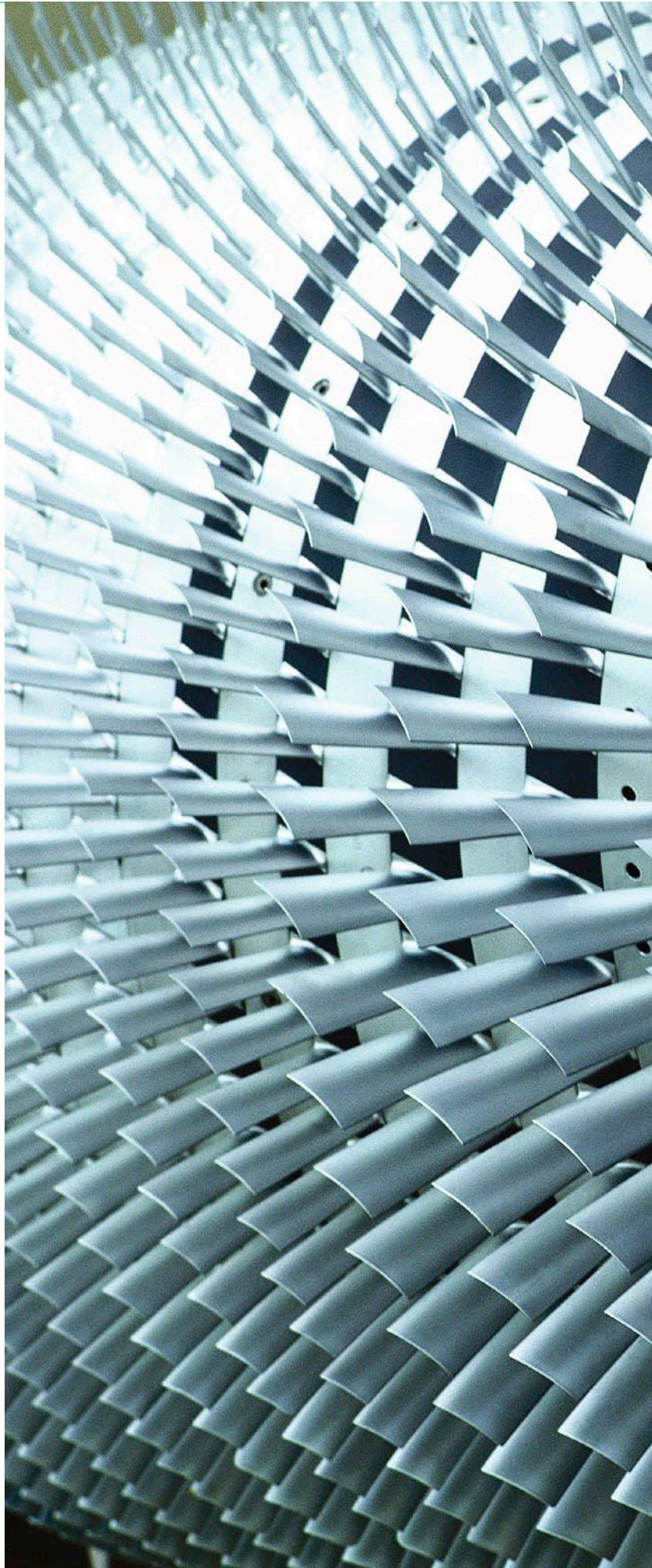
## GERMANY NET FEES (%)



**1 in 3**  
NEW JOB POSTS ARE  
TEMPORARY ASSIGNMENTS<sup>(1)</sup>

**30%**  
GROWTH IN GERMANY  
NET FEES IN FY 12<sup>(2)</sup>

(1) German employment figures for May 2012, German Federal Labour Agency.  
(2) LFL (like-for-like) growth represents organic growth of continuing activities at constant currency, pre-exceptional items.





**ENGINEERING****GERD ERBACH**

Gerd is a hardware development engineer who specialises in the field of power electronics and power supplies. He has been working on freelance projects with Hays since 2004 and is one of very few skilled freelance power engineers in Germany able to meet the needs of our clients across this key sector.

**GERD'S RECENT ASSIGNMENTS****JAN 2005****BMW****DEC 2007****EADS****DEC 2010****AOA****INFORMATION TECHNOLOGY****ROBERTO CHAU**

Roberto is a senior software engineer who specialises in the niche field of automation IT. We have worked with him over several years to match his skills to clients' needs and he has worked on a number of specialist projects.

**ROBERTO'S RECENT ASSIGNMENTS****MAY 2008****ABB  
Stotz****NOV 2011  
Siemens****MAY 2012****SEW  
Eurodrive**

“

Hays understands how I want to develop my career and build on my experience. Their close relationships with clients are key to that; I'm always placed where my skills are valued

”

“

The Hays team truly understands the specialist nature of the work I do and how to match that to the demands of their clients. They are the only agency I have worked with that understand the complex technical needs of their clients in that way

”

# CHIEF EXECUTIVE'S STRATEGIC REVIEW

## OUR STRATEGIC AND OPERATIONAL FOCUS

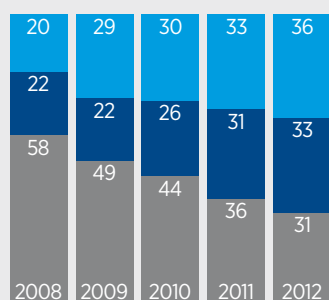


**ALASTAIR COX** CHIEF EXECUTIVE

Specialist recruitment is an industry that offers significant long-term structural growth opportunities as client organisations across the world increasingly turn to experts such as Hays to help them source the very best talent. In the short term however, recruitment is geared to the economic cycle and we must ensure that our day-to-day operational focus is responsive and quick to adapt to changes in each market as and when they occur.

Capitalising on this long-term opportunity and building Hays to be the global leader in specialist recruitment is the cornerstone of our strategy. Managing our short-term actions to maximise Group profitability whilst ensuring we invest appropriately to build the long-term global platform are the key management challenges in our business.

### HISTORIC NET FEES BY DIVISION (%)



■ Continental Europe & Rest of World ■ Asia Pacific ■ UK & Ireland

### INTRODUCTION: COMBINING A CLEAR STRATEGIC DIRECTION WITH NIMBLE OPERATIONAL FOCUS

The world we operate in today is increasingly complex, so this year we have changed the way we present our Group strategy in order to better illustrate the way we think about and manage our business against this backdrop. On the page opposite, we have outlined our aims as a Group, as well as the two levels on which we manage the business. Our four Strategic Pillars underpin everything we do in order to deliver on these long-term aims. Additionally, our areas of Operational Focus describe how we manage the business on a day-to-day basis in response to the prevailing and fast-changing environment.

In an industry, which has clear structural growth opportunities but is also characterised by cyclicity, this twin-track approach is critical to achieving our long-term aims, whilst maximising the short-term performance of the Group.

### OUR FOUR STRATEGIC PILLARS

Our four Strategic Pillars underpin the way we manage and grow the Group over the long term. They remain unchanged regardless of the stage of the economic cycle, and they are designed to ensure we are never distracted from our core strategic aim of building the world's pre-eminent specialist recruitment business.

We assess our progress against these Strategic Pillars in our Key Performance Indicators, which you will find on pages 20 and 21. Additionally, I give my own view on our progress over the last 12 months and discuss our focus in 2013 on pages 16 to 19.

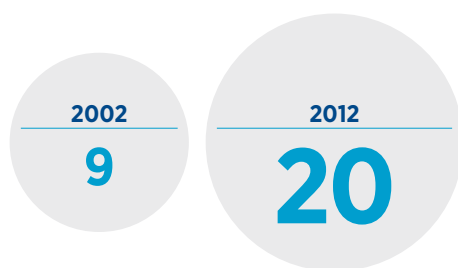
### OUR OPERATIONAL FOCUS

Overlaying these Strategic Pillars are our areas of short-term Operational Focus. We need to be nimble and responsive to the market context in which we find ourselves, so our actions reflect today's complex, multi-speed and overall more challenging market conditions.

These areas of Operational Focus represent the immediate 'to-do' list for the Group's executive team as we manage the business. In a cyclical industry such as specialist recruitment, notwithstanding the longer-term structural growth opportunities which exist, it is critical that we can quickly shift our emphasis between investment and cost control as market conditions change, in order to maximise fees and profits in the short term.

Throughout the next few pages, my strategic review includes brief case studies and updates on how we are approaching each of these areas of Operational Focus. Additionally, you can find operating reviews of each of our divisions starting on page 24.

### DIVERSIFICATION OF SPECIALISMS





## OUR AIMS

## BUILD THE WORLD'S PRE-EMINENT SPECIALIST RECRUITMENT BUSINESS

## DELIVER WELL-DIVERSIFIED AND PROFITABLE FEE GROWTH

## OUR FOUR STRATEGIC PILLARS

1  
ONE HAYS AROUND  
THE WORLD

- Single global brand
- Globally consistent customer service
- Global thought leadership

2  
GROWTH TAILORED TO  
MARKET OPPORTUNITIES

- Build global scale
- Diversify specialisms in existing countries
- Selected new country openings
- Respond to evolving client needs
- Find new ways of addressing our markets

3  
BEST PEOPLE IN  
THE INDUSTRY

- Recruit, engage and retain the best people
- Provide industry-leading training
- Provide global career opportunities and mobility

4  
EFFICIENCY AND  
OPERATIONAL  
EFFECTIVENESS

- Maximise consultant productivity
- Leverage best-in-class technology platform
- Drive efficiencies through automated back-office systems
- Integrate with developing social media channels

OUR OPERATIONAL  
FOCUS


## FULLY CAPITALISE ON ALL OPPORTUNITIES

Exploit buoyant markets • Further build scale and diversity • Fully capitalise on long-term structural opportunities

Find our Oil & Gas roll-out case study 


## DEFEND AND MAXIMISE FINANCIAL PERFORMANCE


Focus on UK profits • Targeted, selective investment • Focus on consultant productivity

Find our regional Operating Reviews 

## RESPOND TO AND BEST SERVE EXISTING AND EVOLVING CLIENT DEMANDS


Local network and expertise • Efficient corporate accounts offering • Evolving product offering

Find more detail on our corporate accounts business 

Find more detail on our 3 Story Software product 


## RECRUITMENT, TRAINING AND LEADERSHIP DEVELOPMENT

Performance-driven remuneration • Active local management • Best-in-class training and development

Find more detail on our approach to hiring and developing the best people 

## CONTINUE TO RESEARCH AND RESPOND TO NEW MEDIA

Position the Group to capitalise on all opportunities • Anticipate and understand potential threats • Build partnerships

Find more detail on our approach to new media 



## CHIEF EXECUTIVE'S STRATEGIC REVIEW CONTINUED



### OPERATIONAL FOCUS RECRUITMENT, TRAINING AND LEADERSHIP DEVELOPMENT

A key pillar of our strategy is our commitment to recruit, engage and retain the best people in the industry.

We have enhanced our recruitment processes by launching our new careers website, which has had over 400,000 visits to date. Over 40,000 people in 190 countries have taken part in the award-winning Hays Challenge, our purpose-built interactive recruitment tool.



Visit our careers website and play the Hays Challenge at [hays-careers.com](http://hays-careers.com)

We encourage our consultants to develop as experts through structured on-the-job experience, coaching, mentoring, e-learning and dedicated training programmes. We have also been instrumental in developing a new industry award that recognises the quality of the consulting skills shown by our more experienced consultants. The calibre of our management teams is critical to our success. Our future leaders complete our industry-leading Advanced Management Programme and 50 of our most senior leaders have completed the 'Fast Forward' global executive development programme.



For more detail, go to our Employees section

Selective investment to capitalise on growth areas combined with strong cost control and a focus on productivity has delivered a strong performance.

### INTRODUCTION TO OUR PERFORMANCE IN 2012

Throughout 2012 we focused on ensuring that the Group was quick to respond to changes in market conditions as and when they occurred around the world. Our priorities were to drive fee growth where opportunities existed and defend our profit performance in those parts of the business which faced more challenging conditions.

This approach manifested itself in four main ways:

- Ensuring we are positioned to take full advantage of structural growth opportunities by continuing to build our presence in regions such as Latin America, Japan and Germany;
- Continuing our strategy of international diversification by launching in new countries (we opened in Chile, Colombia and Malaysia in 2012), and launching core Hays specialisms in existing countries;
- Investing selectively to capitalise on opportunities for growth in more buoyant markets, such as Western Australia, Germany and Canada; and
- Reducing costs, maximising fee opportunities and optimising consultant productivity in more challenging markets.

As a result, I am pleased that we have delivered good turnover, net fee and operating profit growth. In the second half of the year, we improved profitability sequentially and versus prior year, despite the fact that net fees were lower than in the first half. This result is testament to our focus on cost control and our multifaceted approach to managing the business in what became overall more challenging and increasingly complex markets.

Our International business grew net fees by 16%<sup>(1)</sup>, and 17 countries delivered growth of 10%<sup>(1)</sup> or more. Given the more uncertain macroeconomic environment, particularly in the second half of our year, this is clear evidence of the structural growth characteristics of markets such as Germany, Brazil and Japan. In addition, it illustrates the expertise of our teams around the world, their ability to respond to challenges and fully capitalise on opportunities in their specific markets.

Over the last few years, we have very deliberately expanded our global footprint and the diversity of our sectoral offering and this has delivered clear benefits in 2012. As the most sectorally diversified business in our industry, combined with our global scale and balanced exposure to both mature markets and areas of structural growth, we have built a clear competitive advantage in an industry which is undeniably impacted by the macroeconomic cycle. Whilst some markets that are core to our Group have been challenging throughout the year, the fact that we have long-established, market-leading businesses in more buoyant areas such as Resources & Mining, Engineering, Life Sciences and IT has been central to delivering a good set of results in 2012.

### PROGRESS AGAINST OUR OBJECTIVES IN 2012

Our long-term aim is to be the world's pre-eminent specialist recruitment business. On pages 14 and 15 I outline the Strategic Pillars which underpin the work we do to achieve that aim, as well as the areas of Operational Focus we have as we manage the business to deliver sustainable, profitable growth. Last year I similarly outlined our priorities for 2012 and it is important to revisit them and assess our progress over the last year.

(1) LFL (like-for-like) growth represents organic growth of continuing activities at constant currency, before exceptional items.

### Driving UK performance

The UK market became increasingly challenging as the year progressed. The private sector (which represents around 75% of our UK net fees) saw conditions become progressively more difficult, notably in the Banking and City-related specialisms. Confidence amongst our clients and candidates has been reduced by heightened concern about the global economy, particularly in the second half of the year, as the UK entered a double-dip recession. After falling 60% from peak levels, the UK public sector has remained broadly stable through 2012 and, in the fourth quarter, we delivered net fee growth of 6%<sup>(1)</sup>. Public-sector activity remains at low levels, however, and is mainly driven by more senior permanent roles. We do not expect material growth in this business in the short term, but longer term we do expect the UK public sector to again become a significant addressable market for the Group.

In this difficult context, we have taken the actions necessary to best defend the bottom line of the UK business. We have implemented initiatives to generate cost savings in our UK back-office of around £15 million and, given our view on the outlook for the UK, we will continue to take action on costs where required. Importantly, we will continue to capitalise on all fee opportunities available. With this in mind, I appointed Nigel Heap as the Managing Director of our UK & Ireland business in May. Nigel has been with Hays for over 24 years, spending the last 15 years in Australia building that business into the success it is today and running our Asia Pacific region. In his new role, Nigel will focus on driving fee and profit growth through the UK business.

### Continued international growth and diversification

The performance of our International business in 2012 has again been excellent. The well-balanced, diversified business model we have built across our Asia Pacific and Continental Europe & Rest of World divisions over the last few years is critical to this and the Group now generates around 70% of net fees from the International business, up from 15% just 10 years ago.

Our strategy for growing the International business is multifaceted. We are primarily focused on developing the businesses we have in existing markets whether that is by new office openings – we opened new offices in Belgium, Germany and China – or launching new specialisms into existing countries. This not only increases the diversification of our revenues but, more critically, it fundamentally underpins the service we offer our clients and candidates. A good example of this is the roll-out of our market-leading Oil & Gas specialism into the USA and Denmark.

In addition to this focus on diversification, we continued to expand our footprint throughout 2012 and now operate in 33 countries, having opened Hays businesses in Chile, Colombia and Malaysia.

### Delivering exceptional customer service

Delivering world-class service ultimately boils down to our ability to understand and solve the challenges faced by our clients and candidates around the world every day. As a leading specialist recruitment business, we advise people through one of the most important and often most difficult decisions they ever make: changing jobs, or hiring the right person for their business.

In doing this, our key differentiator is the quality of our consultants and their ability to act as trusted advisers. It is also about the quality of the systems and processes we have in place to allow them to most effectively meet the demands of our clients, and ensure an excellent and professional experience for our candidates.

Not only are our new IT systems driving our consultants' ability to service the needs of the market, they are also highly adaptable to the advances we see every day in how people use technology in their daily lives. As the world moves more towards mobile platforms for example, our IT systems allow contractors to submit their timesheets or search for their next assignment via their smartphones. Similarly, as communities of professionals develop on various social media networks, our IT systems enable us to effectively utilise sites such as LinkedIn, Facebook and



### OPERATIONAL FOCUS OIL & GAS ROLL-OUT

Oil & Gas is an industry that is truly global by nature, with over 40%<sup>(2)</sup> of workers now based outside their own country.

Last year at Hays we sourced candidates for the global Oil & Gas industry across a broad range of skilled and technical disciplines.

To meet this growing global demand, we have opened our second US office in Houston, Texas. This office will initially focus on our global Oil & Gas offering, and will be headed by our North American President, John Faraguna. Houston is the base for many clients with whom we already have established relationships in Europe, the Middle East, Asia and South America and represents the logical next strategic step as we continue to roll-out and develop this key specialism.

Hays Oil & Gas operates from 13 of our countries worldwide, and has also been launched this year in Denmark which will act as our base for Northern Europe. We will continue the strategic roll-out of this key global specialism.

Visit our Oil & Gas website at  
[hays-careers.com/oil-and-gas](http://hays-careers.com/oil-and-gas)

<sup>(2)</sup> The Oil & Gas Global Salary Guide 2012, produced by Hays Oil & Gas and Oil & Gas Job Search.

## CHIEF EXECUTIVE'S STRATEGIC REVIEW CONTINUED



### OPERATIONAL FOCUS VENDOR MANAGEMENT

The ability to respond to and best serve all client demands is critical to our success.

Computacenter face the complex challenge of efficiently managing their workforce of skilled technicians, generally contracted on assignments across approximately one hundred clients.

Not only did they have to manage the complicated workflows, but they needed to implement a system which could provide accurate operational and financial tracking for each assignment.

Hays worked with Computacenter to implement our cloud based vendor management system, 3 Story Software, which enables organisations to effectively manage their contingent workforce and supply chain, allowing hiring managers, suppliers and employees to collaborate online through a single portal.

This integrated system provided an enhanced level of control over the entire process, including real-time management information. Efficiency benefits were recognised immediately: job fill rates were improved to over 99% and time-to-hire was significantly reduced.

Find out more at  
[3storysoftware.com](http://3storysoftware.com)

Twitter as new channels to find the experts that our clients need. Having completed a major investment programme in our technology platforms, we are now uniquely positioned in our industry to take advantage of these changes in how people communicate and build relationships.

We must recognise that the world of recruitment continues to evolve as clients' demands change and candidates' channels to find their next role develop. To remain a leader in the industry it is vital that we remain at the forefront of product and service innovation, to ensure that we can deliver effectively both now and in the future to each of our chosen market segments. There is no one-size-fits-all for recruitment in today's world. The needs of our large corporate clients differ significantly from those of our smaller clients for example, so we need solutions tailored to each. Over the year, we have continued to invest in these tailored services. Our acquisition of 3 Story Software, a contingent workforce management system, and its subsequent integration into our own Managed Service business, is just one such example of investing to address specific client needs. This integrated solution allows us to manage our clients' temporary worker labour forces and illustrates how we are developing our spectrum of services to truly power the world of work, whoever are our clients.

### HAYS CORPORATE ACCOUNTS

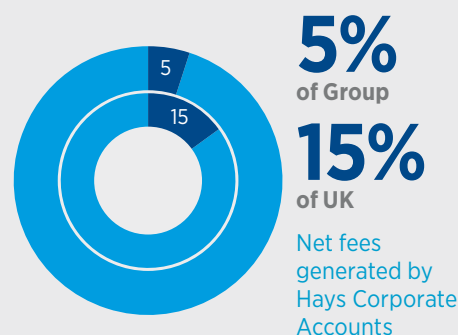
Large, complex organisations that require high volumes of skilled employees are increasingly seeking to formalise the way they source those people.

Employers are looking for more consistency, price discipline and control in the way they manage the recruitment of skilled people. The structure of these arrangements ranges from the implementation of simple Preferred Supplier Lists (PSL), to formal contracts with the management of the recruitment process outsourced to a single supplier (or 'Master Vendor'). These contractual arrangements are known as Recruitment Process Outsourcing (RPO) for permanent hires or Managed Service Provision (MSP) for contractors or temporary workers.

We have responded to these changing client needs by building a business to

provide this range of services. We call this Hays Corporate Accounts and it contributes 5% of our Group net fees.

In our view the key to delivering this alternative model is to be as operationally effective as possible, with well-integrated processes, dedicated teams and a robust Vendor Management System software platform, which gives the client control along with access to high-quality, real-time management information.



### Investment in people

We are the ultimate people business. To fulfil our long-term aims we need to hire the very best people, provide them with the industry's best training, give them excellent career development opportunities and reward and motivate them effectively and appropriately.

Each of these aspects is fundamental to our success in creating experts throughout Hays who are the very best in the world at servicing our clients' and candidates' needs.

I am pleased that we have made further demonstrable progress in each area. For example, we have launched our own interactive recruitment tool, the Hays Challenge, to better source potential new consultants. Within a year, over 40,000 potential recruits from 190 countries have taken the Hays Challenge online, many of them going on to apply for a role in our

business. Similarly we have invested further in our 'Hays Academies', which provide a standardised training programme for all of our joiners right through their consultant career. To equip our leaders to deal with today's complex world, we have enrolled 150 of our senior managers in our advanced management and leadership programmes. With each of these initiatives, I believe we are investing wisely in our people to make them the best in the industry.

### PRIORITIES AND FOCUS FOR 2013

Regardless of the stage of the economic cycle, our long-term aims and the structural growth opportunities in our industry remain unchanged and we will continue to work within the framework of our four Strategic Pillars as we build towards achieving them. The long-term opportunities in this industry are very significant indeed.

At the same time, we recognise the need for short-term financial performance. Looking ahead to 2013, we expect the overall economic backdrop to remain difficult and our markets to continue to be multi-speed. That means we need to be both adaptable to the world as it changes and selective about areas for investment. Achieving the right balance of building scale for the long term, exploiting stronger market segments and reducing costs and driving productivity to maximise the bottom line in more difficult areas will be key to our success.

Within this, my primary focus will be on the following specific areas for 2013:

#### Delivering improved financial performance in the UK

Our number-one priority is improving the financial performance of the UK business. The recessionary UK market, however, remains very difficult, and in many of our core specialisms such as Banking & Finance, or Construction & Property, the market continues to be increasingly challenging. We have already made significant progress in reducing the cost base of the UK business and thereby defended the financial performance of the business over the year. However, we will continue to look for further areas to reduce costs but will be careful this will not damage the underlying fabric of the business. Simultaneously, we will continue to focus on improving the productivity of our consultant base and redirecting resources to fully capitalise on all opportunities for growth.

#### Selective investment in growth markets or buoyant areas

Over the years we have deliberately built a business with exposure to a diversified range of industry specialisms and a market leadership position in most. Several opportunities for growth exist across the business today, even in the current uncertain macroeconomic environment, particularly in those industries characterised by highly skilled technical experts. Examples include life sciences, natural resources and mining, oil and gas and IT engineering. Having already built the global market-leading brand in each of these technical areas, our clients and candidates recognise the depth of our expertise to help them and we will continue to invest selectively in these areas, for example by increasing headcount in our existing businesses in large markets such as Germany, Australia and Canada as well as building critical mass in our newer markets such as the USA and Brazil.

#### Ensuring we capitalise on structural growth opportunities

The structural growth potential of our industry represents a once-in-a-lifetime opportunity. We have built businesses with market-leading exposure to the most significant opportunities and a key focus remains on ensuring we are ideally positioned to fully capitalise on this, whether that is in more developed economies such as Germany or Japan, or emerging economies such as Brazil. We will continue to invest appropriately to build our business in these areas so that we maintain market-leading positions, and seize the long-term potential for growth that exists.



### OPERATIONAL FOCUS RESEARCHING NEW MEDIA

Social media networks and the internet are now an integral part of the way we source candidates and address key markets.

We have established a coordinated, informed and standardised approach to our social media presence worldwide. Global and country or specialism-specific pages on networks such as Facebook and LinkedIn provide a forum for discussion as well as a means of attracting new candidates and marketing available roles.

Via our dedicated Research & Development department, we continue to monitor and evaluate new media and social network opportunities and threats and measure the effectiveness of our existing activity.

# 92,000

FOLLOWERS ON LINKEDIN

# 20

FACEBOOK PAGES



# KEY PERFORMANCE INDICATORS DELIVERING AGAINST OUR STRATEGY

We use the following Key Performance Indicators (KPIs) to measure the performance of our business and progress against our strategic objectives. In 2012 we have made good progress against our KPIs, delivering good growth in net fees and cash conversion, and improved operational effectiveness.

## NET FEE GROWTH<sup>(1)</sup>

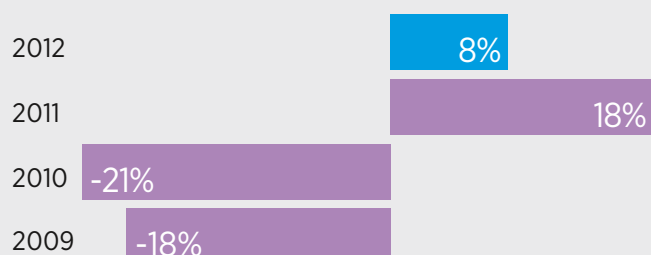


### WHAT DOES IT DEMONSTRATE?

A measure of how the Group's business is developing and growing over time.

### PROGRESS IN FY 2012

In 2012, net fees increased by 8%<sup>(1)</sup> as strong performances across our International business offset the impact of more challenging conditions in the UK.



## % OF GROUP NET FEES GENERATED BY OUR INTERNATIONAL BUSINESS<sup>(2)</sup>

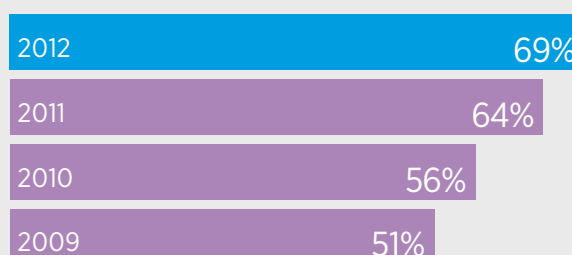


### WHAT DOES IT DEMONSTRATE?

A measure of the Group's internationalisation and relative exposure to markets which are immature and underpenetrated.

### PROGRESS IN FY 2012

Over two-thirds of Group net fees are now generated from our International business, up from just one-third five years ago.



## INTERNATIONAL NET FEE BASE (£M)<sup>(2)</sup>

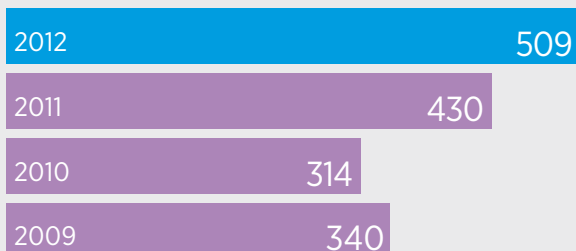


### WHAT DOES IT DEMONSTRATE?

A measure of the absolute scale of the International business and the size of the platform for growth in these less mature markets.

### PROGRESS IN FY 2012

The International business grew net fees by 18% (16% LFL<sup>(1)</sup>), demonstrating our ability to capitalise on structural growth opportunities.



## BASIC EARNINGS PER SHARE GROWTH<sup>(3)</sup>

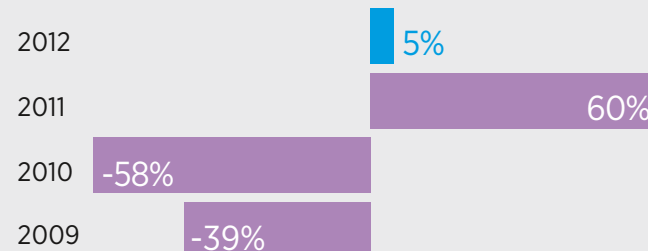


### WHAT DOES IT DEMONSTRATE?

Measures the underlying profitability of the Group.

### PROGRESS IN FY 2012

Basic earnings per share increased by 5% in 2012, reflecting the Group's higher operating profit and lower net finance charge, offset by an increase in the effective tax rate.



(1) LFL (like-for-like) growth represents organic growth of continuing activities at constant currency.

(2) International defined as outside of the UK & Ireland.

(3) Continuing activities only, before exceptional items.



**EMPLOYEE ENGAGEMENT**1 2 **3** 4**WHAT DOES IT DEMONSTRATE?**

Hays' employees participation in our employee engagement survey which tracks their sense of belonging, discretionary effort, personal motivation and job satisfaction.

**PROGRESS IN FY 2012**

Engagement continued to improve in 2012 and represents a high and increasing level of employee engagement when benchmarked against other companies and industries.

**NET FEES PER CONSULTANT (£000)<sup>(4)</sup>**1 2 **3** 4**WHAT DOES IT DEMONSTRATE?**

A measure of how productive are the Group's fee earners.

**PROGRESS IN FY 2012**

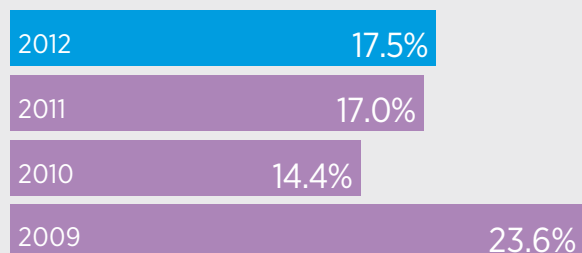
In 2012 net fees per consultant increased by 1% as we were more selective about headcount investment while driving consultant productivity.

**CONVERSION RATE<sup>(5)</sup>**1 2 **3** 4**WHAT DOES IT DEMONSTRATE?**

Measures the Group's effectiveness in controlling costs and managing our level of investment for future growth.

**PROGRESS IN FY 2012**

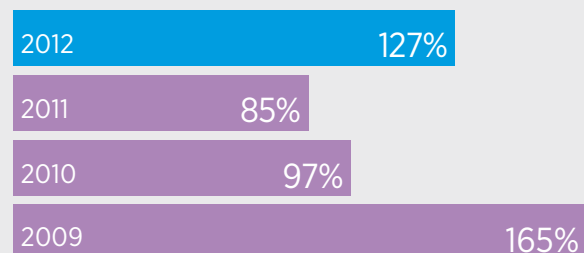
The conversion rate increased to 17.5% in 2012, through a continued focus on increasing consultant productivity and tight cost control to maximise profitability, balanced with a selective investment approach.

**CASH CONVERSION<sup>(6)</sup>**1 2 **3** 4**WHAT DOES IT DEMONSTRATE?**

A measure of the Group's ability to convert profit into cash.

**PROGRESS IN FY 2012**

Cash conversion improved in the year to 127%, reflecting the Group's focus on strong credit control and working capital management.



(4) Consultant headcount in each year represents the average consultant headcount.

(5) Conversion rate is the proportion of net fees converted into operating profit.

(6) Cash conversion is the conversion of operating profit before exceptional items into operating cash flow. Operating cash flow is presented before capital expenditure and excludes exceptional items.

# PRINCIPAL RISKS

Managing risk is integral to our business strategy and operations. Expert knowledge of our markets, clients and candidates, as well as the diverse business environments in which we operate, position us to take appropriate measures to help safeguard the Group in an increasingly complex world.

## RISK

## MANAGEMENT ACTIONS TO MITIGATE

### CYCLICAL NATURE OF OUR BUSINESS

The performance of the Group is significantly impacted by changes to the underlying economic situation, particularly in the United Kingdom, Australia and Germany.

The Group has diversified its operations to include a balance of both temporary and permanent placement recruitment services to public and private-sector markets, and operates across 33 countries and 20 sector specialisms. That said, as at 30 June 2012 Group profits are heavily concentrated in two countries, namely Australia and Germany.

The Group's cost base is highly variable and is carefully managed to align with business activity.

The Group has ensured that net debt has been kept at an appropriate level.

The Group is highly cash generative, requiring low levels of asset investment. Cash collection is a key priority and the Group has made appropriate investment in its credit control and working capital management processes.

### BUSINESS MODEL RISK

The Group faces a number of industry risk factors in the competitive environment notably the gradual shift towards outsourced recruitment models with associated margin pressures and the increasing use of social media.

We have leveraged our broad geographical and sectoral footprint to win a significant number of multispecialism contracts with large corporate organisations. This has strengthened significantly our relationship with these clients, increasing our share of their recruitment spend and increasing our share of the markets in which we operate.

We monitor changes in the market in terms of industry trends including social media and insourcing, and continue to invest in our online presence to provide a high-quality customer experience.

### TALENT

The Group is reliant on its ability to recruit, train, develop and retain staff to deliver its growth plans.

We continue to ensure that overall remuneration packages are competitive. This includes performance-related commissions to incentivise staff.

Increased focus has been given to internal recruitment activities and training opportunities (for example through e-learning).

Our leadership development programmes are in place and developing the potential of future leaders.

Annual succession plans are undertaken across all regions to identify key roles and successor options.

We maintain medium to long-term management incentive schemes for our top 360 employees to foster commitment to the continued growth of the Group.

**RISK****MANAGEMENT ACTIONS TO MITIGATE****COMPLIANCE RISK**

Certain checks are required before we place candidates into their roles. For certain roles and industries those checks are more specific as set out by legislation. Failure to complete, maintain or refresh those checks could lead to legal, financial and reputational consequences.

All new employees receive training in respect of the relevant operating standards that are applicable to their particular recruitment role. The Compliance function is also available to provide support and guidance to recruitment consultants.

Our higher-risk specialisms such as Education and Healthcare have supplementary processes and controls in place to ensure that operational standards are complied with.

In territories where legislation sets out additional requirements compliance specialists are employed, for example in occupational health and safety in Australia.

Dedicated compliance auditors conduct spot checks on candidate records, to ensure that the appropriate vetting checks and due diligence are carried out in line with legal and contractual requirements.

**RELIANCE ON TECHNOLOGY**

The Group continues to develop and integrate new systems to improve performance. Business activities are increasingly reliant on system performance and integrity (Hays' and its clients' systems) to deliver service to clients and workers. A large amount of confidential data is held in these systems.

Technology systems are housed in various data centres and the Group has capacity to cope with a data centres loss through the establishment of disaster recovery sites that are physically based in separate locations to the ongoing operations.

Data protection remains a key priority. Specific contractual provisions exist with regard to our data centres to ensure we have sufficient handling and storage procedures around confidential data.

The Company has in place data protection and security policies and, where data protection legislation allows, email monitoring programmes are undertaken to highlight potential areas of concern, which are then investigated.

**CONTRACT RISK**

Group companies enter into contractual arrangements with clients, some of which can be onerous in terms of required activities.

During contract negotiations management seeks to minimise risk and ensure that the nature of risks and their potential impact is understood.

Our legal team has the depth of knowledge and experience to enable them to advise management on the level of risk presented in contracts.

Reviews are performed on a risk basis across key contracts, to identify and agree improvements to the way in which we deliver services to clients.

The Group Finance Director reviews and approves all contracts with non-standard terms.

**FOREIGN EXCHANGE**

The Group has significant operations outside the UK and is therefore exposed to foreign exchange translation risk.

Profits from Australia and Euro-based markets are a material proportion of the Group's profitability. There is no active management of translation foreign exchange risk, however, we continue to monitor our policies in this area.

**EUROZONE**

The Group has a number of operations in the Eurozone and would be exposed should one or more countries exit the Euro.

As part of its discussions, the Board has considered the impact on global trading and business prospects, country risk (collapse, debt default and funding pressure), bank counterparty risk, trade debtor recoverability, the impact on Group funding, the carrying values of financial and non-financial assets, foreign exchange exposure and interest rate risk, and ways to mitigate against each of these risks as far as practicable.

Overall, save for the material impact that a disorderly fragmentation of the Eurozone would likely have on business and candidate confidence, the Eurozone risks identified by the Board relating to the exit of one or more countries from the Euro are considered to be manageable.



# OPERATING REVIEW

## ASIA PACIFIC

### % OF GROUP NET FEES

# 33%

### NET FEES

# £242.2m



### OPERATING PERFORMANCE

Year ended 30 June (In £s million)	2012	2011	Actual growth	LFL growth <sup>(1)</sup>
Net fees	<b>242.2</b>	210.0	15%	10%
Operating profit	<b>90.9</b>	78.1	16%	11%
Conversion rate	<b>37.5%</b>	37.2%		
Period-end consultant headcount <sup>(2)</sup>	<b>1,112</b>	1,071	4%	
Division as % of Group net fees	<b>33%</b>	31%		

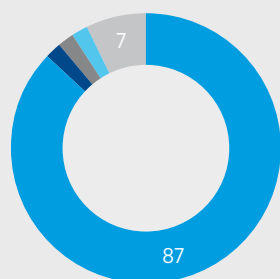
### 2012 HIGHLIGHTS

- Delivered good 10%<sup>(1)</sup> growth in net fees
- Excellent conversion rate of 37.5% driving 11%<sup>(1)</sup> growth in operating profit
- 10%<sup>(1)</sup> net fee growth in Australia & New Zealand driven by 18%<sup>(1)</sup> growth in temporary business and excellent growth in resource-based regions
- 11%<sup>(1)</sup> net fee growth in Asia, with a strong performance by Japan but more mixed conditions elsewhere
- Consultant headcount increased by 4%<sup>(2)</sup>

### LOOKING FORWARD

- Selective consultant headcount investment in growth areas such as in resource-based regions of Australia and New Zealand
- Consolidate market-leading position in Japan and diversify into new specialisms
- More cautious about headcount investment where conditions are more challenging, such as New South Wales and Victoria and in banking-focused Asian markets
- Build scale in our new Hays Malaysia business, entered in June 2012

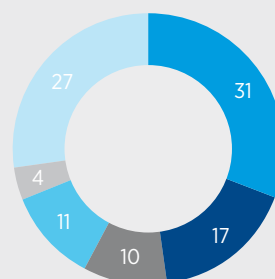
### NET FEES BY REGION (%)



**79%**  
PRIVATE  
**21%**  
PUBLIC SECTOR

■ Australia & New Zealand ■ China (2%) ■ Japan  
■ Hong Kong (2%) ■ Singapore (2%) ■ Malaysia

### NET FEES BY SPECIALISM (%)



**55%**  
TEMPORARY  
**45%**  
PERMANENT

■ Accountancy & Finance ■ IT ■ Human Resources  
■ Construction & Property ■ Resources & Mining ■ Other

### STRONG GROWTH OVERALL, DRIVEN BY WESTERN AUSTRALIA, NEW ZEALAND AND JAPAN; OTHER ASIAN MARKETS AND THE REST OF AUSTRALIA INCREASINGLY DIFFICULT

In Asia Pacific, net fees increased by 15% (10% on a like-for-like basis<sup>(1)</sup>) to £242.2 million and operating profit increased by 16% (11% on a like-for-like basis<sup>(1)</sup>) to £90.9 million. The difference between actual growth and like-for-like growth was predominantly due to the appreciation in the Australian Dollar. The business continued to achieve an excellent conversion rate of 37.5%, up from 37.2% in the prior year, as we carefully balanced the need to drive profitability with selective investment to capitalise on the long-term growth potential across the region.

In our market-leading Australia & New Zealand business, net fees were up 10%<sup>(1)</sup> versus prior year. Temporary placement net fees increased by 18%<sup>(1)</sup> and we achieved record temporary levels in several months. Permanent placement net fees declined by 1%<sup>(1)</sup> with an excellent performance in the resource-based regions of Western Australia and Queensland offset by increasingly tough market conditions in New South Wales and Victoria. New Zealand also delivered excellent net fee growth of 34%<sup>(1)</sup>. Our public-sector business, which accounts for 24% of net fees in Australia & New Zealand, delivered good growth of 13%<sup>(1)</sup>.

Our Asian business, which accounted for 13% of the division's net fees in the year, delivered net fee growth of 11%<sup>(1)</sup>. Japan delivered strong net fee growth of 16%<sup>(1)</sup>, although comparators include the impact of the March 2011 earthquake and subsequent disruption. Elsewhere in Asia, market conditions were mixed and became more challenging as the year progressed, notably in those businesses with a significant weighting towards banking and financial services such as Hong Kong and Singapore.

Consultant headcount<sup>(2)</sup> in the division increased by 4% over the year, with 3% more consultants in Australia & New Zealand and 5% in Asia, but we took action to reduce headcount by 2% in the second half as we became more selective about areas of investment. We will continue with this approach going forward, as although we continue to selectively increase consultant headcount in the resources-based regions of Australia and to capitalise on structural growth in Japan, we remain cautious elsewhere in order to protect the profitability of the division while market conditions remain challenging.

### HAYS IN ACTION: MARKET LEADERS IN AUSTRALIA

Our market-leading position in Australia means we can work with many of the country's biggest and most important corporates to solve the challenges they face in today's world of work. Our breadth of experience by specialism, contract type and industry, and our unrivalled local presence in every state, allows us to understand key market trends and provide value added advice to our clients. This differentiates our offering in one of the most important specialist recruitment markets in the world.

"Hays has been working with us as a key recruitment supplier of both permanent and temporary employees across all disciplines within our business for the last 15 years.

They are more than just a supplier to us, they act as a trusted business partner and work as an extension of my team internally. They support us to ensure that we are able to attract and retain the best talent, advising us on current market trends and working with us to ensure our processes and systems are world-class."

**Charlotte Abbott**

Qantas Careers  
Qantas Airways

“Hays is more than just a supplier to us, they act as a trusted business partner”



(1) LFL (like-for-like) growth represents organic growth of continuing activities at constant currency.

(2) Consultant headcount is shown on a closing basis and the change in consultants is comparing 30 June 2012 with 30 June 2011.

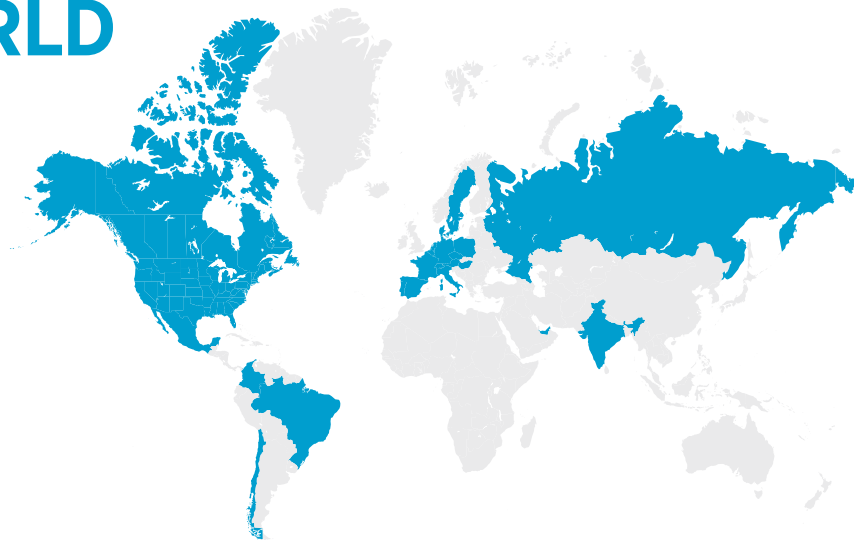
# OPERATING REVIEW CONTINENTAL EUROPE & REST OF WORLD

## % OF GROUP NET FEES

# 36%

## NET FEES

# £266.5m



## OPERATING PERFORMANCE

Year ended 30 June (In £s million)	2012	2011	Actual growth	LFL growth <sup>(1)</sup>
Net fees	266.5	220.4	21%	23%
Operating profit	43.7	32.4	35%	37%
Conversion rate	16.4%	14.7%		
Period-end consultant headcount <sup>(2)</sup>	1,967	1,714	15%	
Division as % of Group net fees	36%	33%		

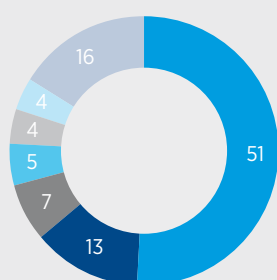
## 2012 HIGHLIGHTS

- Strong net fee growth of 23%<sup>(1)</sup> to £266.5 million, a record for the division
- Excellent net fee growth of 30%<sup>(1)</sup> in Germany, with continuing diversification across specialisms and into permanent
- Improved conversion rate to 16.4%, driving an increase in operating profit of 37%<sup>(1)</sup>
- Consultant headcount increased by 15%<sup>(2)</sup> as we continued to invest selectively in growth markets

## LOOKING FORWARD

- Continue to leverage market-leading position in IT and Engineering in Germany to diversify into newer specialisms
- Build scale in Latin America and diversify into newer specialisms to capitalise on structural growth opportunities
- Develop our global Oil & Gas specialism in the USA, Canada and elsewhere
- More selective about investment where conditions are more difficult

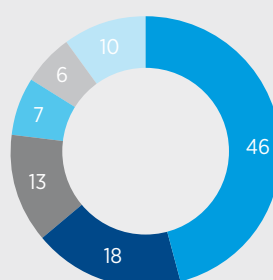
## NET FEES BY REGION (%)



**97%**  
PRIVATE  
**3%**  
PUBLIC SECTOR

Germany France Benelux Brazil Canada Switzerland Other

## NET FEES BY SPECIALISM (%)



**56%**  
TEMPORARY  
**44%**  
PERMANENT

IT Accountancy & Finance Construction & Property Life Sciences Sales & Marketing Other



### DELIVERING STRONG GROWTH AND IMPROVED CONVERSION RATE, DRIVEN BY AN EXCELLENT PERFORMANCE IN GERMANY

In Continental Europe & Rest of World, we delivered net fee growth of 21% (23% on a like-for-like basis<sup>(1)</sup>) to £266.5 million, driving excellent operating profit growth of 35% (37% on a like-for-like basis<sup>(1)</sup>) to £43.7 million. Both net fees and operating profit in the year represented records for the division. The difference between actual growth and like-for-like growth was primarily due to the depreciation in the Euro. The conversion rate increased to 16.4% in 2012 from 14.7% in 2011 driven by broad-based net fee growth in the more buoyant markets, strong cost control across the division and more selective headcount investment in the more challenging areas, particularly in the second half of the year.

Our German business, which represented 51% of the division's net fees and the majority of the division's profit, delivered excellent net fee growth of 30%<sup>(1)</sup> and posted several record monthly performances as momentum remained strong through the year. Growth was broadly based across our contracting, temporary and permanent placement businesses, particularly in our core specialisms of IT and Engineering. We also achieved strong growth in Accountancy & Finance, Construction & Property, Sales & Marketing, Legal and Life Sciences and these specialisms now account for 23% of total net fees. Our market-leading position and the increasing diversification of the business means we are ideally positioned to benefit from the continuing rapid development of the specialist recruitment

market in Germany and the clear structural growth opportunities this presents.

Elsewhere in Europe, activity was significantly impacted by the Eurozone crisis and more general macroeconomic uncertainty. In France, our second largest country in the division, we recorded 17%<sup>(1)</sup> net fee growth, although permanent momentum slowed markedly in the second half. Our other businesses in Continental Europe, covering 14 countries and focused principally on the permanent placement markets, delivered net fee growth of 9%.

We continue to invest in our business in Latin America, recognising the structural growth opportunities in this market. Having opened Hays Colombia and Chile in the year, we now operate in four countries across seven offices in Latin America. In Brazil, which is now the sixth largest country in the Group, we delivered excellent net fee growth of 30%<sup>(1)</sup>. In North America, Canada delivered strong net fee growth of 25% and we started to diversify our offering in the US by opening our second office in Houston, which will focus on Oil & Gas.

Consultant headcount<sup>(2)</sup> in the division increased by 15% during the year, led by increases of 16% in Germany, 29% in Brazil and 56% in Canada. We are continuing to invest in consultant headcount in those regions which demonstrate clear growth, while being more cautious across the rest of the division to maximise our financial performance. As a result, consultant headcount was broadly flat in the second half.

### HAYS IN ACTION: SOLVING CHALLENGES ACROSS BORDERS

Taking advantage of our international network and globally integrated systems is vital to our success. Hays Netherlands has demonstrated the benefits of cross-border collaboration working with NXP Semiconductors.

Our team in the Netherlands has a well-established relationship with NXP, having successfully implemented a managed service for the sourcing and management of highly skilled specialists in R&D, IT and Finance. This paved the way for our teams in Austria and Germany to begin working with the market-leading semiconductor company in December 2011.

"Within NXP, managed service is a new initiative that includes the sourcing of specialised engineers, IT and finance professionals. Hays has been successful in solving our sourcing challenges in the Netherlands and is now rolling out this principle further in Germany, Austria and Belgium. We have just extended our contract for another two years as we believe that this partnership will become very successful in the other countries."

#### Norbert van Heijst

Director, Supply Base Management Personnel and Professional Services  
NXP Semiconductors

“Hays has been successful in solving our sourcing challenges”

(1) LFL (like-for-like) growth represents organic growth of continuing activities at constant currency before exceptional items.

(2) Consultant headcount is shown on a closing basis and the change in consultants is comparing 30 June 2012 with 30 June 2011.

# OPERATING REVIEW

## UK & IRELAND

### % OF GROUP NET FEES

# 31%

### NET FEES

# £225.3m



### OPERATING PERFORMANCE

Year ended 30 June (In £s million)	2012	2011	Actual growth	LFL growth <sup>(1)</sup>
Net fees	<b>225.3</b>	241.7	(7)%	(7)%
Operating profit <sup>(2)</sup>	<b>(6.5)</b>	3.6	(282)%	(282)%
Conversion rate	<b>(2.9)%</b>	1.5%		
Period-end consultant headcount <sup>(3)</sup>	<b>1,934</b>	2,158	(10)%	
Division as % of Group net fees	<b>31%</b>	36%		

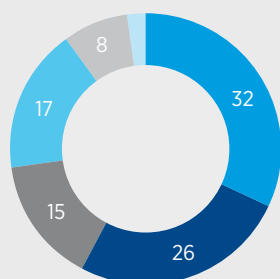
### 2012 HIGHLIGHTS

- Net fees decreased by 7% as the conditions became more challenging through the year
- Private-sector net fees decreased by 6%, public-sector decreased by 8%
- Consultant headcount reduced by 10%<sup>(3)</sup>
- Operating loss of £(6.5) million, financial performance stable first half versus second half
- Cost-saving initiatives delivered, protecting the sequential financial performance of the business in the second half

### LOOKING FORWARD

- Capitalise on pockets of growth and opportunity to deliver net fee growth
- Continue to drive consultant productivity through enhanced training and development and exploiting front-office systems
- Optimise efficiency benefits of the new back-office systems
- Continue to review all aspects of our UK cost base to defend financial performance

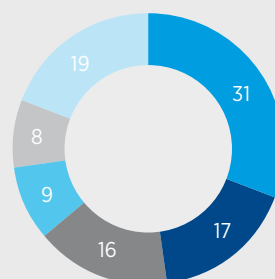
### NET FEES BY REGION (%)



**76%**  
PRIVATE  
**24%**  
PUBLIC SECTOR

■ London
 ■ North & Scotland
 ■ Home Counties
 ■ Midlands & East Anglia
 ■ South West & Wales
 ■ Ireland (2%)

### NET FEES BY SPECIALISM (%)



**59%**  
TEMPORARY  
**41%**  
PERMANENT

■ Accountancy & Finance
 ■ Banking
 ■ Construction & Property
 ■ IT
 ■ Education
 ■ Other

### MORE DIFFICULT PRIVATE SECTOR; TOUGH BUT STABLE PUBLIC SECTOR

In the United Kingdom & Ireland, net fees decreased by 7% to £225.3 million, with an operating loss of £6.5 million. Net fees fell by 8% in the permanent placement business and by 6% in the temporary placement business, and are now down 50% versus peak levels.

Trading conditions in the UK have been tough and became increasingly difficult as the year progressed. In our UK private-sector business, net fees declined by 6%. Markets were particularly difficult in our Banking and City-related specialisms, but as the year progressed conditions became tougher across much of the market as confidence amongst candidates and clients was negatively impacted by the worsening economic conditions.

Our public-sector business, which represented 24% of UK net fees, faced tough but stable market conditions throughout the year, with net fees decreasing by 8%. We continue to expect this business to remain broadly stable at these subdued levels in the short term.

In Ireland, our business performed well delivering excellent net fee growth of 30%<sup>(1)</sup>.

UK financial performance was negatively affected as a result of these more challenging market conditions. However, despite the fact that net fees in the second half were 6% lower than those in the first half, the successful implementation of a series of cost-saving initiatives meant that the sequential financial performance of the business in the second half broadly reflected that of the first half. The various cost-reduction programmes incurred one-off costs of £5.8 million, which were offset by a £6.0 million curtailment gain on the closure of the UK defined benefit pension scheme to future accrual at the end of the year.

Consultant headcount<sup>(3)</sup> in the division declined 10% during the year primarily through natural attrition, as we reacted to changes in market conditions to defend the financial performance of the business. We continue to review all aspects of our UK cost base, which we have already reduced by circa 30% from peak levels, with particular emphasis on overhead and back-office support costs. At the same time, our focus is on growing market share and taking full advantage of those segments of the UK recruitment market which continue to present revenue growth opportunities.

### HAYS IN ACTION: DELIVERING FOR CLIENTS IN THE UK

Many businesses in the UK continue to thrive despite the more difficult economic conditions. We have many clients in highly technical industries, where the demand for skills and experience is high, but the number of available candidates is limited.

Having built a deep relationship with Bentley, our team is able to fully understand their specific challenges in sourcing high-quality, skilled people, and solve them using Hays' network

"Bentley work closely with Hays to source high-quality candidates across our niche business areas including Finance, Procurement and IT. For example, when setting up a new company-wide Programme Management Office it was important to find the right candidates for such a specialist area. Hays supported us by working hard to source candidates with exactly the right skills and requirements."

**Emma Haslam**  
Strategic PMO Manager  
Bentley Motors Ltd

“Hays source high-quality candidates across our niche business areas”



(1) LFL (like-for-like) growth represents organic growth of continuing activities at constant currency.

(2) Continuing activities only, before exceptional items.

(3) Consultant headcount is shown on a closing basis and the change in consultants is comparing 30 June 2012 with 30 June 2011.



# FINANCIAL REVIEW

## GOOD FEE GROWTH, SELECTIVE INVESTMENT AND STRONG COST CONTROL TO DEFEND GROUP PROFITABILITY



**PAUL VENABLES**  
GROUP FINANCE DIRECTOR

### INTRODUCTION

Group turnover increased by 12% (or 11% on a like-for-like basis<sup>(1)</sup>) and net fees increased by 9% (8% on a like-for-like basis<sup>(1)</sup>), driving operating profit growth of 12%<sup>(2)</sup> (9% on a like-for-like basis<sup>(1)</sup>). The difference in growth rates between Group turnover and net fees was primarily driven by a change in mix between the temporary and permanent businesses. Exchange rate movements had a positive impact on the results overall increasing net fees and operating profit by £7.1 million and £3.4 million respectively, as depreciation in the rate of exchange of the Euro was more than offset by favourable movements in other Group currencies, particularly the Australian Dollar. Fluctuations in exchange rates remain a significant sensitivity for the Group.

The Group's operating cost base increased by 8%<sup>(3)</sup> versus prior year. This was principally due to the fact that, whilst the Group's consultant headcount increased 1% year-on-year at the end of June, it was 9% higher, on average, throughout the year. The other primary driver of the increase was a rise in commission payments in line with net fees. The Group's conversion rate, which is the proportion of net fees converted into operating profit<sup>(2)</sup>, increased to 17.5% from 17.0% in the prior year. This was driven by net fee growth and strong control of the Group's operating cost base.

Group consultant headcount increased by 1% during the year, but was down 4% in the second half. The full year increase was driven by an 11% rise in the number of consultants in the International business, where we continue to invest in order to ensure the Group capitalises on the more buoyant markets and on the clear structural growth opportunities that exist across many of our International markets. This was principally offset by a 10% reduction in consultant headcount in the UK, which was largely as a result of natural attrition, as we reacted to changes in market conditions to defend the financial performance of the business.

### TEMPORARY MARKET RESILIENCE IN MORE CHALLENGING MARKETS AND AREAS OF SKILLS SHORTAGE, PERMANENT MARKETS MORE CYCLICAL AND OVERALL INCREASINGLY TOUGH

Net fees from temporary placements, which represent 56% of Group fees, increased by 12%<sup>(1)</sup>. This comprised a volume increase of 4% and a favourable increase in mix/hours worked of 9%, partially offset by underlying margins<sup>(4)</sup>, which were slightly lower at 14.6% (2011: 14.7%). Margins have remained broadly stable through the year.

Net fees in the permanent placement business, representing 44% of Group net fees, increased by 3%<sup>(1)</sup>. The average fee per placement increased by 6%<sup>(1)</sup>, driven primarily by the mix of business, as more of our permanent fees were generated by the International business where the average salary of candidates placed is higher. This was partially offset by a 3% decline in placement volumes.

The higher level of growth in temporary relative to permanent placements reflects the greater resilience of the temporary placement business in more challenging, uncertain markets. We saw lower levels of activity in permanent placements, particularly in the second half of the year, as client and candidate confidence in many markets was negatively impacted by heightened global economic uncertainty.

## £414.0m

TEMPORARY

#### 56% OF GROUP NET FEES

- 4% volume growth
- 9% increase in mix/hours
- 10bps underlying margin decrease<sup>(4)</sup>

## £320.0m

PERMANENT

#### 44% OF GROUP NET FEES

- 6% increase in average permanent fee
- (3)% volume decline

(1) LFL (like-for-like) growth represents organic growth of continuing activities at constant currency. There were the same number of trading days in 2011 and 2012.

(2) Continuing operations only, before exceptional items. 2011 figures are before an exceptional credit of £4.1 million.

(3) 2012 numbers are presented before cash impact of exceptional items of £7.0 million (2011: £15.4 million) paid in the year.

(4) The underlying temporary placement gross margin is calculated as temporary placement net fees divided by temporary placement gross revenue and relates solely to temporary placements in which Hays generates net fees and specifically excludes transactions in which Hays acts as agent on behalf of workers supplied by third-party agencies.

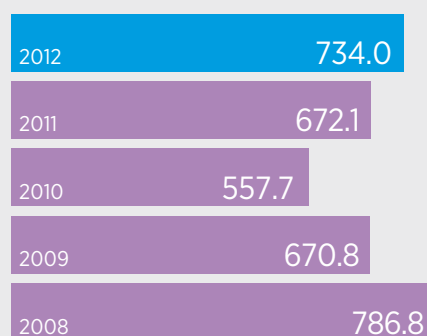
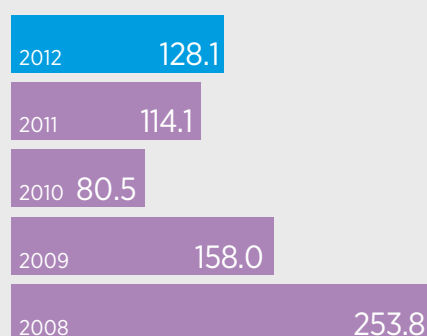
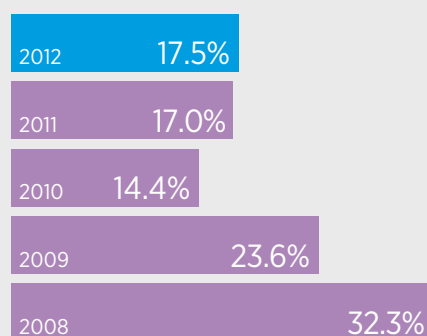
(5) 2012 net fees of £734.0 million (2011: £672.1 million) are reconciled to statutory turnover of £3,654.6 million (2011: £3,256.0 million) in note 6 to the Consolidated Financial Statements on page 76.

(6) Conversion rate is the proportion of net fees converted into operating profit.

## SUMMARY INCOME STATEMENT

Year ended 30 June (In £s million)	2012	2011	Actual growth	LFL growth <sup>(1)</sup>
Turnover	<b>3,654.6</b>	3,256.0	12%	11%
Net fees <sup>(5)</sup>	<b>734.0</b>	672.1	9%	8%
Operating profit (before exceptional items) <sup>(2)</sup>	<b>128.1</b>	114.1	12%	9%
Cash generated by operations <sup>(3)</sup>	<b>162.2</b>	97.3	67%	
Profit before tax (before exceptional items) <sup>(2)</sup>	<b>122.4</b>	106.6	15%	
Profit before tax	<b>122.4</b>	110.7	11%	
Basic earnings per share (before exceptional items) <sup>(2)</sup>	<b>5.47p</b>	5.19p	5%	
Basic earnings per share	<b>5.47p</b>	5.69p	(4)%	
Dividend per share	<b>2.50p</b>	5.80p	(57)%	

## NET FEES (£M)

OPERATING PROFIT (£M)<sup>(2)</sup>CONVERSION RATE<sup>(6)</sup>

## INVESTING IN OUR BUSINESS

**Selective, targeted investment to capitalise on stronger markets and deliver profitable fee growth**

We have continued to selectively invest to grow our international platform, opening new offices and developing new specialisms in existing countries. In Asia Pacific, we opened an office in Guangzhou (our fourth in China) and, in May 2012, we launched Hays Malaysia, our seventh Asia Pacific country of operation and the 33rd country for the Group. In Continental Europe & Rest of World we opened offices in Cologne and Leipzig (Germany), Houston (USA) and Gosselies (Belgium) and we are continuing to develop our business in Latin America, where we launched new businesses in Colombia and Chile.

In the UK we continued the consolidation of our office network ending the financial year with 110 offices, a reduction of 15 in the year and down from a peak level of 235 in 2009.

Our consultant headcount ended June at 5,013, up 1% year-on-year but down 4% in the second half, reflecting our more selective, targeted investment approach. In our International business, we increased consultant headcount by 11% in the year to 3,079. Consultant headcount in UK & Ireland reduced 10%, primarily through natural attrition.

We continue to build a stronger, broader-based and more efficient business. Our best-in-class IT systems enable us to interact with new media and social networks effectively, provide data capture on candidates and opportunities globally, and allow us to manage administration more efficiently. Each of these elements are critical to ensure we continue to provide market-leading service to our clients and candidates, and anticipate and respond to their evolving needs.

## CURRENT TRADING

**Continued mixed conditions, with pockets of strong growth but overall more challenging, notably in permanent markets**

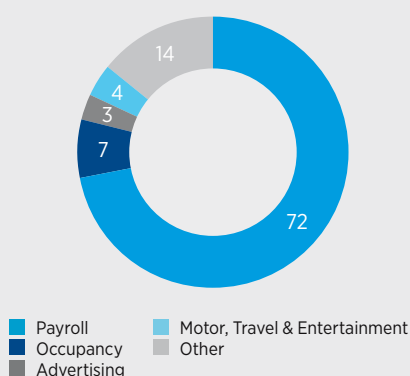
Overall trading conditions became more challenging through the second half, particularly in the fourth quarter. The difficult global economic environment continues to have a negative impact on candidate and client confidence in many markets, particularly in permanent recruitment markets.

Conditions in Australia are sequentially stable overall, with comparatives becoming tougher. We continue to see growth in Western Australia, although this is offset by tougher conditions elsewhere. In Asia, markets with significant weighting towards banking remain particularly tough. In Continental Europe & Rest of World, we see continued strong growth in Germany and Canada, and good growth in markets such as Brazil and Russia, but growth is slowing across much of the rest of the division, and net fees are declining in certain countries. In the UK, the market continues to be very difficult.

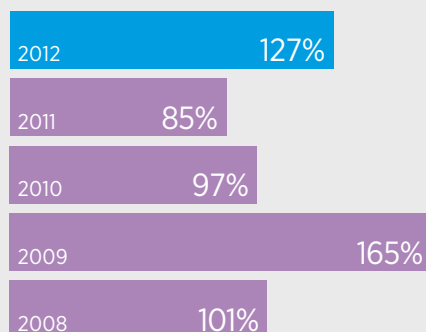
Looking ahead, whilst we continue to see pockets of growth and opportunity in certain markets, overall the environment remains challenging and in some countries very difficult. We will continue to react quickly to changing conditions in each market, investing selectively to capitalise on growth and defending the financial performance where markets are more difficult.

## FINANCIAL REVIEW CONTINUED

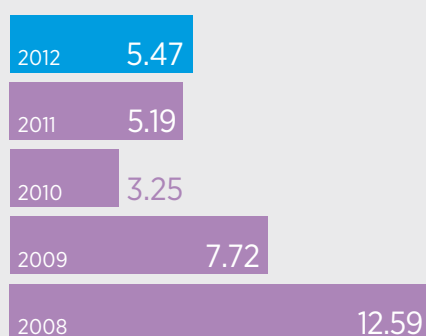
### ANALYSIS OF COST BASE (%)



### CASH CONVERSION<sup>(4)</sup>



### BASIC EARNINGS PER SHARE (PENCE)<sup>(2)</sup>



### NET FINANCE CHARGE

The net finance charge for the year was £5.7 million (2011: £7.5 million). The average interest rate on gross debt during the year was 2.8% (2011: 2.5%), generating net bank interest payable, including amortisation of arrangement fees, of £7.1 million (2011: £6.0 million). The net interest credit on the defined benefit pension scheme obligations was £2.3 million (2011: charge of £1.2 million), with the change being primarily due to higher scheme asset values increasing expected asset returns. The charge for the Pension Protection Fund levy was £0.9 million (2011: £0.3 million). It is expected that the net finance charge for the year ending 30 June 2013 will be around £10 million due to the IAS 19 pension charge and an expected increase due to early refinancing of the revolving credit facility.

### TAXATION

Taxation for the year was £46.9 million, representing an effective tax rate of 38.3% (2011: 33.0% pre-exceptional items). The effective tax rate reflects the Group's geographical mix of profits and the impact of unrelieved overseas tax losses and costs incurred in the UK, for which no tax deduction is currently available. We expect the Group's effective tax rate to be around 40% in 2013.

### DISCONTINUED OPERATIONS

A profit from discontinued operations of £11 million arose in the year, primarily from the write-back of provisions that were established when the Group completed the disposal of its non-core activities between March 2003 and November 2004 which, in the light of subsequent events, are no longer required.

### EARNINGS PER SHARE

Basic earnings per share increased 5% to 5.47 pence (2011: 5.19 pence<sup>(2)</sup>). The increase in earnings per share reflects the Group's higher operating profit and the lower net finance charge, partially offset by an increase in the effective tax rate.

### CASH FLOW AND BALANCE SHEET

Cash flow in the year was excellent with 127% conversion of operating profit<sup>(2)</sup> into operating cash flow<sup>(3)</sup>. This was higher than the cash flow conversion in the prior year (2011: 85%) primarily as a result of stronger working capital management, with trade debtor days decreased to 35 days (2011: 38 days). Overall, cash inflow from working capital was £3.2 million and net cash generated by operations<sup>(3)</sup> was £162.2 million (2011: £97.3 million).

Net capital expenditure was higher at £18.8 million (2011: £18.6 million). Capital expenditure is expected to reduce to around £10 million in 2013.

Dividends paid in the year totalled £65.8 million, pension deficit contributions were £12.4 million and £6.2 million was paid out in net interest. Net debt therefore reduced slightly from £134.8 million at the start of the year to £132.9 million at the end of the year. The Group expects a modest reduction in net debt in 2013. The Group has a £300 million unsecured revolving credit facility available, which expires in January 2014.

The most significant item in the Group balance sheet is trade receivables, which were £351.4 million at year end (2011: £345.6 million). The increase in trade receivables reflects the increase in revenue offset by the improvement in debtor days.

(1) LFL (like-for-like) growth represents organic growth of continuing activities at constant currency. There were the same number of trading days in 2011 and 2012.

(2) Continuing operations only, before exceptional items. 2011 figures are before an exceptional credit of £4.1 million.

(3) 2012 numbers are presented before cash impact of exceptional items of £7.0 million (2011: £15.4 million) paid in the year.

(4) Cash conversion is the conversion of operating profit before exceptional items into operating cash flow. Operating cash flow is presented before capital expenditure and excludes exceptional items.



**DIVIDEND PER SHARE (PENCE)**

2012	2.50
2011	5.80
2010	5.80
2009	5.80
2008	5.80

**NET DEBT/(CASH) (£M)**

2012	132.9
2011	134.8
2010	77.2
2009	(0.7)
2008	81.1

**RETIREMENT BENEFITS**

The Group's pension liability under IAS 19 at 30 June 2012 of £15.4 million (£10.4 million net of deferred tax) increased by £3.5 million compared to 30 June 2011, primarily due to the net effect of a decrease in the net yield (discount rate versus RPI inflation rate) being partially offset by higher than expected asset returns and employer contributions.

During the year, the Company contributed £15.5 million of cash to the defined benefit scheme (2011: £16.5 million), which included £12.4 million funding towards the pension deficit in line with previous guidance.

**CAPITAL STRUCTURE AND DIVIDEND**

The Board's priorities for our free cash flow are to fund the Group's investment and development, maintain a strong balance sheet and deliver a sustainable dividend at a level that is affordable and appropriate.

As we set out in our Half Year Results statement, the increased global economic uncertainty, which impacted our business in the year, slowed the pace of the Group's profit growth. At the end of the first half, considering this slowing of profit growth and our view on the likely growth in Group profitability in the second half, the Board decided that, whilst the previous level of dividend remained affordable, it was no longer appropriate to maintain the dividend at that level, which had been uncovered for the last two years. The Board therefore decided to rebase the dividend and paid an interim dividend of 0.83 pence per share (2011: 1.85 pence).

In line with this policy, the Board proposes to pay a final dividend of 1.67 pence per share (2011: 3.95 pence), resulting in a total dividend for the full year of 2.50 pence per share (2011: 5.80 pence).

We believe that dividends should be covered by earnings in the range 2.0x to 3.0x<sup>(2)</sup> and consider this payout policy to be appropriately covered by earnings and cash flow.

The Board remains committed to paying a sustainable and progressive dividend. It is our intention to grow the dividend when dividend cover sustainably reaches circa 2.5x<sup>(2)</sup>.

The recommended dividend payment date will be 16 November 2012 and, if approved, will be paid to shareholders who are on the register at the close of business on 12 October 2012.

**TREASURY MANAGEMENT**

The Group's operations are financed by retained earnings and bank borrowings. The Group has an unsecured £300 million revolving credit facility, in place until January 2014, and uses this facility to manage its day-to-day working capital requirements as appropriate. We have begun refinancing discussions with our banking group, which are progressing well.

All borrowings are raised by the Group's UK-based 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.

The Board considers it appropriate to use certain derivative financial instruments to reduce its exposure to interest rate movements under its floating rate revolving credit facility. The Group holds six interest rate swaps which exchange a fixed payment for floating rate receipt on a total debt value of £40 million with an equal mix of two-year and three-year maturities, which commenced in October 2011. The Group does not hold or use derivative financial instruments for speculative purposes.

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.

# CORPORATE GOVERNANCE REPORT



**ALAN THOMSON CHAIRMAN**

## DEAR SHAREHOLDER

In 2012, your Board has delivered the robust, focused and responsive governance needed to lead the Group through the most complex trading conditions we have experienced.

In this Report, I will explain and illustrate how your Board has dealt with the most important business opportunities and challenges faced by the Group during the year. World economic affairs have been dominated by ongoing problems in certain Eurozone economies. These have acted as a very unwelcome drag on the economies of a number of our major European markets. However, your Board has not lost sight of the growth opportunities that exist in many parts of the world. In this increasingly complex world, balanced and effective governance is needed as never before.

## BOARD GOVERNANCE

Two director changes in the year have broadened the skills and perspective of the Board, as well as its diversity. We have welcomed Victoria Jarman and Pippa Wicks as independent non-executive directors. Victoria's expert knowledge of international finance and operations is extremely valuable as business complexity increases. With a proven track record as a strategic business adviser and a leader of world-class businesses, Pippa adds considerable weight and insight to the Board's discussions. Biographical information on Victoria, Pippa and the other directors can be found on pages 38 and 39. Having served the Company for over nine years, Lesley Knox stepped down as a director following the Annual General Meeting on 9 November 2011. As a result, Paul Harrison took over as Chairman of the Remuneration Committee and Senior Independent Director and

Victoria Jarman became Chairman of the Audit Committee in place of Paul Harrison. Two of our nine directors are female, representing 22% of your Board, which is a positive development and is in line with the recommendations made in February 2011 by Lord Davies in his report entitled 'Women on Boards'.

Details on Board effectiveness can be found on pages 45 and 46. However, I would like to highlight some of the steps we have taken in the year to ensure that your Board is, and continues to be, fit for purpose. My aims are to maintain a strong and diverse Board and to get the best out of the Board's expertise. A hands-on understanding of our businesses and their profit drivers remain top priorities for each Board member. I have met with the Management Board in the year and have continued to build relationships with other senior executives in the Group. As Chairman, it is also my responsibility to promote regular interaction between the non-executive directors and key business managers. This approach ensures that the non-executive directors can contribute to Board discussions through constructive input and effective challenge. During the year, the Board visited operations in Germany, France and the UK, held an off-site strategy day with the Management Board members and two other senior international business managers and received detailed presentations from divisional senior managers on significant developments within their businesses. During site visits, the directors are given an opportunity to meet with a large number of employees to learn more about our people, markets and services. I chose the visits to Germany and France because we want to leverage greater growth in those countries in the medium term. In the year, the Board has also visited our new flagship London office in Cheapside to learn more about the UK operations.

Ongoing director training is essential for any top-performing board. All new directors receive initial induction training on a diverse range of business, trading, investor, organisational and legal matters. The Board receives external periodic training on important topics through the Deloitte Academy programme and ad hoc presentations and papers from advisers and Group functions including Company Secretarial, Legal, Tax and Treasury. During the year, the directors received training on trends in financial reporting, corporate governance and risk, corporate responsibility, and potential impacts arising from a disorderly breakup of the Eurozone.

## RISK AND ACCOUNTABILITY

You will find a summary of our principal risks on pages 22 and 23 and an explanation of our risk control framework in the Audit Committee Report on page 49. The Board's role in risk management is crucial, as it sets the Group's risk appetite and controls framework. The Audit Committee ensures that the businesses are operating within the limits set by the Board. No organisation is perfect. However, I am pleased to say that a culture of risk awareness is fostered through all levels within Hays, supported by targeted training on key topics and diligent management. Business standards and control measures are clearly articulated throughout the Group and there is responsiveness and accountability as required.

Risk is an inevitable consequence of doing business, whether the risks are internal or external to an organisation. Your Board and senior management work hard to set a culture that is zero-tolerant toward ethical risks and measured and appropriate toward business risks.

Of course, the Eurozone crisis has rarely been out of the headlines. The Board has considered the potential impact should one or more countries exit the Euro. More information is contained in the Principal Risks on page 23.

Bribery and corruption exposures have been a particular area of focus for most UK companies operating overseas, due to the introduction of the UK Bribery Act in 2011. We took the opportunity to carry out thorough bribery risk assessments of all our businesses in December 2010 and launched a new anti-bribery and corruption policy based on those findings in June 2011. This was supported by general training for every employee worldwide and specialist training for senior operations and finance managers. Our risk assessments found that Hays has a reasonably low risk profile. Nonetheless, we have implemented measures that aim to prevent any acts of bribery and corruption by, or on behalf of, Hays anywhere in the world and have kept those measures under review to ensure that they are operating effectively. The 2012 Corporate Responsibility Report, which is published online at [hays.com/corporate-responsibility](http://hays.com/corporate-responsibility), includes a fuller description of our actions on anti-bribery and corruption.

## ENGAGING WITH SHAREHOLDERS

As Chairman, I remain available at all times to discuss with shareholders any matters they wish to raise. During the year, we held over 300 separate meetings with institutional investors and made six set-piece results presentations. In the 2012 Thomson Extel investor relations survey, Paul Venables was ranked no. 1 finance director and Alistair Cox was ranked no. 2 chief executive in the European business services sector, as voted by the investor and analyst community. Our Head of Investor Relations was ranked no. 2 amongst investor relations professionals. In the Institutional Investor 2012 study of the top ranked European investor relations programmes, Hays was ranked no. 1 in the European business and employment services sector based on the views of sell-side analysts and investors. These accolades are important and demonstrate how seriously Hays takes communication with investors.

## INVESTOR MEETINGS ATTENDED IN 2012

	Investors met	Results presentations
Alistair Cox	108	2
Paul Venables	140	6
Investor relations team	304	0

We recognise that private shareholders do not benefit from these investor meetings, so we also publish all results, documents and video replays of our results presentations on our website at [hays.com/investors](http://hays.com/investors). I would encourage all private investors to look out for updates after results announcements and to attend the Hays annual general meeting held each November, where we seek to give brief reports on key developments in the business.

As I have already mentioned, Paul Harrison took over from Lesley Knox as Senior Independent Director last November. Paul is a very experienced finance director and is an alternative point of contact for investors. We have written to our top 10 shareholders introducing Paul as Senior Independent Director and providing his direct contact details. Paul will also have contact with our largest shareholders from time to time in his capacity as Chairman of the Remuneration Committee. The Remuneration Committee Chairman, in conjunction with the Committee's remuneration advisers, leads consultation with major shareholders whenever a change in remuneration policy is proposed. We keep the policy under regular review in the light of trends and developing shareholder sentiment. The Remuneration Committee reviewed the remuneration policy during the year and believes the policy remains appropriate. More information on the policy can be found in the Remuneration Report on pages 56 and 57.

During the year we carried out the first stakeholder engagement survey of our corporate responsibility programme between January and March 2012. Shareholders will be able to express their views on Hays' corporate responsibility activities by visiting [hays.com/corporate-responsibility](http://hays.com/corporate-responsibility) during 2013.

## CORPORATE GOVERNANCE REPORT CONTINUED

### BOARD FOCUS IN 2012

You will find a summary of the work done by the Board and its committees in the last financial year on page 44. I want to highlight two areas in particular. The first is the financial performance of the UK business which has been adversely affected by the prolonged UK economic downturn. Whilst the progress of all Hays' businesses is closely monitored, improving the financial performance of the UK business remains an important area for the Board's focus and a top priority. More information on the steps taken within the UK business can be found in the Chief Executive's Strategic Review on page 17. The second area I wish to highlight is our German business which has enjoyed significant growth since acquisition in 2003. Our German business is a leader in IT and Engineering and is well positioned in its markets to capitalise on further growth opportunities including diversification into other segments such as Construction & Property and Finance. During its visit to Germany, the Board received presentations from the German management team on its plans for the business and also met a large number of employees in one of our largest offices in Mannheim.

### BOARD PRIORITIES IN 2013

This year, in addition to Board succession, my priorities for Board governance will be further director training and understanding the impact of technology on the changing business model. I will also ensure that the Board maintains the flexibility it needs to address all the demands placed upon it. At this year's Annual General Meeting Paul Stoneham will be retiring as a non-executive director having served on the Board for eight years. As Chairman of the Nomination Committee, I will be leading the process for the appointment of a new non-executive director giving particular attention to the diverse skills and experience required in the future for a Group with an expanding international footprint.

**Alan Thomson**  
Chairman

### STATEMENT OF COMPLIANCE

The Financial Services Authority requires UK listed companies to explain how they applied the main principles set out in Section 1 of the UK Corporate Governance Code (the Code) and whether they have complied with the principles set out in Section 1 throughout the financial year. This remainder of this Report explains how we have applied the main principles of the Code during the financial year.

Throughout the year ended 30 June 2012 the Company has, without exception, complied with the provisions set out in Section 1 of the Code. Further information on the Code can be found on the Financial Reporting Council's website, [frc.org.uk](http://frc.org.uk).

### THE BOARD AND ITS WORK

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## ENTREPRENEURIAL LEADERSHIP BOARD ROLES

The Board is organised to apply breadth and depth, in both experience and skills, to ensure the successful development of the business, deliver shareholder value sustainably over the long term and to enable the Company to make a positive contribution to society. The Board sets the goals for the business, its culture and standards of conduct. The health of any business is measured in part by the extent to which risk and reward are balanced, how the business uses its strengths to reach its potential and how it effectively addresses its areas of weakness. Essentially, the Board establishes an entrepreneurial framework within which the business can flourish without promoting excessive risk taking.

**Alan Thomson** manages and leads the Board as Chairman. The Chairman's main objective is to ensure the Board performs all its functions effectively and sets the standard of leadership for the senior managers and employees to follow throughout the Group. As part of his formal remit, Alan:

- sets and manages the Board agenda;
- ensures the provision of sufficient, appropriate and timely information to all directors;
- ensures that effective communication takes place with shareholders and that the Board understands the views of shareholders;
- ensures the Board has adequate time to consider complex or strategically important issues;
- ensures the Board carries out regular risk management reviews and considers risk appetite;
- ensures that the Board undertakes a regular review of the performance of executive management, Group succession planning and leadership development activities;
- ensures new directors receive appropriate induction training that is tailored to their specific requirements;
- is responsible for the development of the Board and its individual members, including ongoing training, ensuring optimal effectiveness and active engagement of all members; and
- ensures that the Board and its members are evaluated at least once a year and that this is externally facilitated every three years.

**Alistair Cox** manages and leads the Group's business as Chief Executive. His core role is to carry out the strategic plans and policies established by the Board and to manage the business operations. In performing his remit, Alistair:

- formulates, develops and recommends the strategy and strategic priorities for the business;
- manages the implementation of the approved strategy and the strategic priorities;
- manages and optimises the operation and financial performance of the business;
- manages and delivers the appropriate communications to shareholders with the Group Finance Director;
- develops the effectiveness of the senior management team and manages the succession requirements; and
- ensures the Chairman is regularly appraised of current business issues.

The Company's strategy is described in pages 14 and 15 of this Annual Report.

**Paul Venables** as Group Finance Director provides Board focus on the financial position of the Group, manages key stakeholder relationships, including shareholders and banks, oversees the Group's financial reporting and control systems and assists the Chief Executive in operational matters.

**Paul Harrison** represents the non-executive directors and is an alternative point of contact for shareholders in his role as Senior Independent Director. He also leads discussions on the Chairman's performance and the succession of the Chairmanship, as required. In conjunction with his role as Chairman of the Remuneration Committee, Paul is a key voice representing shareholder views on the Board.

**Victoria Jarman** chairs the Audit Committee and has a key role in the Company's governance and control framework, including managing the relationship with the Auditor and representing the Audit Committee on the Board.

**Alison Yapp** as Company Secretary and General Legal Counsel assists the Chairman in administering Board meetings, provides support and advice to the directors and acts as the principal adviser on governance and legal matters.

## BIOGRAPHIES, SKILLS AND CONTRIBUTIONS

The effectiveness of the Board and its committees is determined by the qualities and experience of the individual directors.

The non-executive directors bring an independent view to the Board's discussions and the development of the Company's strategy. Their range of skills and experience ensures that the performance of management in achieving the business goals is appropriately challenged. They also ensure that financial controls and systems of risk management are both rigorous and appropriate for the needs of the business.

The profiles on pages 38 and 39 demonstrate the range of experience, independent judgement and contribution each director brings to the Board.

## BOARD EXPERIENCE



## CORPORATE GOVERNANCE REPORT CONTINUED

**1. Alan Thomson<sup>b</sup>****Chairman, 65**

Appointed Chairman of the Board and of the Nomination Committee on 10 November 2010 having been appointed as a non-executive director on 1 October 2010. Alan graduated with an MA degree in History and Economics from Glasgow University. He is currently Chairman of Bodycote plc, the international provider of thermal processing services and a non-executive director of Alstom SA, the French power generation, rail transportation and electrical transmission equipment manufacturer. He was formerly Group Finance Director of Smiths Group plc from 1995 until his retirement in 2006 and was, until 2011, the Senior Independent Director and Audit Committee Chairman of Johnson Matthey plc. He is a past President of the Institute of Chartered Accountants of Scotland.

**2. Alistair Cox****Chief Executive, 51**

Appointed to the Board on 1 September 2007 and became Chief Executive on 15 November 2007. Alistair is a Chartered Engineer, having graduated in Aeronautical Engineering and holds an MBA from Stanford University Graduate School of Business in California. He began his career at British Aerospace, subsequently moving to Schlumberger in 1982 where he held a number of roles in field engineering, management and research science. After graduating from business school, he was a manager at McKinsey & Company before joining Blue Circle Industries (latterly Lafarge) where he was Group Strategy Director and latterly Regional Director for Asia. He became Chief Executive at Xansa plc in 2002 before joining Hays. Alistair is a non-executive director of 3i Group plc.

**3. Paul Venables****Group Finance Director, 50**

Appointed Group Finance Director on 2 May 2006. Paul is a Chartered Accountant. He was a Senior Manager at Deloitte and Touche, now Deloitte LLP. He worked for Exel plc for 13 years prior to the acquisition of Exel plc by Deutsche Post in December 2005. At Exel he held a number of senior finance and operational roles, including Deputy Group Finance Director, and was a member of the executive board of Exel plc and Chairman of their Acquisitions and Projects Review Board. He joined Hays from DHL Logistics, a division of Deutsche Post World Net. Paul is Senior Independent Director of Wincanton plc.

**4. Paul Harrison<sup>a,b,c</sup>****Independent Non-Executive Director, 48**

Appointed non-executive director on 8 May 2007, he is Chairman of the Remuneration Committee and Senior Independent Director. Paul is a Chartered Accountant. He was a Senior Manager at Price Waterhouse, now PricewaterhouseCoopers LLP, and was responsible for the provision of audit and advisory services to large private and publicly listed companies. He joined The Sage Group plc as Group Financial Controller in 1997 and became its Group Finance Director in April 2000. As finance director of a major technology and people-based international company, Paul has a strong technical understanding of governance best practice combined with practical commercial acumen. He is an influential voice on a wide range of matters and is well placed to represent the views of shareholders.

**5. William Eccleshare<sup>a,b,c</sup>****Independent Non-Executive Director, 56**

Appointed non-executive director on 24 November 2004. William graduated with a Masters degree in History from Cambridge University. He was previously Chairman and CEO of Young & Rubicam EMEA and Wunderman EMEA, held senior executive roles at McKinsey & Company, where he was also a Partner, and was Chairman and Chief Executive of BBDO Europe, where he was responsible for all BBDO advertising, direct marketing, digital and public relations agencies in 44 countries. He is Chief Executive Officer of Clear Channel Outdoor Holdings Inc, the world's largest outdoor advertising media owner, having previously held the role of President and Chief Executive Officer of Clear Channel's International division. William played a major role in the development of the new Hays brand identity and continues to bring clarity on the Company's marketing approach, especially across the Group's international markets.

**6. Victoria Jarman<sup>a,b,c</sup>****Independent Non-Executive Director, 40**

Appointed non-executive director on 1 October 2011, Victoria is Chairman of the Audit Committee. Victoria graduated with a BEng (Hons) degree in Mechanical Engineering from the University of Leicester and is a Chartered Accountant, having spent her early career at KPMG before moving to Lazard Corporate Finance in 1998. She was formerly Chief Operating Officer of Lazard's London and Middle East operations and a member of its European Management



Committee. Victoria is a non-executive director of De La Rue plc and a member of its audit and nomination committees. In addition to her accounting skills, she brings a wealth of international corporate finance and operational experience, which is valuable as the Group continues to broaden its business across a wide range of disciplines and geographies.

**7. Richard Smelt** <sup>a,b,c</sup>

**Independent Non-Executive Director, 55**

Appointed non-executive director on 15 November 2007. Richard graduated in Psychology from Leeds University, is a Fellow of the Chartered Institute of Personnel and Development and has an MBA from the London Business School. With over 30 years' experience in HR management, he was Group Human Resources Director of Carphone Warehouse Group plc and Group Human Resources Director of Northern Rock plc post nationalisation. He currently has a portfolio of interests in private equity and corporate restructuring. Richard has been influential in helping the Company to enhance the key skills within its global workforce and has supported management in creating an industry-leading development process for all levels of employees.

**8. Paul Stoneham** <sup>a,b,c</sup>

**Independent Non-Executive Director, 50**

Appointed non-executive director on 24 November 2004. Paul holds a degree in Sociology from the University of Western Ontario and an MBA from Harvard University. He is currently Chief Executive Officer of ghd Group Holdings Ltd, a professional hair care company. He was previously President of Global Business

Development at Colgate Palmolive, responsible for leading the Oral Care, Personal Care and Home Care global categories, Managing Director of Boots Healthcare International and a member of the Boots PLC Executive Committee, President of Alberto Culver International and held various Procter & Gamble brand and category management roles. Paul is a key contributor to the Company's execution of strategy. Having led global companies as well as having worked and lived in five countries, he also brings an international perspective to the Board's discussions. Having served as a non-executive director for eight years, Paul will be retiring from the Board following conclusion of the Annual General Meeting to be held on 7 November 2012.

**9. Pippa Wicks** <sup>a,b,c</sup>

**Independent Non-Executive Director, 49**

Appointed non-executive director on 1 January 2012. Pippa graduated in Zoology from Oxford University following which she spent nine years with management consultants, Bain & Company. She is currently Managing Director of AlixPartners LLP, the global business advisory firm. She was previously a non-executive director of Ladbroke's plc where she was also a member of its audit committee, Group Finance Director of Courtaulds Textiles plc, Chief Executive of FT Knowledge at Pearson plc, and a non-executive director of Hilton International plc and Arcadia plc. Pippa has considerable broad-ranging experience gained at a senior level and brings valuable strategic and operational insights to the Board's decision making.

**10. Alison Yapp**

**Company Secretary and General Legal Counsel, 46**

Appointed Company Secretary and General Legal Counsel on 30 January 2006. Alison qualified as a solicitor in 1990. She began her career in private practice at Turner Kenneth Brown, advising corporate and commercial clients before moving in-house. She has 20 years' experience in industry within a number of international groups in the engineering, industrial and support services sectors. She was previously Company Secretary and Group Legal Adviser of Charter plc (latterly Charter International plc), an international engineering company, and prior to that held senior legal and secretarial positions in Johnson Matthey plc and Cookson Matthey Ceramics plc.

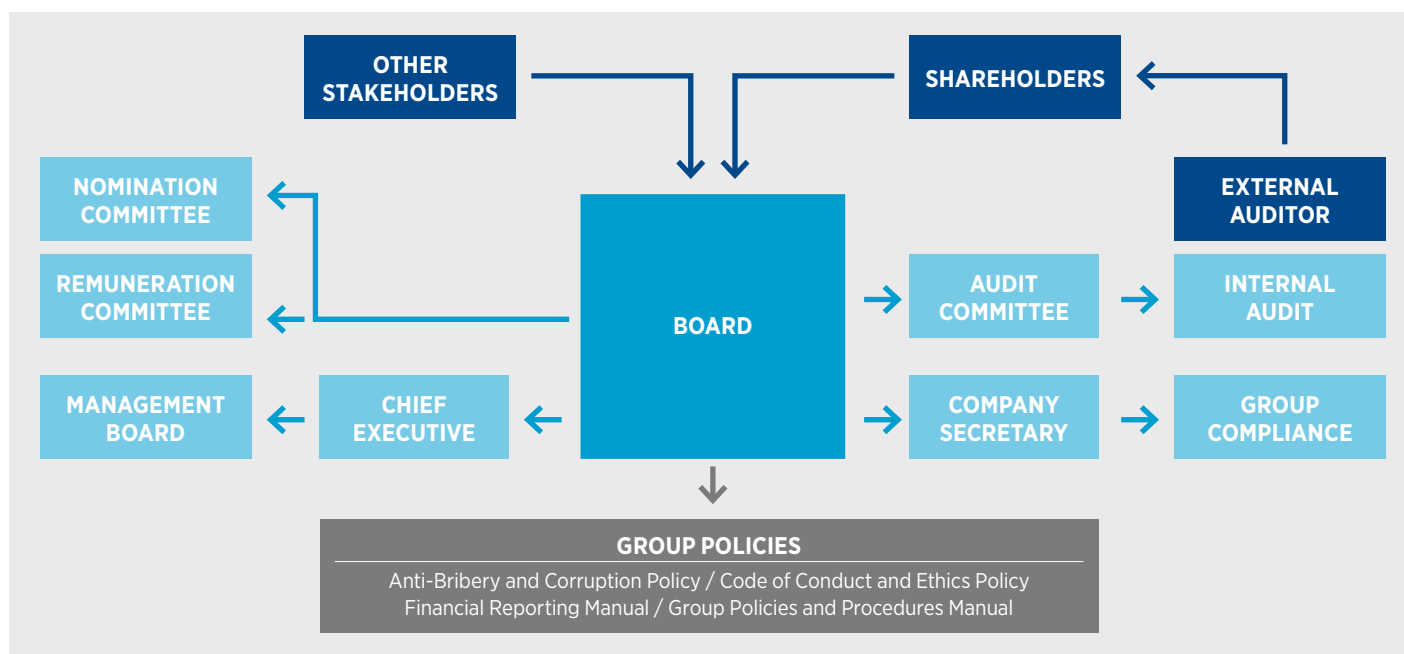
All the non-executive directors are considered by the Board to be independent as detailed in the Code. The letters of appointment for non-executive directors are available for review at the Company's Registered Office and prior to each annual general meeting. A pro forma letter of appointment is available on the Company's website, [hays.com](http://hays.com).

a Audit Committee  
b Nomination Committee  
c Remuneration Committee



## CORPORATE GOVERNANCE REPORT CONTINUED

### STEWARDSHIP OUR GOVERNANCE FRAMEWORK



The main functions of our governance framework are listed below, along with an overview of their responsibilities.

#### Nomination Committee

Reviews the structure and composition of the Board and leads the process for the identification and selection of new directors. Further details on the activities of the Nomination Committee are provided in the Nomination Committee Report on page 47.

#### Remuneration Committee

Determines and agrees with the Board the policy for the remuneration of the Chairman, executive directors, Company Secretary and selected senior managers of the Group. Details on the Group's remuneration policy are provided in the Remuneration Report on pages 56 and 57.

#### Audit Committee

Ensures that the Company applies consistent financial reporting and internal control and risk management procedures and maintains an appropriate relationship with the Company's Auditor. Details on the activities of the Audit Committee are provided in the Audit Committee Report on pages 48 and 49.

#### Company Secretary/General Legal Counsel

Ensures good information flows for the Board and its committees and between senior management and non-executive directors. Facilitates the induction of new directors and assists with professional development as required. Ensures Board procedures are complied with and that applicable rules and regulations are followed. Is the guardian of good governance, effective policies and compliance within the Group. The Company Secretary is available to all directors to provide advice and assistance and is responsible for providing governance advice to the Board.

#### Management Board

Chaired by the Chief Executive, this body is responsible for overseeing business operations in the Group's regions and the Group functional areas.

#### Group Functions

These specific administrative functions are controlled centrally at Group level and report to the Board via various members of the Management Board. For example, Finance, Investor Relations, Insurance, Tax and Treasury report through the Group Finance Director, and Compliance and Environmental, Health and Safety report through the Company Secretary. Procedures are clearly defined to ensure that the activities of these functions reduce the risk profile of the Group.

#### Internal Audit

Facilitates the identification of risks and carries out reviews and testing of the controls that are in place to mitigate the risks. Further details of the work of Internal Audit are provided in the Audit Committee Report on page 49.

#### Group Policies

The Board is responsible for ensuring that adequate policies and procedures are in place. These are reviewed and amended as required to ensure that they remain in line with legislation and regulations and are sufficiently robust to ensure appropriate internal controls are maintained, whilst also providing a suitable framework for the businesses and Group functions within which to operate.



## HOW THE BOARD OPERATES

The Chairman, in conjunction with the Company Secretary, considers and plans the annual programme of Board meetings including overseas and UK site visits for the year, presentations from the regional managing directors and other senior executives, the strategy away-day discussions and ongoing director training. Together with the Company Secretary, the Chairman plans the agenda for each meeting, which is issued with supporting papers during the week preceding the meeting. Board packs contain monthly management accounts, briefing papers on commercial and operational matters and major capital projects, reports on relations with investors and updates on the implementation of key strategic plans.

The programme for visits to operations in the UK and overseas is agreed with the Chairman and scheduled by the Company Secretary. This provides the Board with the opportunity to broaden its understanding of the business and key markets year-on-year and to gain invaluable insights through direct contact with business managers and the operations.

A procedure exists for directors to take independent professional advice if necessary at the Company's expense. All directors also have access to the advice and services of the Company Secretary.

## MATTERS RESERVED FOR THE BOARD

The following matters are reserved for the Board:

- Approving financial results and other financial, corporate and governance matters;
- Approving material contracts;
- Approving Group strategy;
- Approving appointments to the Board;
- Recommending dividends and deciding dividend policy;
- Reviewing material litigation;
- Approving major capital projects, acquisitions and disposals;
- Reviewing annually the effectiveness of internal control and the nature and extent of significant risks identified by management and associated mitigation strategies; and
- Approving the annual budget.

## BOARD COMMITTEES

Our non-executive directors play an important governance role in the work they carry out on our committees. The Chairman and members of each committee are detailed below. The Board has satisfied itself that at least one member of the Audit Committee has recent and relevant financial experience. The committees can seek professional advice at the Company's expense.

### Audit Committee

Victoria Jarman, Chairman	William Eccleshare
Paul Harrison	Richard Smelt
Paul Stoneham	Pippa Wicks

### Nomination Committee

Alan Thomson, Chairman	William Eccleshare
Paul Harrison	Victoria Jarman
Richard Smelt	Paul Stoneham
Pippa Wicks	

### Remuneration Committee

Paul Harrison, Chairman	William Eccleshare
Victoria Jarman	Richard Smelt
Paul Stoneham	Pippa Wicks

Paul Harrison became Chairman of the Remuneration Committee on 9 November 2011. Victoria Jarman was appointed to the Audit, Nomination and Remuneration Committees with effect from 1 October 2011 and became Chairman of the Audit Committee on 9 November 2011. Pippa Wicks was appointed to the Audit, Nomination and Remuneration Committees with effect from 1 January 2012.

## TERMS OF REFERENCE

The Board has agreed written terms of reference for each committee, which are available on the Company's website, [hays.com](http://hays.com), and are also available upon request from the Company Secretary at the Registered Office. During the year, the Audit and Remuneration Committee reviewed their terms of reference to ensure that they remained in line with best practice guidance and the Company's policies and practices. Two minor amendments were made to the Audit Committee terms of reference. The first related to the monitoring of the relationship with the Auditor whereby the Committee should consider whether the fees for audit and non-audit work provided by the Auditor were appropriate and whether an effective audit could be performed for the audit fee. The second was to confirm that the Committee should meet four times a year. No changes were considered necessary to the Nomination Committee and Remuneration Committee terms of reference.

## OPERATIONAL MANAGEMENT STRUCTURE

Responsibility for the management and operations of the business is delegated to the Chief Executive who operates through the Management Board. The Management Board is chaired by the Chief Executive and consists of the Group Finance Director, Regional Managing Directors, the Group HR Director, the Group Marketing Director, the Group IT Director, the Group Digital & Innovation Director and the Company Secretary and General Legal Counsel. Clear levels of authority exist for the Management Board in their day-to-day activities.

Each of the Company's Regional Managing Directors operates through their regional operating boards. Each regional board is led by the regional managing director and consists of key management from the region's operations and business functions, including Finance, HR and Marketing.

As far as possible, each business is given autonomy, whilst being required to operate within the internal control environment established through the Group Policies and Procedures Manual, Anti-Bribery and Corruption Policy, Code of Conduct and Ethics Policy, Competition Compliance Policy, Financial Reporting Manual and schedule of Operational Delegated Authorities.

## CORPORATE GOVERNANCE REPORT CONTINUED

### MANAGING RISKS AND INTERNAL CONTROL

The Board is responsible for the Group's risk management process and its system of internal controls and for maintaining and reviewing their effectiveness. The Board annually reviews the nature and extent of significant risks identified by management both on a gross as well as a net (post mitigation) basis, and the status of mitigation plans. This exercise involves the presentation of risk findings to enable the Board to review and oversee the status of the key risks to the business. The Board in turn reflects on the level of risk appetite acceptable to the Group in order to achieve the Company's strategic objectives. During the year, the Board reviewed the nature and extent of the significant risks in the Group on a gross and net basis and determined that the risks and their relative priority were appropriate and that actions had been defined and attributed to owners in order to treat the risks appropriately. The Board also considered the key regional risks that had been identified by management.

Day-to-day management of risk is overseen by the Management Board, which operates a risk management process involving assessment of key Group risks twice a year. The operating regions also conduct assessments of strategic and operational risks within each region. Each risk is assessed in terms of its likelihood to occur and the potential financial and reputational impact if it does so. Appropriate mitigation plans and strategies are put in place for those risks that are controllable. Progress on the management of risks is reported to the Management Board. During the year under review, the Management Board reviewed the progress of high-priority risks and also considered any new or emerging risks that were identified.

Risks are further controlled through delegated authorities and other written policies and procedures, which are approved by the Board, updated as necessary, and overseen by Group functional departments. The Group Policies and Procedures Manual, Financial Reporting Manual and the Operational Delegated Authorities, which encompass all of the Group's operations, are designed to ensure that a minimum level of corporate, accounting, financial and operating controls are in place and allow matters to be appropriately and promptly escalated to senior management and the Board. The Group's Anti-Bribery and Corruption, Code of Conduct and Ethics, and Competition Compliance Policies outline the way in which employees are expected to conduct themselves when carrying out their business activities. The manuals and policies are updated on an ongoing basis to reflect changes in procedures as and when they occur.

The Group operates a comprehensive budgeting, forecasting and financial reporting process. Annual budgets are reviewed and approved at business and Group levels. 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's Internal Audit department also focuses on facilitating the identification of risks and undertakes reviews and testing of the controls in place for their mitigation. The department's resources are augmented with independent, expert external resource where necessary, to review risk and monitor compliance with the Group's 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 presented to management and to the Audit Committee at each meeting and recommendations are agreed upon with management and implemented.

The Group's systems and controls are designed to manage risks, 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 principal risks disclosed on pages 22 and 23 represent the significant areas which the Board considers could most likely impact the Group's financial performance and reputational standing.

### INTERNAL CONTROL STATEMENT

Responsibility for reviewing the effectiveness of the Group's system of internal controls has been delegated to the Audit Committee. The Audit Committee has reviewed the effectiveness of the Group's system of internal controls for the year ended 30 June 2012, covering all material controls, including financial, operational and compliance controls and risk management systems and has concluded that it is in compliance with the revised Turnbull guidance – Internal Control: Revised Guidance for Directors on the Combined Code (October 2005) published by the Financial Reporting Council. This internal control statement has been reviewed and approved by the Audit Committee. Further details on the Group's internal control systems are reported in the Audit Committee Report on page 49.

## **UNDERSTANDING SHAREHOLDERS' VIEWS RESPONSIBILITIES**

Hays gains insight into the views of shareholders and other stakeholders through a variety of means. Feedback received through these engagement channels is regularly reported to the Board.

Primary responsibility for engaging with shareholders rests with the Chairman, Chief Executive and Group Finance Director, supported by the Investor Relations and Company Secretarial departments, and external advisers.

Should shareholders wish to raise any concern where the normal channels have failed to resolve the issue or are inappropriate for any reason, Paul Harrison is available to shareholders in his role as Senior Independent Director. Paul is a significant contributor to the Board on shareholders' perspectives.

## **HOW WE ENGAGE WITH SHAREHOLDERS**

During the year, the Board has maintained a regular and open dialogue with investors. We have formal arrangements for engaging with shareholders including those described below.

### **Investor meetings**

The executive directors and the Investor Relations team regularly meet with analysts and major investors to discuss any concerns they may have and to explain the Company's strategy.

The Group's advisers maintain a dialogue with major shareholders and, following each investor roadshow, provide a report on the views of shareholders on key issues and management performance. A summary of this report is subsequently provided to the Board.

All non-executive directors are aware of the investor relations programme and are available should shareholders wish to meet them. Investors are offered the opportunity to meet the Chairman and Senior Independent Director.

### **Annual general meeting**

The annual general meeting provides an opportunity to communicate with all shareholders and in particular with our private shareholders. The Chairmen of the Audit, Nomination and Remuneration Committees are also available at the annual general meeting to answer any questions shareholders may have.

The Notice of Meeting sets out the resolutions being proposed at the Annual General Meeting to be held on 7 November 2012. It is the Company's policy at present to take all resolutions at a general meeting on a poll.

## **Formal consultations**

The Chairman of the Remuneration Committee consults with major investors and seeks their views on the proposed incentive arrangements for executive directors and senior management (where appropriate). From time to time, we specifically seek major shareholders' views on other Company proposals.

## **Communications from shareholders and representative bodies**

From time to time, we receive circulars directly from major shareholders and representative bodies, such as the Association of British Insurers, the National Association of Pension Funds and Pensions Investment Research Consultants Ltd. We also review the various environmental, social and governance reports published about us annually and endeavour to address any weaknesses or failings identified.

## **External advisers**

Legal, financial, remuneration and communications advisers naturally have broad exposure to shareholder views and practice in the course of their research and work with their many clients. Appropriate external advice is sought by the Board, Board committees and Group departments when considering important issues.

## **Corporate website**

There is a wealth of information available on our corporate website, [hays.com](http://hays.com), including:

- financial information and results history;
- all announcements made to the London Stock Exchange;
- the terms of reference of the Audit, Nomination and Remuneration Committees;
- a pro forma letter of appointment for the non-executive directors;
- the role of the Senior Independent Director;
- latest news and press releases; and
- webcasts and interviews given by our executive directors.

## CORPORATE GOVERNANCE REPORT CONTINUED

### BOARD FOCUS IN THE 2012 FINANCIAL YEAR

#### WHAT THE BOARD HAS DONE IN THE YEAR

##### Developing and implementing a successful strategy

- Regularly received reports on the Group's strategic performance
- Attended a strategy day with the members of the Management Board at which key strategic matters were discussed
- Regularly reviewed reports on global economic indicators and market analyses
- Received a presentation from external advisers on the global economy and world stock markets
- Visited operations in France, Germany and the UK, during which presentations were given by the local management teams on performance and opportunities and the Board undertook a visit of operations and met with employees
- Reviewed the operations and strategy plans for each of the Group's regions
- Approved the expansion of operations into Chile, Colombia and Malaysia
- Received reports and presentations on the exploitation of the Group's technology platforms
- Received update reports on marketing and brand developments

##### Ensuring appropriate financial management

- Regularly received reports on the Group's financial performance
- Approved financial results for publication
- Approved the annual budget
- Considered the full year and half year dividend recommendations

##### Implementing governance and ethics and monitoring risk

- Considered the potential impact of the Eurozone crisis
- Reviewed Board and committee effectiveness
- Performed the annual review of the effectiveness of internal controls and of the nature and extent of risks identified and mitigation strategies
- Considered and approved the Group's Anti-Bribery and Corruption Policy and framework
- Reviewed the Group's corporate responsibility strategy
- Received regular reports on legal and compliance matters from the Company Secretary and General Legal Counsel
- Carried out an annual review of directors' conflicts of interest
- Carried out an annual review of the Group's insurance arrangements

##### Motivating employees

- Considered the results from TALKback, the Group's employee engagement survey

##### Engaging with investors

- Received regular updates on the views of investors
- Received regular reports on the Company's investor relations programme

##### Building strong leaders

- Considered progress of the Group's leadership and consultant development strategy
- Reviewed the Group's succession plans and assessed risks and options
- Undertook Board training provided by Deloitte LLP

#### MAIN COMMITTEE ACTIVITIES

##### Audit Committee

- Approved the annual Audit Committee agenda programme
- Reviewed financial results for publication
- Considered the external audit plan and reviewed the results of the audit
- Approved the Internal Audit plan
- Received reports from Internal Audit on the findings of their work
- Received reports from the Tax, Treasury, Insurance, Legal, Compliance and IT functions
- Assessed the performance of the Group's key finance personnel
- Reviewed the non-audit services provided by the Auditor and amended the non-audit services policy to reduce the value of permitted non-audit services in a year
- Reviewed the risk management and controls framework and its effectiveness and the Group's principal risks
- Reviewed the performance and effectiveness of the Auditor and considered its reappointment
- Reviewed the performance and effectiveness of the internal audit function
- Reviewed the Group's whistleblowing arrangements
- Carried out an assessment of the Committee's effectiveness and reviewed progress on matters arising from previous assessments
- Reviewed the Committee's terms of reference
- Recommended the 2011 Audit Committee Report for approval by the Board
- Held discussions with the external Auditor and the Head of Internal Audit without management being present

##### Nomination Committee

- Led the process for the appointment of two new non-executive directors
- Considered directors' annual re-election as recommended by the Code
- Approved the 2011 Nomination Committee Report
- Defined and approved the role of the SID
- Considered the composition of the Board and the need to match Board experience with the ongoing geographical and technical trends in the global recruitment sector
- Considered Board succession planning

##### Remuneration Committee

- Amended and approved the remuneration policy
- Considered staff versus director pay levels when determining directors' remuneration
- Considered the base salaries of the executive directors and other senior executives and that of the Chairman
- Assessed how incentive arrangements took account of Group risks
- Approved the introduction of malus provisions in the Performance Share Plan and the Deferred Annual Bonus Plan
- Received a report on the UK Government's proposals for executive pay
- Considered and approved the outturn of the annual bonus and vesting of share awards for the executive directors and Management Board members for the 2011 financial year
- Set the annual bonus targets for the executive directors and Management Board members for the 2012 financial year
- Considered and approved the targets for the Performance Share Plan awards and approved the deferred bonus awards made in the 2012 financial year
- Reviewed the Committee's terms of reference
- Recommended the 2011 Directors' Remuneration Report for approval by the Board



**ATTENDANCE TABLE**

The table below sets out the number of scheduled meetings held by the Board and its committees during the year and individual attendance by Board and committee members at those meetings.

	Board	Audit Committee	Nomination Committee	Remuneration Committee
No. held	7 <sup>(1)</sup>	4	4	5
No. attended				
Alan Thomson	7	–	4	–
Alistair Cox	7	–	–	–
William Eccleshare	7	4	4	5
Paul Harrison <sup>(2)</sup>	6	3	4	5
Victoria Jarman <sup>(3)</sup>	5	3	2	3
Lesley Knox <sup>(4)</sup>	4	2	3	2
Richard Smelt	7	4	4	5
Paul Stoneham	7	4	4	5
Paul Venables	7	–	–	–
Pippa Wicks <sup>(5)</sup>	2	2	1	1

(1) Excludes one ad hoc Board meeting attended by the Chairman and the executive directors only to approve an administrative matter connected with the UK corporate structure.

(2) Paul Harrison was unavailable for one Board meeting and one Audit Committee meeting held on 20 February 2012 due to personal commitments.

(3) Victoria Jarman was appointed to the Board and its committees with effect from 1 October 2011 and has attended all meetings held in the year since her appointment.

(4) Leslie Knox retired from the Board and its committees on 9 November 2011 and attended all meetings held in the year prior to stepping down.

(5) Pippa Wicks was appointed to the Board and its committees with effect from 1 January 2012 and has attended all meetings held in the year since her appointment with the exception of one Board meeting and one Remuneration Committee held on 21 March 2012 for which she was unavailable due to pre-arranged business commitments.

**BOARD EFFECTIVENESS**  
**UNDERSTANDING THE BUSINESS**

We consider that, to function effectively, all members of the Board need appropriate knowledge of the Company and access to its operations and staff. Presentations and reports on commercial initiatives, our markets, our competitive position and general economic indicators are given periodically to the Board. In addition, we hold Board meetings away from the head office approximately three times a year, which allows focus on local markets and operations and enables the non-executive directors to meet the local management.

**BOARD TRAINING AND DEVELOPMENT**

On appointment, directors receive a formal induction, which includes visits to relevant business units and functions and discussions with senior management. These are tailored to the needs of the individual director and continue throughout their tenure.

Briefing sessions on governance, legislative and accounting developments are held for the Board and its committees when appropriate. During the year, the Board received updates from the Company Secretarial department regarding corporate reporting trends, from Freshfields Bruckhaus Deringer LLP, the Company's external legal advisers, about the potential impacts of a disorderly breakup of the Eurozone, and from the Auditor, Deloitte LLP, about trends in financial reporting, corporate governance and risk, and corporate responsibility. The Remuneration Committee received updates from their external advisers, PricewaterhouseCoopers LLP, regarding regulatory and governance changes and recent developments in shareholder sentiments, and the Audit Committee received updates from Deloitte LLP on developments in accounting standards and other regulatory and legislative changes.

**PERFORMANCE EVALUATION**

This year the Board undertook an internal review of the effectiveness of the Board, its committees and individual members, having carried out an external review with Egon Zehnder in 2010. The next external review will take place in 2013 in line with the Code. As part of this year's effectiveness review, each director (other than the Chairman) completed a questionnaire comprising questions relating to:

- information flows, Board papers and agenda composition;
- controls, risk management and risk appetite;
- board dynamics and relationships between Board members;
- the composition of the Board and its skills;
- discussion topics and decision making including the balance between operational and strategic matters;
- value creation, strategy and performance; and
- the effectiveness of the Audit, Nomination and Remuneration Committees.

The completed questionnaires were sent to the Company Secretary who compiled a report on the results of the evaluation for the Chairman's consideration. The Chairman met with each of the directors individually to discuss the results of the review and their responses, and to provide constructive feedback. The findings of the 2012 performance evaluation together with recommendations from the Chairman were then considered by the Board and certain actions will be implemented as a result.

## CORPORATE GOVERNANCE REPORT CONTINUED

### Board and committee performance

The findings of the 2012 performance evaluation indicate that the structure and content of the Board meetings is considered to be appropriate and relationships between Board members are open and constructive. The balance between Board consideration of strategy and operational performance is considered to be appropriate. The strategy review away day is considered to be particularly useful and discussions were free-ranging and well informed. Overseas site visits are particularly valuable to Board members. The appointments in the year of Pippa Wicks and Victoria Jarman had increased business services experience on the Board, adding fresh energy and improving diversity. The Chairman provides strong leadership, encouraging open debate and challenge and Board members are satisfied that the Board is apprised of all material matters. The Board is aligned around the strategic objectives facing the business.

The performance of each of the committees was also considered. The committees are well chaired and their structure and responsibilities are clear and appropriate. The Audit Committee also undertook its own separate review, details of which are reported in the Audit Committee Report on page 49.

This year the Senior Independent Director also undertook a separate review of the performance of the Chairman. He circulated a separate questionnaire relating to the performance of the Chairman, which all directors (other than the Chairman) and the Company Secretary completed. Following this the SID met with each of the directors to appraise the performance of the Chairman and also met with the Chairman to provide feedback. The results of the review were also presented to the Board.

Various actions arising from the 2011 performance evaluation review were addressed in the year, including the introduction of electronic board packs to facilitate meetings, increasing the Board's focus on strategy and execution, facilitating external briefings on key issues affecting the Group, providing additional training updates on governance and regulatory matters, and continued operational focus in relation to efficiency improvements.

Actions arising from this year's review will include continuing focus on the Group's key strategic objectives, further development of the Group's senior talent pool, additional focus on mitigation of risk and consideration of risk appetite and enhancing the Board's understanding of the business through specific site visits and discussion with employees. Looking forward, the Board will continue to ensure that it has the appropriate balance of skills and experience in relation to the strategic objectives of the business.

### Individual performance

The effectiveness of each member of the Board was reviewed in respect of the financial year. The Chairman, along with the non-executive directors, reviewed the performance of the executive directors individually against their objectives. The remuneration of the executive directors is linked to their respective performances and is determined by the Remuneration Committee based upon the result of these reviews. Further details are reported in the Remuneration Report on pages 54 to 65.

As reported above, the non-executive directors, led by the Senior Independent Director, met without the Chairman present to appraise his performance during the year.

Following the performance evaluation review, the Chairman is satisfied that each of the directors, who will all be put forward for reappointment at the forthcoming Annual General Meeting, remains independent in character and judgement, taking into account their length of service. Each of the directors being put forward for reappointment at the 2012 Annual General Meeting continues to be effective. Their ongoing commitment to the role is undiminished and they continue to make a valuable contribution to the Board and its committees.

The disclosures required by DTR 7.2.6R of the Disclosure Rules and Transparency Rules of the United Kingdom Listing Authority (information required by paragraph 13(2) (c), (d), (f), (h) and (i) of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008) can be found in the Other Statutory Information section of this Annual Report.

# NOMINATION COMMITTEE REPORT



## DEAR SHAREHOLDER

The Nomination Committee (the Committee) is appointed by the Board and consists of independent non-executive directors of the Company. The quorum for the transaction of business is three. The Committee's terms of reference include all matters required by the UK Corporate Governance Code (the Code).

Further information on the Code can be

found on the Financial Reporting Council's website, [frc.org.uk](http://frc.org.uk). The terms of reference are reviewed periodically by the Committee and any changes are then referred to the Board for approval. No changes were made to the terms of reference during the year. The terms of reference of the Committee are available on the Company's website, [hays.com](http://hays.com).

## COMPOSITION OF THE NOMINATION COMMITTEE

The Committee is chaired by the Chairman of the Board, as recommended by the Code. William Eccleshare, Paul Harrison, Richard Smelt and Paul Stoneham were members of the Committee throughout the year and Victoria Jarman was appointed as a member of the Committee with effect from 1 October 2011 and Pippa Wicks was appointed as a member of the Committee with effect from 1 January 2012. Lesley Knox stood down from the Committee when she retired from the Board at the conclusion of the 2011 Annual General Meeting. The Secretary attends meetings of the Committee and, by invitation, the Chief Executive and the Group Finance Director may also attend meetings as required. The Committee can seek professional advice at the Company's expense.

## ROLE OF THE NOMINATION COMMITTEE

The Committee reviews the structure and composition of the Board annually to ensure it remains appropriate for the needs of the business and plans for the progressive refreshing of the Board. It leads the process for the identification and selection of new directors and makes recommendations to the Board in respect of such appointments, taking into consideration the benefits of diversity in terms of both gender and ethnicity. It also makes recommendations to the Board on committee membership, including the chairmanship of the committees.

## MAIN ACTIVITIES OF THE NOMINATION COMMITTEE

The Committee formally met four times during the year. The Committee considered the composition of the Board and the recommendation to appoint Victoria Jarman as a non-executive director of the Company and Chairman of the Audit Committee. Details regarding the search for Victoria Jarman, which was undertaken by The Zygos Partnership, were reported in the 2011 Annual Report. The Committee also considered and approved the appointment of Paul Harrison as Chairman of the Remuneration Committee and Senior Independent Director (SID). A description of the role of the SID, approved by the Committee, is available on the Company's website at [hays.com](http://hays.com). As part of the Board performance evaluation process, and as required by the UK Corporate Governance Code, the effectiveness of Messrs Stoneham and Eccleshare as Directors was considered in view of their service extending beyond six years and the need to progressively refresh the Board. The Committee considered that both individuals continued to be effective and to demonstrate commitment to their respective roles. In accordance with the Code, the Committee considered that Richard Smelt, who was extending his term of membership of the Committee by a further three years, remained independent and continued to meet the criteria for membership. The Committee considered the recommendation to appoint Pippa Wicks as a non-executive director of the Company and shareholders will be asked to reappoint Pippa Wicks as a director at

the Annual General Meeting. Further details regarding the search which resulted in Pippa Wicks' appointment are described below.

## SKILLS AND COMPOSITION

During the year the Committee reviewed the composition and skills of the Board with a view to considering the current and possible future skills and experience which the Board might require. As part of its review, the Board also considered executive director succession. It was noted that, at present, the majority of the Group's net fees and all of the Group's profit are earned outside the UK and it was therefore appropriate to consider the geographic diversity of the Board in any future Board appointments. The impact of technology on the business is another area of increasing importance and will form a key criterion when considering the future skills and experience of the Board.

## SUCCESSION

During the year, as Chairman of the Committee, I led the process for appointing a new non-executive director to the Board. The Zygos Partnership, an external search consultancy, was engaged to lead the search. I briefed Zygos as to the personal attributes needed in the new non-executive director with regard to the business, its future direction and the role to be undertaken. The Board considered that individuals with business to business and professional services backgrounds would be particularly relevant, as would individuals with strong international experience and credibility within the investment community. Style and cultural fit with Hays were also important considerations, as was boardroom diversity in light of the Lord Davies report.

Zygos produced a shortlist of candidates. Selected members of the Board met with the shortlisted candidates and all members of the Committee and the executive directors met with Pippa Wicks prior to confirmation of her appointment.

Pippa was considered to be the ideal candidate given her background and experience and met the Board's criteria. Pippa graduated in Zoology from Oxford University following which she spent nine years in various consulting and management roles with management consultants Bain & Company. She is currently Managing Director of AlixPartners LLP, the global business advisory firm. She was previously a non-executive director of Ladbrokes plc, where she was also a member of its audit committee, Group Finance Director of Courtaulds Textiles plc, Chief Executive of FT Knowledge at Pearson plc and a non-executive director of Hilton International plc and Arcadia plc. Pippa has considerable broad-ranging experience gained at a senior level and brings valuable strategic and operational insights to the Board's decision making.

At this year's Annual General Meeting Paul Stoneham will be retiring as a non-executive director having served on the Board for eight years. As Chairman of the Committee I will be leading the process for the appointment of a new non-executive director giving particular attention to the diverse skills and experience required in the future for a Group with an expanding international footprint. We intend to use an external search consultancy to assist with this.

As Chairman of the Committee, I will be available at the 2012 Annual General Meeting to answer any questions about the work of the Committee.

On behalf of the Nomination Committee.

**Alan Thomson**

Nomination Committee Chairman

# AUDIT COMMITTEE REPORT



## DEAR SHAREHOLDER

The Audit Committee (the Committee) is appointed by the Board from the non-executive directors of the Company. The Committee's terms of reference include all matters indicated by the UK Corporate Governance Code (the Code) published by the Financial Reporting Council. Further information on the Code can be found on the Financial Reporting

Council's website, [frc.org.uk](http://frc.org.uk). The terms of reference are considered annually by the Committee and any changes are recommended to the Board for approval.

## COMPOSITION OF THE AUDIT COMMITTEE

Paul Harrison, who remains a member of the Committee, stood down as the Committee Chairman and was succeeded by Victoria Jarman on conclusion of the Company's Annual General Meeting held on 9 November 2011. William Eccleshare, Richard Smelt and Paul Stoneham were members of the Committee throughout the year. Victoria Jarman was appointed a member of the Committee with effect from 1 October 2011 and Pippa Wicks was appointed as a member of the Committee with effect from 1 January 2012. Lesley Knox stood down from the Committee when she retired from the Board at the conclusion of the 2011 Annual General Meeting.

Victoria Jarman, the Committee Chairman, is a Chartered Accountant, has a corporate finance and investment banking background and is considered suitably financially qualified to be the Audit Committee Chairman. Paul Harrison is also a Chartered Accountant. He is Group Finance Director of The Sage Group plc and is considered to have recent and relevant financial experience. The qualifications (both formal and by experience) of the other members of the Committee can be found in the Corporate Governance Report on pages 38 and 39.

At the invitation of the Committee, the Chairman of the Board, the Chief Executive, Group Finance Director, Head of Internal Audit, Group Financial Controller and external Auditor attend the Committee meetings.

Membership of the Committee is reviewed by the Chairman of the Committee and the Chairman of the Board, who is not a member of the Committee, and they recommend new appointments to the Nomination Committee for onward recommendation to the Board. The Committee comprises six independent non-executive directors and two members constitute a quorum.

## ROLE OF THE AUDIT COMMITTEE

During the year, the Committee reviewed its terms of reference and two minor amendments were made. The first related to the monitoring of the relationship with the Auditor whereby the Committee should consider whether the fees for audit and non-audit work provided by the Auditor were appropriate and whether an effective audit could be provided for the audit fee. The second was to confirm that the Committee should meet four times a year. The terms of reference of the Committee are published on the Company's website, [hays.com](http://hays.com), and are also available from the Company Secretary at the Registered Office.

The key responsibilities of the Committee are to:

- consider the appropriateness of the Company's financial statements and, other than quarterly trading statements, examine formal announcements relating to its financial performance including any significant judgements;
- recommend to the Board for approval by shareholders, the appointment, reappointment or removal of the external Auditor;
- monitor the relationship with the Company's Auditor, including consideration of its fees, the audit scope and the terms of its engagement;
- review the effectiveness and objectivity of the external audit and the Auditor's independence;
- review the policy for the provision of non-audit services and monitor compliance;
- monitor and review the Company's internal control and risk management systems and their effectiveness;
- monitor and review the effectiveness of the Company's Internal Audit function and to approve the Internal Audit plan; and
- ensure compliance with laws, regulations, ethical and other areas and ensure that the Company maintains suitable arrangements for employees to raise concerns in confidence.

Quarterly trading statements are reviewed by a special committee established for the purpose comprising the Committee Chairman, the Senior Independent Director, the Group Finance Director and the Chairman.

## ACTIVITIES OF THE AUDIT COMMITTEE

The Committee met four times during the financial year ended 30 June 2012. Attendance at meetings is shown on page 45.

During the year the Committee received updates and presentations from the Tax, Treasury, Insurance, Legal, Compliance and IT functions and the Committee also received a report on the performance of the Group's key finance personnel. The Committee discharged its other responsibilities as follows:

### Financial statements

The Committee reviewed the draft annual financial statements and half year report prior to recommending their approval to the Board. The Committee discussed with the executive directors and external Auditor the appropriateness of accounting policies adopted, significant estimates and judgements, whether the financial statements gave a true and fair view and the appropriateness of the going concern assumption.

### External Auditor

The Committee is responsible for recommending to the Board for approval by the shareholders the appointment of the external Auditor. Deloitte LLP is the external Auditor of the Company and, under ethical guidance, is required to introduce a new lead audit partner every five years. Following meetings with the Committee Chairman and the Group Finance Director, a new lead audit partner was appointed following the 2011 year end results. In line with its



terms of reference, the Committee undertook a thorough annual assessment of the quality, effectiveness, value and independence of the audit provided by Deloitte LLP, seeking the views and feedback of the Committee and fellow Board members, together with those of Group and divisional management. There are no contractual restrictions on the Committee as to the choice of external Auditor.

The Committee considered the scope and materiality of the audit work, considered and approved the audit fee, reviewed the results of the Auditor's work and considered the Auditor's performance and effectiveness. The risk of the Auditor withdrawing from the market was also considered.

The Committee met the external Auditor twice during the year without management being present.

The Committee reviewed the policy on the engagement of the Auditor for non-audit services and reduced the value of permitted non-audit services which may be provided in a year from 1.5 times the prior year's audit fee to 1 times the fee. The Committee confirmed the applicability of that policy in satisfying itself that their independence and objectivity was not impaired.

The key features of the non-audit services policy are as follows:

- work closely related to the audit (e.g. taxation or financial reporting matters) can be awarded to the Auditor by the executive directors provided the work does not exceed £150,000 in fees per item; and
- all other work either requires Committee approval or forms part of a list of prohibited services where it is felt independence or objectivity may be impaired.

The Committee has reviewed the non-audit services performed by Deloitte LLP in the year and has concluded that the policy has been applied and the Auditor's independence and objectivity has not been impaired as a result. Details of fees paid to Deloitte LLP and its associates during the financial year are set out in note 7 to the Consolidated Financial Statements on page 76.

After due and careful consideration, taking account of the processes above, the Committee has recommended to the Board that Deloitte LLP be reappointed as the Company's Auditor at the Annual General Meeting to be held on 7 November 2012.

### **Risk management and internal control**

The Committee reviewed the Company's risk management and internal control systems and their effectiveness by considering the Group's risk assessment processes which included detail of the extent of coverage, the assessment methods employed and the effectiveness of the controls to mitigate those risks. It also considered the results of testing performed by both the internal and external audit teams in evaluating the effectiveness of such controls.

### **Internal Audit and risk**

The Committee oversees the risk management and assurance activities including the work of Internal Audit.

During the year, the Committee reviewed the terms of reference of the Internal Audit function and determined that no changes were necessary.

During the year, the Committee reviewed the performance and effectiveness of the Head of Internal Audit and of the Internal Audit function through an internal review process, seeking views from a number of internal stakeholders. The Committee also reviewed the independence and objectivity of Internal Audit and approved the annual audit plan and resource requirements. The plan has delivered both geographic and financial coverage, as well as risk-based assurance in support of non-financial topics such as IT, contract management and compliance.

Internal Audit reports include recommendations agreed with management to improve the effectiveness and efficiency of internal controls. At each meeting, the Committee received a summary of new audit findings and separate details of outstanding audit recommendations and those that were overdue, with management comments on progress made.

The Committee also met the Head of Internal Audit twice during the year without management being present.

### **Raising concerns in confidence**

During the year the Committee reviewed the Group's procedures enabling employees to raise concerns in confidence. Employees are able to raise concerns or report compliance issues through an independent third-party organisation. The Committee receives reports of any serious concerns raised.

### **Audit Committee effectiveness**

The Committee undertook its own annual performance evaluation, which concluded that the Committee has acted in accordance with its terms of reference and is operating effectively. In the coming year the Committee will continue to focus on risk measures and mitigating actions, non-financial risk topics and further evolution of the Group's risk management processes.

As Chairman of the Committee, I will be available at the 2012 Annual General Meeting to answer any questions about the work of the Committee.

On behalf of the Audit Committee.

**Victoria Jarman**

Audit Committee Chairman

# OTHER STATUTORY INFORMATION

## DIRECTORS

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

Alan Thomson, Chairman	Victoria Jarman <sup>(1) (2)</sup>
Alistair Cox, Chief Executive	Lesley Knox <sup>(1) (3)</sup>
Paul Venables, Group Finance Director	Richard Smelt <sup>(1)</sup>
William Eccleshare <sup>(1)</sup>	Paul Stoneham <sup>(1)</sup>
Paul Harrison <sup>(1)</sup>	Pippa Wicks <sup>(1) (4)</sup>

(1) Independent non-executive director.

(2) Appointed on 1 October 2011.

(3) Retired on 9 November 2011.

(4) Appointed on 1 January 2012.

Biographical details for all current directors are shown on pages 38 and 39.

## STRUCTURE OF SHARE CAPITAL

As at 30 June 2012, the Company's issued share capital of £14,640,965.66 comprised 1,464,096,566 Ordinary shares of 1 pence each. No shares were allotted during the year.

During the year from 1 July 2011 to 30 June 2012, the Company did not purchase any Ordinary shares of the Company.

Chapter 6 of Part 18 of the Act allows 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 Act) rather than cancel them, subject to institutional guidelines applicable at the time. As at 30 June 2012, 74,600,985 Ordinary shares of 1 pence each were held in treasury. During the year to 30 June 2012, 5,250,650 shares held in treasury were transferred to satisfy awards of shares under the Company's employee share schemes. No dividends have been paid on shares whilst held in treasury and no voting rights attach to the treasury shares.

## RIGHTS AND OBLIGATIONS OF ORDINARY SHARES

On a show of hands at a general meeting every holder of Ordinary shares present in person or by proxy and entitled to vote shall have one vote. On a poll, every member present in person or by proxy shall have one vote for every Ordinary share held. In accordance with the provisions of the Articles of Association, holders of Ordinary shares are entitled to a dividend where declared or paid out of profits available for such purposes. On a return of capital on a winding up, holders of Ordinary shares are entitled to participate in such a return.

## RESTRICTIONS ON TRANSFERS OF SECURITIES

The restrictions on the transfer of shares in the Company are as follows:

- the Board may, in its absolute discretion, refuse to register the transfer of a certificated share which is not fully paid, provided that the refusal does not prevent dealing in shares in the Company from taking place on an open and proper basis;
- the Board may also refuse to register the transfer of a certificated share unless the instrument of transfer is lodged, duly stamped (if stampable), at the Registered Office or at another place appointed by the Board accompanied by the certificate for the share to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;
- the Board may refuse to register a transfer of shares in favour of more than four persons jointly;

- where a shareholder has declined to provide certain information requested by the Company in accordance with the Act, the Board can in certain circumstances apply to the court for an order directing that the shares in question be subject to restrictions. If an order is so made, any transfer of (or any agreement to transfer) the shares will be void and no voting rights will be exercisable in respect of them;
- restrictions may be imposed on certain Group employees who are required to seek approval from the Company before dealing in shares in accordance with the requirements of the Listing Rules of the United Kingdom Listing Authority; and
- awards of shares under the Company's incentive arrangements, the Performance Share Plan and the Deferred Annual Bonus Plan, are subject to restrictions on the transfer of shares prior to vesting.

The Company is unaware of any arrangements between its shareholders that may result in restrictions on the transfer of shares and/or voting rights.

## EXERCISE OF RIGHTS OF SHARES IN EMPLOYEE SHARE SCHEMES

Certain share awards under Company incentive arrangements are held in trust on behalf of the beneficiaries. Except where acting under instruction as a bare nominee, the Trustee of the Hays plc Employee Share Trust does not seek to exercise the voting rights on these shares. No voting rights are exercised in relation to shares unallocated to individual beneficiaries.

## RESTRICTIONS ON VOTING DEADLINES

The notice of any general meeting shall specify the deadline for exercising voting rights and appointing a proxy or proxies to vote at a general meeting. It is the Company's policy at present to take all resolutions at a general meeting on a poll and the results of the poll are published on the Company's website, hays.com, shortly after the meeting.

## SIGNIFICANT DIRECT AND INDIRECT SHAREHOLDINGS

As at 30 June 2012, the Company had been notified of the following voting rights attaching to Hays plc shares in accordance with the Disclosure and Transparency Rules of the United Kingdom Listing Authority:

	Nature of holding	% of total voting rights
Virtus Trust Limited	Direct	5.78%
Capital Research and Management Co	Indirect	5.13%
Cedar Rock Capital Limited	Direct	5.09%
Templeton Global Advisors Limited	Indirect	5.00%
Baillie Gifford & Co	Indirect	Below 5%
Morgan Stanley Investment Management Limited	Direct	Below 5%
Majedie Asset Management Limited	Indirect	4.98%
Legal & General Group Plc	Direct	3.99%

No further disclosures have been received by the Company between 30 June 2012 and the date of this Annual Report. A further update to significant shareholdings will be provided in the Notice of the 2012 Annual General Meeting.

## POWERS OF DIRECTORS

The directors are responsible for the management of the business and may exercise all powers of the Company subject to legislation, any directions given by special resolution and the Company's constitution.

At the Annual General Meeting of the Company held on 9 November 2011, shareholders authorised the directors, until the conclusion of the Annual General Meeting to be held on 7 November 2012, to purchase up to 138,425,462 Ordinary shares of 1 pence each in the Company and to allot new shares up to an aggregate nominal amount of £4,614,182, being approximately one-third of the Company's issued share capital. The authority to allot shares was not used. Renewal of both authorities will be proposed to shareholders at the forthcoming Annual General Meeting.

The Board intends to continue to return surplus cash to shareholders where circumstances allow and 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 it is in the best interests of shareholders generally. No share purchases are anticipated in the 2013 financial year.

The Board will be seeking the approval of the shareholders to renew this authority at the forthcoming Annual General Meeting as detailed in the separate Circular to Shareholders.

## APPOINTMENT AND REPLACEMENT OF DIRECTORS

The Company may by ordinary resolution appoint any individual to the Board. The Board may appoint any individual willing to act as a director either to fill a vacancy or act as an additional director. The appointee can only hold office until the next annual general meeting whereupon he/she will be put forward for reappointment.

The Articles of Association prescribe that there shall be no less than five and no more than 15 directors. Should the number reduce below five, the Board shall, as soon as practicable, appoint an individual to fill the vacancy. The Company may by ordinary resolution vary the minimum number of directors.

The Articles of Association prescribe that at each annual general meeting, not less than one-third of the directors must retire by rotation and any director who has been in office for three years or more since his/her last appointment or reappointment must retire by rotation. A retiring director is eligible for reappointment. The UK Corporate Governance Code recommends that all directors be subject to annual re-election by shareholders. Therefore, all directors will offer themselves for re-election at the Annual General Meeting to be held on 7 November 2012.

## ARTICLES OF ASSOCIATION

The Company's Articles of Association may only be amended by a special resolution passed by shareholders at a general meeting of the Company.

## DIRECTORS' INDEMNITIES AND INSURANCE

The Company continues to maintain directors' and officers' liability insurance. In accordance with the Company's Articles of Association, it is the Company's policy for each director and the Company Secretary and General Legal Counsel to be indemnified by deeds of indemnity.

## EMPLOYEES

The Company's business is dependent upon our employees. As a consequence, our people strategy continues to focus on ensuring that we have the necessary capabilities, resources and work environment appropriate for a high-performing organisation.

The Group continues to be committed to developing its employees and investing in training tailored to meet the needs of the business, including both structured training and on-the-job training and briefings. Our leadership development programmes for our top global leaders, Fast Forward and the Advanced Management Programme, continue to ensure the development of talent in our business.

As part of creating a stimulating place to work, there are a number of ways we ensure our employees are involved in the business and issues relating to its performance, including senior management briefings, employee briefing groups, email messaging and our global Group intranet. To encourage employees to have a stake in the business, there are also a number of share schemes.

As a responsible employer of thousands of people, the Group is committed to equal opportunities and its policy ensures that everyone has the opportunity to contribute to the business regardless of age, gender, ethnicity, sexuality, physical appearance, religion, education and beliefs.

The Group has a structured approach towards internal recruitment and promotion with decisions based on an individual's ability to perform the role. This means that full consideration is given to disabled applicants where they have the right skills and abilities for the role. Should an employee become disabled whilst working for the Group, every effort is made to accommodate them or to find a suitable alternative role and to assist with any re-training. The Group's commitment to training and development includes consideration of any special training needs of disabled employees.

More information on the Group's engagement with employees is set out in the 2012 Corporate Responsibility (CR) Report which is available on the Company's website, [hays.com](http://hays.com).

## 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 2012 were an average of 32 (2011: 32). The Company creditor days for the year ended 30 June 2012 were 32 (2011: 32).

## OTHER STATUTORY INFORMATION CONTINUED

### CHARITABLE AND POLITICAL DONATIONS

Group charitable donations made during the year totalled £202,000 (2011: £219,000). No payments were made to political parties, organisations or election candidates.

The charitable donations were made to the following good causes:

	£'000
Cancer research and care	121
Dementia care	40
Educational support	34
Community Care	5
Children's charities	1
Humanitarian aid	1
Total	202

More information on the Group's social and community activities is set out in the 2012 CR Report, which is available on the Company's website, hays.com.

### ENVIRONMENT

Whilst the Company's business has a low impact on the environment, the Company aims to achieve continuous improvement in environmental performance and to prevent pollution. Wherever possible, we seek to minimise our impact by reducing our use of energy, water and raw materials and increasing efficiency.

More information on the Group's environmental activities is set out in the 2012 CR Report, which is available on the Company's website, hays.com.

### AUDITOR

Deloitte LLP has indicated that it is willing to continue in office. Its reappointment, at a remuneration to be agreed by the directors, will be proposed at the forthcoming Annual General Meeting.

### CHANGE OF CONTROL – SIGNIFICANT AGREEMENTS

The Company's unsecured revolving credit facility agreement for £300 million includes a provision for a lending counterparty to amend, alter or cancel the relevant commitment to the Group following a change of control of the Company. As at 30 June 2012, £130 million of this facility had not been drawn down.

There are no provisions contained within the service contracts of executive directors that will trigger in the event of a change of control.

There are a number of commercial contracts that would alter in the event of a change in control but none is considered to be material in terms of the potential impact on the Group in this event.

Certain of the Company's share award plans contain provisions that permit awards or options to vest or become exercisable on a change of control in accordance with the rules of the plans.

### CONFLICTS OF INTEREST

In line with the Act, the Articles of Association allow the Board to authorise actual and potential conflicts of interest and duties that may arise and to impose such limits and conditions as it thinks fit. Conflicts of interest and duties can only be authorised by those directors who do not have an interest in the matter being considered, and in making such decision, the directors must act in a way they consider, in good faith, will most likely promote the success of the Company. The Company has established a procedure whereby actual and potential conflicts of interest and duties are advised to the Company Secretary and are reviewed annually. Appropriate authorisations are sought for any ad hoc notifications of any new conflicts of interest or duties, or any changes to existing conflicts of interest or duties. The Board has undertaken a review of these procedures and considers them to have operated effectively during the year.

### GOING CONCERN

The financial statements 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. Further details can be found in note 2b to the Consolidated Financial Statements on page 71.

### DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.



In preparing the Group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Act. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **RESPONSIBILITY STATEMENT**

Each of the directors as at 29 August 2012 confirms to the best of his or her knowledge that:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

## **DISCLOSURE OF INFORMATION TO THE AUDITOR**

As required by Section 418 of the Act, each of the directors as at 29 August 2012 confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- 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 Auditor is aware of that information.

Words and phrases used in this confirmation should be interpreted in accordance with Section 418 of the Act.

This Directors' Report comprising pages 1 to 53 has been approved by the Board and signed on its behalf by:

**Alison Yapp**

Company Secretary

29 August 2012

Registered Office 250 Euston Road, London NW1 2AF  
Company Registered in England and Wales No. 2150950

## **CAUTIONARY STATEMENT**

This Annual Report (comprising the Directors' Report on pages 1 to 53 and the Remuneration Report on pages 54 to 65) and the financial statements on pages 67 to 102 (Report) have been prepared solely in compliance with the Companies Act 2006 and with the Listing Rules and the Disclosure and Transparency Rules of the UK Financial Services Authority. Certain information and statements are not audited. No representation or warranty, express or implied, is or will be made in relation to the accuracy, fairness or completeness of the information or opinions made in this Report. Statements in this Report reflect the knowledge and information available at the time of its preparation. Certain statements included or incorporated by reference within this Report may constitute 'forward-looking statements' in respect of the Group's operations, performance, prospects and/or financial condition. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions and actual results or events may differ materially from those expressed or implied by those statements. Accordingly, no assurance can be given that any particular expectation will be met and reliance should not be placed on any forward-looking statement. Additionally, forward-looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. The information contained in this Report is subject to change without notice and no responsibility or obligation is accepted to update or revise any forward-looking statement resulting from new information, future events or otherwise. Nothing in this Report should be construed as a profit forecast. This Report does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to purchase or subscribe for any shares in the Company, nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on in connection with, any contract or commitment or investment decisions relating thereto, nor does it constitute a recommendation regarding the shares of the Company or any invitation or inducement to engage in investment activity under section 21 of the Financial Services and Markets Act 2000. Past performance cannot be relied upon as a guide to future performance. Liability arising from anything in this Report shall be governed by English Law, and neither the Company nor any of its affiliates, advisers or representatives shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this Report or its contents so otherwise arising in connection with this Report. Nothing in this Report shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.

# REMUNERATION REPORT



**PAUL HARRISON REMUNERATION  
COMMITTEE CHAIRMAN**

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## DEAR SHAREHOLDER

As the new Chairman of the Remuneration Committee, I am pleased to present the report of the Board covering the remuneration practice for the Company for the 2012 financial year and the policy to be applied in 2013.

During the 2012 financial year, we have seen increasing public scrutiny of executive remuneration and concern around pay for failure amidst challenging economic conditions. The Committee is very aware of its responsibilities in this regard and our remuneration policy is premised on there being a strong link between reward and individual and Group performance.

The remuneration policy applied in 2012 was unchanged from that in 2011. With the exception of the introduction of malus provisions into the long-term incentive plans operated by the Company, no changes to the remuneration policy are proposed for 2013. In line with corporate governance principles and emerging market practice, the Committee considers it appropriate to introduce malus provisions, which will enable it to reduce or eliminate awards granted under the Deferred Annual Bonus plan (DAB) and the Performance Share Plan (PSP) in cases of material misstatement of accounts.

## 2012 PERFORMANCE AND REWARD

This year saw fast-changing, volatile market conditions around the world, with sentiment amongst our clients and candidates varying from quarter to quarter. Despite this challenging economic environment, we have delivered good net fee growth of 8%<sup>(1)</sup> and operating profit growth of 9%<sup>(1)(2)</sup>, driven by a strong performance in our International business. We have continued to invest in order to capitalise on structural growth markets such as Germany, Japan and Brazil, but at the same time we have focused on strong cost control in more challenging markets.

Given the Group's results, the Committee believes it is appropriate to pay bonuses that reflect achievement against performance targets for the 2012 financial year. Bonuses for the executive directors for 2012 were 46% of salary (2011: range 101% to 102%) and are set out in more detail on pages 59 and 60. Of the bonus awarded, 60% will be paid in cash and 40% will be deferred into shares for a three-year period. The Committee retains discretion to reduce the number of shares vesting if the underlying financial performance of the Company has not been satisfactory over the deferral period.

(1) LFL (like-for-like) growth represents organic growth of continuing activities at constant currency.

(2) Continuing operations only, before exceptional items. 2011 profit numbers are presented before an exceptional credit of £4.1 million.

## REMUNERATION SUMMARY

The remuneration policy and its application can be summarised as follows:

### Package structure

- The main elements of executive remuneration are:
- Base salary
- Annual bonus plan with Earnings per Share (EPS), Cash Conversion and personal targets – 60% paid in cash and 40% deferred into shares for three years
- Long-term incentive plan (Performance Share Plan) delivered in shares – 50% relative Total Shareholder Return (TSR) and 50% cumulative EPS over three-year period

### Pay for performance

- Key principle that there should be a strong link between reward and individual and Group performance to align the interests of senior executives with those of shareholders
- Variable remuneration makes up a significant proportion of the remuneration package – 69%
- Stretching performance conditions directly aligned with Group strategy

### Highlights for 2012

- Base salary increase from 1 July 2011 of 3% in line with average base pay increase for other UK employees
- Annual bonus payment in respect of 2012 of 46% of salary
- 2008 deferred bonus share award released (three-year performance period ending 30 June 2011)
- 2008 deferred bonus matching award vested at 59.4% reflecting the performance over the three-year period ending 30 June 2011
- 2008 PSP award vested at 50% reflecting the performance over the three-year period ending 30 June 2011

### Changes for 2013

- Introduction of malus provisions into the rules of the DAB plan and a new PSP (see page 58)
- Committee will have the ability to reduce or eliminate awards in the event of material misstatement of accounts
- No other changes to the remuneration policy are proposed for 2013

The Committee welcomes feedback from shareholders and representative bodies. In any event, the Committee will continue to consult with shareholders as and when appropriate and will ensure that the reward arrangements are compliant with the provisions of the UK Corporate Governance Code. The Committee unanimously recommends that shareholders vote to approve the Remuneration Report at the 2012 Annual General Meeting.

### Paul Harrison

Remuneration Committee Chairman

## REMUNERATION REPORT

This Remuneration Report has been prepared in accordance with Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and will be submitted to shareholders for their approval at the Annual General Meeting (AGM) of the Company to be held on 7 November 2012. In carrying out its functions, the Remuneration Committee (the Committee) has followed the provisions of Schedule A to the June 2010 UK Corporate Governance Code (the Code) which is published by the Financial Reporting Council. Further information on the Code can be found on the Financial Reporting Council's website, [frc.org.uk](http://frc.org.uk).

### COMPOSITION AND TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE

The Board has delegated to the Committee, under agreed terms of reference, responsibility for the remuneration policy and for determining specific packages for the executive directors, the Chairman and other senior executives. The Company consults with key shareholders in respect of remuneration policy and the introduction of new incentive arrangements. The terms of reference for the Committee are available on the Company's website, [hays.com](http://hays.com), and from the Company Secretary at the Registered Office.

The Committee was chaired by Lesley Knox until she stepped down as a director and Chairman of the Remuneration Committee following the Company's Annual General Meeting on 9 November 2011. Paul Harrison was appointed Chairman of the Committee from that date.

All members of the Committee are independent non-executive directors. William Eccleshare, Richard Smelt and Paul Stoneham were Committee members throughout the year. During the year, two new members of the Committee were appointed – Victoria Jarman (with effect from 1 October 2011) and Pippa Wicks (with effect from 1 January 2012). The Committee receives assistance from the Chairman, Group HR Director and Group Company Secretary, who attend meetings by invitation, except when issues relating to their own remuneration are being discussed. The Chief Executive and Group Finance Director also attend by invitation on occasions. The Committee met five times during the financial year ended 30 June 2012. Meeting attendance is shown on page 45 of this Annual Report.

The Committee's activities for the 2012 financial year have included:

- a review of the basic pay, bonus and PSP awards of the executive directors, and other senior executives;
- consideration of the appropriateness of the existing arrangements for the 2013 financial year;
- consideration of the proposals put forward by the Department for Business, Innovation & Skills in relation to executive remuneration;
- a review of the reward strategy in the context of Group risk;
- consideration of the relationship between executive reward and the reward structures in place for other Group employees; and
- the introduction of malus provisions into the Company's long-term incentive plans.

## REMUNERATION REPORT CONTINUED

### ADVISERS TO THE REMUNERATION COMMITTEE

The Committee continues to engage the services of PricewaterhouseCoopers LLP (PwC) as independent remuneration adviser. During the financial year, PwC advised the Committee on all aspects of remuneration policy for executive directors and members of the Management Board. PwC also advised the Company on corporate tax issues and on tax, administrative and compliance issues relating to the operation of the Company's share schemes around the world.

Freshfields Bruckhaus Deringer LLP, which acts as the Company's principal legal adviser, provided legal advice to the Committee in the financial year.

### REMUNERATION POLICY

The Committee determines the remuneration policy for the executive directors, Chairman and other senior executives for current and future years and this is reviewed on an annual basis. The remuneration policy is designed to support the strategic objectives of the Company and 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 policy is designed around the following key principles:

- a strong link between reward and individual and Company performance to align the interests of senior executives with those of shareholders;
- maintain a competitive package against businesses of a comparable size in the FTSE and comparable peer group businesses in the recruitment sector with reference to the breadth of the role and experience the role holder brings to the Company;
- operate a consistent reward and performance philosophy throughout the business;
- encourage a personal stake in the business and a long-term focus on sustained growth through long-term shareholding;
- provide a balanced package with a focus on variable pay; and
- take into account the associated risks of each aspect of remuneration.

The ways in which these principles are reflected in the remuneration policy and its application are described on page 57 of this Report.

The Committee considers that a successful remuneration policy needs to be sufficiently flexible to take account of future changes in the Company's business environment and in remuneration practice. Future reports, which will continue to be subject to shareholder approval, will describe any changes in this policy.

### RISK MANAGEMENT AND REWARD

The Committee has considered how the remuneration policy reflects Hays' principal risks (set out on pages 22 and 23) and, where appropriate, can mitigate these. The table below sets out how the incentive arrangements serve this purpose through the combination of the performance measures chosen and the overall link to share price through deferral and shareholding requirements.

	ANNUAL BONUS	BONUS DEFERRAL	PERFORMANCE SHARE PLAN	SHAREHOLDING REQUIREMENTS
Cyclical nature of our business				
Business model risk				
Talent				
Compliance risk				
Reliance on technology				
Contract risk				
Foreign exchange				

GOVERNANCE AND CONTROLS →

Directly supports management action to mitigate principal risk through selected performance conditions  
 Close linkage to management action to mitigate principal risk through a combination of selected performance conditions and shareholding  
 Linkage to management action to mitigate principal risk through shareholding



**REMUNERATION STRUCTURE FOR 2013**

The table below sets out the key elements of the Company's remuneration policy for the executive directors for the 2013 financial

year. This policy is unchanged from the 2012 financial year. The remuneration policy for the Chairman and non-executive directors is described on pages 60 and 61.

**ELEMENTS OF EXECUTIVE DIRECTOR REMUNERATION PACKAGE FOR 2013 FINANCIAL YEAR**

	Objective	2013 policy	
Base salary	<p>Base salary is set annually on 1 July taking account of Group performance and individual contribution, changes in responsibilities and competitive market rates.</p> <p>Pay and employment conditions of employees throughout the Group are taken into account when determining directors' remuneration.</p>	<p>2.5 % increase.</p> <p>Alistair Cox – £665,123.</p> <p>Paul Venables – £479,553.</p> <p>Increases in line with the average base pay increase for other UK employees and the market.</p>	
Annual bonus	<p>One-year performance conditions are designed to align reward to key objectives relating to the Group's financial performance and operational strength.</p> <p>The EPS metric is a key performance measure aligned with shareholder interests.</p> <p>The Cash Conversion measure promotes free cash flow through working capital and capital expenditure control and is a key indicator of the efficiency of the business.</p> <p>Personal objectives are linked to the delivery of key projects designed to enhance the Group's operational strength and competitiveness in line with future strategy.</p>	<p>Maximum 125% of base salary.</p> <p>80% subject to Group financial performance and 20% to personal objectives.</p> <p>60% of bonus paid in cash and 40% deferred into shares for three years.</p> <p>Bonus performance conditions:</p> <p>Earnings per Share (60%).</p> <p>Cash Conversion (20%).</p> <p>Personal objectives (20%).</p>	
Bonus deferral (Pages 62 and 63)	<p>A significant proportion of bonus is deferred into shares subject to a three-year restricted period.</p> <p>The deferral assists with the retention of executive directors and aligns their interests with those of shareholders.</p> <p>The Committee has discretion to reduce the number of shares vesting if the underlying financial performance of the Company is not satisfactory over the three-year deferral period.</p>	<p>Compulsory deferral of 40% of annual bonus into shares for three years.</p> <p>No match.</p> <p>Malus provisions to be introduced.</p>	
Performance Share Plan (PSP) award (Page 63)	<p>Aligns executive director interests with those of shareholders and incentivises them to pursue superior results within the limits of the Group's risk appetite.</p> <p>The TSR metric measures the relative return from Hays shares against a basket of comparator companies, providing alignment with shareholders' interests. The EPS metric is also a key performance measure aligned with shareholders' interests.</p>	<p>Awards of 175% of base salary.</p> <p>Total shareholder return relative to comparator group (50%).</p> <p>Vesting subject to satisfactory financial performance over the period, as determined by the Committee.</p> <p>Malus provisions to be introduced.</p>	<p>Cumulative earnings per share (50%)</p>
Pension allowance	To provide a competitive retirement benefit.	Salary supplement of 30% of base salary in lieu of pension contributions.	
Other benefits	To provide competitive employment benefits.	<p>Car benefit or equivalent.</p> <p>Private medical insurance.</p> <p>Permanent health insurance.</p> <p>Life assurance of four times base salary.</p>	
Maximum variable pay	Maximum variable pay as a percentage of basic salary.	300%.	

## REMUNERATION REPORT CONTINUED

With regard to the determination of executive directors' remuneration, during the year the Committee received a paper from the Group HR Director providing an overview of remuneration levels within the organisation as whole. The Committee believed it was appropriate to increase the base pay of the executive directors by 2.5% with effect from 1 July 2012, in line with the average base pay increase for other UK employees and the market.

### FIXED TO VARIABLE REMUNERATION

The remuneration packages for executive directors in respect of 2013 policy contain a significant variable element dependent on the level of performance of the business and the individual, as can be seen from the chart below. The package composition for each executive director is the same and is unchanged from 2012. Variable remuneration includes potential maximum bonus awards (including the face value of awards made under the deferred bonus arrangements) and the face value of awards made under the PSP, as stated on pages 62 and 63. Fixed remuneration comprises salary, pension contribution and other benefits as stated in the table on page 62.



### SUMMARY OF SHARE-BASED INCENTIVE SCHEMES

This section describes the design of the Company's current share-based incentive schemes and how they will be used in the 2013 financial year. The Company's long-term incentives primarily comprise the PSP and the DAB. The Committee reviews the operation of these plans annually to ensure that grant levels, performance criteria and other features remain appropriate to the Company's current circumstances, and to ensure that there are no features of the plans that could inadvertently motivate irresponsible behaviour.

The Company follows the guidelines laid down by the ABI. These restrict the issue of new shares (and transfers of treasury shares) under all the Company's share schemes in any 10-year period to 10% of the issued Ordinary share capital (excluding shares held in treasury). In addition, under the Company's discretionary schemes, it applies a limit of 5% in any 10-year period. Under the new 2012 PSP (described in the next paragraph), share awards to executive directors and members of the management board will count towards the 5% limit and other awards will count towards the 10% limit only. Outstanding awards under the existing PSP will be satisfied on the same basis. As at 30 June 2012, the headroom available under these limits was 44% and 11%, respectively.

### Performance Share Plan

The Performance Share Plan is designed to link reward to the key long-term value drivers of the business and to align the interests of the executive directors and the global senior management population with the long-term interests of shareholders. In line with governance best practice, a new PSP (to be called the 2012 PSP) will be submitted for shareholder approval at the AGM. This will contain substantially the same terms as the existing PSP but updated to reflect current legislation, the inclusion of malus provisions and an amendment to the scheme limits of the plan as a result of increased participation in the PSP by employees below Management Board level. The introduction of the 2012 PSP does not involve any change in the Company's long-term incentive policy for executive directors in terms of the structure of the PSP, the award levels or the composition of the comparator group for the TSR component of the awards. The awards for 2012 will be granted following the AGM, subject to approval of the 2012 PSP by shareholders.

PSP awards are granted annually and vesting is dependent on the achievement of performance conditions measured over a three-year period. Awards below Management Board level are based on a one-year performance period and a further two-year holding period. Award levels for executive directors and other senior executives are determined each year by the Committee, but must not exceed 200% of a participant's base salary in any financial year. Awards for the 2013 financial year will be capped at 175% for executive directors and 120% for other senior executives, the same as for the 2012 financial year.

Approximately 360 employees, including Alistair Cox, Paul Venables and seven other Management Board executives participated in the awards made in 2011 and a similar number are expected to be eligible to be granted PSP awards in 2012. Other employees may be eligible to participate in future awards at the discretion of the Committee.

Awards to be granted to the executive directors under the PSP in 2012 in respect of the 2013 financial year will be structured as follows:

PSP award as % base salary	175%
TSR target relative to comparator group	50% of award
– Maximum (100% vesting)	Upper quartile
– Threshold (25% vesting)	Median
Cumulative EPS target	50% of award
– Maximum (100% vesting)	
– Threshold (25% vesting)	

The EPS and TSR components will operate independently. There will be no payout for achieving less than threshold performance and vesting levels between threshold and maximum performance will be calculated on a straight-line basis.

In the same way as for the previous year's awards, the Committee will set EPS targets using market consensus (reflecting the current point in any cycle) being a range of +/- 4% around the consensus forecast EPS as the first year of the three-year cycle with a range of RPI plus 4% to RPI plus 12% over the remaining two years of the cycle for threshold and maximum payment respectively. The Committee considers this range to remain appropriate over several cycles. For each new award granted, the Committee reviews the range to ensure it remains appropriate.

The intended constituents of the comparator group for the 2013 PSP awards are shown below. There is no change to the group used in 2012:

- Adecco SA
- CDI Corporation
- Kelly Services Inc
- Manpower Inc
- Michael Page International plc
- Randstad Holdings NV
- Robert Half International Inc
- Robert Walters plc
- SThree plc
- USG People NV

The peer group has been chosen to reflect most closely the mix of the Company's business.

Vesting of the TSR component is subject to satisfactory financial performance over the performance period as determined by the Committee.

#### Bonus deferral arrangements

Bonus deferral promotes a stronger link between short-term and long-term performance through deferral of annual bonuses into shares for a three-year period. The last deferral eligible for a matching award was made in respect of the 2009 financial year bonus and no further matching awards will be made.

Only the executive directors and other members of the Management Board currently participate in the Company's bonus deferral arrangements. Other employees may be invited to participate in future years at the Committee's discretion.

In line with governance best practice, the Committee has agreed that the plan rules should be amended to include malus provisions similar to those of the PSP in respect of the deferred bonus.

#### All-employee share schemes

The Company has continued to operate the Hays UK Sharesave Scheme (which is HMRC approved and is open to all eligible staff in the United Kingdom) and the Hays International Sharesave Scheme (which is open to staff in certain other key countries where the Group has operations). In the 2012 financial year, options over 4,657,392 shares at a price of 78 pence per share, representing a 10% discount to market value, were granted to 704 participants under both schemes. The overall participation rate for all current schemes remains good at 23.6% of eligible employees.

The executive directors' interests in outstanding options and awards, including performance conditions, are detailed in the audited section of this Report on pages 62 to 65.

#### Performance targets on incentives

The Committee considers that performance conditions for all incentives are suitably demanding, having regard to the business strategy, shareholder expectations, cyclicity of the recruitment markets in which the Group operates and on the basis of external advice. To the extent that any performance condition is not met, the relevant part of the award will lapse. There is no retesting of performance.

#### Bonus targets for 2012 financial year

The bonus awards payable to executive directors in respect of the 2012 financial year, as reported on page 62, were agreed by the Committee having reviewed the Company's results and the executive directors' performance against their personal objectives.

Details of the targets used to determine 2012 bonuses and the extent to which they were satisfied are shown in the table below:

	Performance	Value	Payment Percentage opportunity
EPS (60%)	Maximum	7.62p	100%
	Target	6.93p	60%
	Threshold	6.24p	20%
	Performance	Percentage conversion	Payment percentage
Cash Conversion (20%)	Maximum	101%	100%
	Target	86%	60%
	Threshold	71%	20%

The performance levels between threshold, target and maximum were graduated on a straight-line basis.

## REMUNERATION REPORT CONTINUED

The basic EPS threshold was set at 90% of budget, target at 100% of budget and maximum at 110% of budget. The targets and actual performance were measured at budget exchange rates. On this basis the EPS result for the 2012 financial year was 5.79 pence, which was below the threshold and, as a consequence, the EPS element of the bonus is not payable.

Cash Conversion is the operating cash flow of the Company, after deducting net capital expenditure items (excluding capital expenditure incurred on the Group's strategic IT projects) for the financial year, stated as a percentage of operating profit before exceptional items. The Cash Conversion result for the 2012 financial year of 116.94% was above the maximum target of 101% and so this element of the bonus will pay out in full.

Condition	Payment percentage achieved	
	2011	2012
EPS	91.8%	0%
Cash Conversion	41.9%	100%

The personal objectives for the Chief Executive included a number of objectives relating to the UK business, the optimisation of the Group's IT systems and the upgrading of management capability across key markets. Those for the Group Finance Director included a number of objectives relating to the UK business, the closure of the UK defined benefit pension scheme to future accrual, the driving of efficiencies in back-office operations, costs and credit control performance, the strategy for the IT function and its resource requirements, and in relation to management information reporting. Progress against these objectives has been good but this element will not pay out in full.

Bonus payments earned for the 2012 financial year were therefore 46% of salary, which equates to 37% of the maximum bonus opportunity for both Alistair Cox and Paul Venables.

Of this amount, 40% will be compulsorily deferred into restricted shares for a period of three years, subject only to continued employment. There is no matching award.

### PENSION, BENEFITS AND SHAREHOLDINGS

There will be no change to the policies relating to pensions, benefits or shareholdings for the 2013 financial year.

### SHAREHOLDING POLICY

To ensure that executive directors' and other senior executives' interests are aligned with those of shareholders over a longer time horizon, the Committee requires the Chief Executive to build and maintain a shareholding in the Company of at least two-times base salary and any other executive directors to build and maintain a shareholding of at least one-time base salary over a reasonable time frame, which would normally be five years. Other Management Board executives are actively encouraged to build a significant shareholding in the Company over a similar time frame.

### SERVICE CONTRACTS

The Company's policy on service contracts is that executive 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 Committee will give careful consideration to what compensation should be paid taking into account the circumstances and the responsibility of the individual to mitigate loss.

	Current contract start date	Unexpired term	Notice Period
A R Cox	Sept 2007	Indefinite	One year
P Venables	May 2006	Indefinite	One year

### CHAIRMAN

Alan Thomson, the Chairman, serves the Company under a letter of appointment, which provides for an annual fee at the rate of £230,000. The Committee has determined that there should be no change to the Chairman's remuneration for the 2013 financial 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 are fully considered when setting the fee levels, along with external benchmarking market data on the chairmanship of, and participation in, Board committees. There has been no increase in the fees paid to the non-executive directors in the year.



The non-executive directors' fees are non-pensionable and non-executive directors are not eligible to participate in any incentive plans. The non-executive directors do not have service contracts with the Company, but are appointed to the Board under letters of appointment for an initial three-year period. They have agreed to annual retirement and reappointment by shareholders at the Company's annual general meeting and appointments can be terminated immediately by the Company. Letters of appointment are available for review from the Company Secretary and a pro forma letter of appointment can be viewed on the Company's website, [hays.com](http://hays.com).

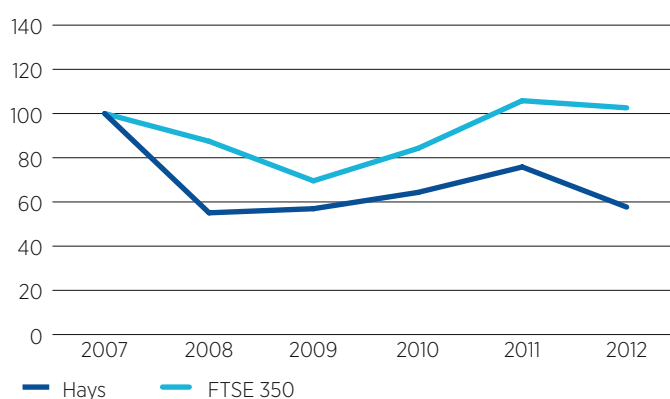
#### POLICY ON EXTERNAL APPOINTMENTS

The Company permits its executive directors to hold one external non-executive directorship and all fees paid are retained by the director. Alistair Cox is a non-executive director of 3i Group plc and Paul Venables is a non-executive director and the Senior Independent Director of Wincanton plc. The directors retained fees of £63,000 and £52,000 respectively from these external appointments during the year under review.

#### TSR PERFORMANCE

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 Committee considers that the FTSE 350 is the appropriate index because the Company has been a member of this index throughout the period.

This graph has been calculated in accordance with the requirements of Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.



## REMUNERATION REPORT CONTINUED

### INFORMATION SUBJECT TO AUDIT EMOLUMENTS

The emoluments of the directors are shown below:

(In £s million)	2012 Salary/ fees	2012 <sup>(1)</sup> Bonus paid in cash	2012 <sup>(1)</sup> Bonus deferred into shares	2012 <sup>(2)</sup> Payments in lieu of pension contributions	2012 <sup>(3)</sup> Benefits- in-kind	2012 Total emoluments	2011 Total emoluments
A M T Thomson	230	-	-	-	-	230	165 <sup>(4)</sup>
A R Cox	649	180	120	194	65	1,208	1,495
C W Eccleshare	50	-	-	-	-	50	50
P S Harrison <sup>(5)</sup>	65	-	-	-	-	65	62
V Jarman <sup>(6)</sup>	45	-	-	-	-	45	-
L M S Knox <sup>(7)</sup>	24	-	-	-	-	24	66
R J Smelt	50	-	-	-	-	50	50
P H Stoneham	50	-	-	-	-	50	50
P Venables	468	130	87	140	27	852	1,079
C P Wicks <sup>(8)</sup>	25	-	-	-	-	25	-
Total	1,656	310	207	334	92	2,599	3,017

The remuneration of the highest paid director, Mr A R Cox, was £1,208,000.

#### Notes:

- (1) Messrs Cox and Venables are required to compulsorily defer 40% (£120,046 and £86,554 respectively) of their 2012 annual bonuses into shares for a three-year restricted period. The comparative data for 2011 for Messrs Cox and Venables, also based on 40% compulsory deferral, included bonus deferral into shares of £253,512 and £185,053 respectively.
- (2) Other than a cash payment in lieu of pension at the rate of 30% of base salary, there are no other pension arrangements for the directors.
- (3) The non-cash elements of the emoluments are disclosed as benefits-in-kind in the table, and comprise car benefit (or equivalent) and insurance-based benefits.
- (4) Appointed to the Board on 1 October 2010 at a fee of £230,000 per annum.
- (5) Appointed as Senior Independent Director on 9 November 2011.
- (6) Appointed to the Board on 1 October 2011 and as Chairman of the Audit Committee on 9 November 2011.
- (7) Retired from the Board on 9 November 2011.
- (8) Appointed to the Board on 1 January 2012.

### BONUS DEFERRAL ARRANGEMENTS

The following tables set out the interests of the executive directors under bonus deferral arrangements. The detail of these interests is set out in the footnotes beneath each table and in the table on page 64.

#### Bonus deferral linked to matching awards

			Matching awards						
	Date of award	Purchased shares underpinning matching awards	1 July 2011	Awarded	Vested	Lapsed	30 June 2012	Dividend equivalent shares released	Earliest vesting date
A R Cox	13 Oct 2008 <sup>(1)</sup>	566,275	839,160 <sup>(2)</sup>	–	498,041	341,119	–	134,922 <sup>(3)</sup>	13 Oct 2011
	9 Oct 2009 <sup>(4)</sup>	124,133	210,396	–	–	–	210,396	–	9 Oct 2012
P Venables	13 Oct 2008 <sup>(1)</sup>	200,058	296,467 <sup>(2)</sup>	–	175,953	120,514	–	47,665 <sup>(3)</sup>	13 Oct 2011
	9 Oct 2009 <sup>(4)</sup>	96,326	163,265	–	–	–	163,265	–	9 Oct 2012

#### Notes:

- (1) The directors were required to defer a minimum of 25% and could voluntarily defer up to 100% of their pre-tax bonuses for the 2007/08 financial year into shares subject to a three-year restricted period. Matching shares were awarded to the directors, subject to the satisfaction of performance conditions over a three-year period ending on 30 June 2011. The number of matching shares was determined by reference to the pre-tax amount of deferred bonus. On 26 March 2010, in order to enable directors' underpinning shares to be held on a post-tax basis (and as fully described in the 2010 Remuneration Report), the Committee accepted the waiver of certain deferred rights and awarded vested special awards for no monetary consideration (representing the original awards plus dividend equivalent shares accrued up to the date of award of the special awards). The special awards otherwise continued to be subject to the same restrictions and conditions as applied to the original awards. The matching awards and associated conditions remained unchanged. At the end of the restricted period on 18 October 2011, the vested special awards were released. The market prices per share on the original date of award was 73.5 pence, on the date of award of the vested special award was 108.8 pence, and on the date of release was 73.1 pence.
- (2) The matching awards vested on 18 October 2011 as to 59.4% of shares under the award, calculated as 78.1% of the Cumulative International Net Fees performance condition (one-third of the award), 100% of the Cumulative Cash Conversion performance condition (one-third of the award) and 0% of the Cumulative Earnings per Share performance condition (one-third of the award). The market prices per share on the date of the award was 73.5 pence and on the date of vesting was 73.1 pence.
- (3) Together with their vested special award and matching shares (see Notes 1 and 2), dividend equivalent shares in respect of the matching share awards were released to the directors in two tranches, on 18 October 2011 (when the market price was 73.1 pence per share) and on 9 November 2011 following the approval of the 2011 final dividend (when the market price was 73.7 pence per share). The shares released in the second tranche related to 24.1% of the aggregate dividend equivalent shares.
- (4) The directors were required to defer 70% of their bonuses for the 2008/09 financial year into shares subject to a three-year restricted period. The award in respect of 45% of the bonus earned was deferred on a pre-tax basis and is addressed in the first table opposite. Messrs Cox and Venables elected to defer 25% of the bonus on a post-tax basis under the Deferred Annual Bonus plan for a three-year period. Matching shares were awarded in respect of this element, which are subject to the satisfaction of performance conditions over a three-year period ending on 30 June 2012. Dividend equivalent shares will be transferred to the directors in respect of any matching shares that vest.

**Bonus deferrals not linked to matching awards**

	Date of award	1 July 2011	Awarded	Vested	Lapsed	30 June 2012	Earliest vesting date
A R Cox	9 Oct 2009 <sup>(1)</sup>	378,713	-	-	-	<b>378,713</b>	9 Oct 2012
	9 Sep 2010 <sup>(2)</sup>	273,932	-	-	-	<b>273,932</b>	9 Sep 2013
	8 Sep 2011 <sup>(3)</sup>	-	339,828	-	-	<b>339,828</b>	8 Sep 2014
P Venables	9 Oct 2009 <sup>(1)</sup>	293,878	-	-	-	<b>293,878</b>	9 Oct 2012
	9 Sep 2010 <sup>(2)</sup>	195,295	-	-	-	<b>195,295</b>	9 Sep 2013
	8 Sep 2011 <sup>(3)</sup>	-	248,060	-	-	<b>248,060</b>	8 Sep 2014

Notes:

- (1) The directors were required to defer 70% of their bonuses for the 2009 financial year into shares subject to a three-year restricted period. 45% of the bonus earned was deferred on a pre-tax basis and Messrs Cox and Venables were awarded a conditional right to receive shares at the end of a three-year period, subject only to remaining in employment. The balancing 25% of the bonuses were deferred on a post-tax basis and will potentially attract matching shares and are stated in the previous table. Dividend equivalent shares will be transferred to the directors in respect of any matching shares that vest.
- (2) The directors were required to defer 40% of their bonuses for the 2010 financial year on a pre-tax basis into shares subject to a three-year restricted period. Messrs Cox and Venables were awarded a conditional right to receive shares at the end of a three-year period, subject only to remaining in employment. Dividend equivalent shares will be transferred to the directors in respect of any shares that vest.
- (3) The directors were required to defer 40% of their bonuses for the 2011 financial year on a pre-tax basis into shares subject to a three-year restricted period. Messrs Cox and Venables were awarded a conditional right to receive shares at the end of a three-year period, subject only to remaining in employment. Dividend equivalent shares will be transferred to the directors in respect of any shares that vest. The market price per share on the date of award was 75.7 pence.

**PERFORMANCE SHARE PLAN**

The following table sets out the interests of the executive directors in the Performance Share Plan. Details of these awards are set out in the footnote below and in the table on page 64.

	Date of award	1 July 2011	Awarded	Vested	Lapsed	30 June 2012	Dividend equivalent shares released	Earliest vesting date
A R Cox	13 Oct 2008	440,559 <sup>(1)</sup>	-	220,279	220,280	-	59,674 <sup>(2)</sup>	13 Oct 2011
	9 Oct 2009	1,040,094	-	-	-	<b>1,040,094</b>	-	9 Oct 2012
	27 Sep 2010	994,138	-	-	-	<b>994,138</b>	-	27 Sep 2013
	23 Sep 2011 <sup>(3)</sup>	-	1,601,657	-	-	<b>1,601,657</b>	-	23 Sep 2014
P Venables	13 Oct 2008	317,643 <sup>(1)</sup>	-	158,821	158,822	-	43,023 <sup>(2)</sup>	13 Oct 2011
	9 Oct 2009	749,908	-	-	-	<b>749,908</b>	-	9 Oct 2012
	27 Sep 2010	716,774	-	-	-	<b>716,774</b>	-	27 Sep 2013
	23 Sep 2011 <sup>(3)</sup>	-	1,154,795	-	-	<b>1,154,795</b>	-	23 Sep 2014

Notes:

- (1) The awards vested on 18 October 2011 as to 50% of shares under the award, calculated as 100% of the Cumulative Cash Conversion performance condition (50% of the award) and 0% of the Cumulative Earnings per Share performance condition (50% of the award). The market price per share on the date of award was 73.5 pence and on the date of vesting was 73.1 pence.
- (2) Dividend equivalent shares in respect of the vested shares were released to the directors in two tranches, on 18 October 2011 (when the market price was 72.3 pence per share) and on 9 November 2011 following the approval of the 2011 final dividend (when the market price was 73.7 pence per share). The shares released in the second tranche related to 24.1% of the aggregate dividend equivalent shares.
- (3) The market price per share on the date of award was 71.6 pence.

## REMUNERATION REPORT CONTINUED

### LONG-TERM INCENTIVE PERFORMANCE CONDITIONS

Details of the performance conditions for the Company's active long-term incentive plans are shown in the tables below.

#### PERFORMANCE SHARE PLAN

October 2009 Awards

Performance period 1 July 2009 – 30 June 2012

	Performance	Rank	Vesting percentage
Total Shareholder Return <sup>(1)</sup> (100% of award)	Maximum	Upper quartile	100%
	Threshold	Median	25%

September 2010 Awards

Performance period 1 July 2010 – 30 June 2013

	Performance	RPI+	Vesting percentage
Cumulative Earnings per Share <sup>(2)(3)</sup> (50% of award)	Maximum	12.0% p.a.	100%
	Threshold	4.0% p.a.	25%
	Performance	Percentage conversion	Vesting percentage
Total Shareholder Return <sup>(1)</sup> (50% of award)	Maximum	Upper quartile	100%
	Threshold	Median	25%

September 2011 Awards

Performance period 1 July 2011 – 30 June 2014

	Performance	RPI+	Vesting percentage
Cumulative Earnings per Share <sup>(2)(3)</sup> (50% of award)	Maximum	12.0% p.a.	100%
	Threshold	4.0% p.a.	25%
	Performance	Percentage conversion	Vesting percentage
Total Shareholder Return <sup>(1)</sup> (50% of award)	Maximum	Upper quartile	100%
	Threshold	Median	25%

Performance levels between threshold, target (where relevant) and maximum are graduated on a straight-line basis.

Notes:

- (1) For the purpose of ranking the performance of Hays shares against a sector group of comparator companies, TSR for each company is the difference between the average market values (in sterling terms) of a notional shareholding in that company on all dealing days for the three-month periods prior to the start and the end of the performance period divided by the average market values (in sterling terms) of a notional shareholding in that company on all dealing days for the three-month period prior to the start of the performance period. The TSR for Hays shares is ranked against the respective TSR performances of Adecco SA, CDI Corporation (2010 award onwards), Kelly Services Inc, Manpower Inc, Michael Page International plc, MPS Group Inc (2009 award only as subsequently acquired by Adecco SA and replaced by CDI Corporation within the comparator group for later awards), Randstad Holdings NV, Robert Half International Inc, Robert Walters plc, SThree plc and USG People NV. Vesting will be subject to satisfactory financial performance over the performance period as determined by the Committee.
- (2) Cumulative Earnings per Shares is the consolidated basic earnings per share of the Company calculated in accordance with IAS 33 for each financial year cumulative over the performance period. Goodwill impairments arising from acquisitions prior to 30 June 2006 are excluded from the Earnings per Share calculation. Cumulative International Net Fees is the net fees of the Company excluding UK and Ireland, Australia and New Zealand for each financial year cumulative over the performance period. International net fees arising from any acquisition made from the start of the relevant performance period are excluded from the Cumulative International Net Fees calculation. Cumulative Cash Conversion is the operating cash flow of the Company, after deducting net capital expenditure (excluding capital expenditure incurred on the Group's strategic IT projects), stated as a percentage of operating profit before exceptional items, for each financial year cumulative over the performance period. The Committee may make adjustments to the calculations of Cumulative Earnings per Share and Cumulative Cash Conversion, including taking account of unusual or non-recurring items that do not reflect underlying performance.
- (3) The lower and upper Earnings per Share growth range for the first year of the performance period was based on consensus forecast for that year (being a range of +/- 4% around the consensus forecast Earnings per Share, being 4.9 pence per share for the 2010 awards and 6.22 pence per share for the 2011 awards). The Earnings per Share growth for the remaining two years requires additional growth of between RPI +4% and RPI +12% per annum to achieve threshold and maximum vesting respectively.

#### DEFERRED ANNUAL BONUS PLAN

October 2009 Matching Awards

Performance period 1 July 2009 – 30 June 2012

	Performance	Value	Vesting percentage
Cumulative Earnings per Share <sup>(2)</sup> (One-third of award)	Maximum	17.66p	100%
	Target	14.72p	60%
	Threshold	11.78p	20%

	Performance	Value	Vesting percentage
Cumulative International Net Fees <sup>(2)</sup> (One-third of award)	Maximum	£817m	100%
	Target	£745m	60%
	Threshold	£678m	20%

	Performance	Percentage conversion	Vesting percentage
Cumulative Cash Conversion <sup>(2)</sup> (One-third of award)	Maximum	112.6%	100%
	Target	92.6%	50%
	Threshold	82.6%	20%



## DIRECTORS' INTEREST IN SHARES

The beneficial interests of the directors in office as at 30 June 2012 in the Ordinary shares of the Company as at 30 June 2012 are set out below:

Shares as at:	30 June 2012	30 June 2011
A M T Thomson	125,000	75,000
A R Cox <sup>(1)</sup>	2,308,467	1,531,394
C W Eccleshare	3,000	3,000
P S Harrison	8,678	8,678
V Jarman	-	-
R J Smelt	8,267	8,267
P H Stoneham	-	-
P Venables <sup>(1)</sup>	1,506,961	1,055,125
C P Wicks	-	-

There have been no changes in the directors' share interests between 30 June 2012 and the date of this Report. A further update will be provided in the Notice of the 2012 Annual General Meeting.

Note:  
(1) The shares disclosed for Messrs A R Cox and P Venables include the deferred shares (net of tax) and deferred rights (gross of tax) held under the bonus deferral arrangements as were outstanding at the stated date as described on pages 62 and 63.

## SHARE OPTIONS

Both executive directors participate in the UK Sharesave Scheme on the same terms as other eligible employees. The following are options over Ordinary shares held by directors during the year ended 30 June 2012:

	Scheme	1 July 2011	Exercised	Granted	Lapsed	30 June 2012	Option price	Date from which exercisable	Expiry date
A R Cox	UK Sharesave	8,058	-	-	-	8,058	112.00p	1 May 2014	31 Oct 2014
P Venables	UK Sharesave	3,903	-	-	-	3,903	93.00p	1 May 2013	1 Nov 2013
	UK Sharesave	4,834	-	-	-	4,834	112.00p	1 May 2014	31 Oct 2014

The market price at 29 June 2012, being the final trading day of the financial year, was 73.7 pence per share. During the year the shares traded in the range 58.9 pence to 104.6 pence per share (prices at mid-market close).

By order of the Board.

**Alison Yapp**

Company Secretary

29 August 2012

# INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAYS PLC

We have audited the financial statements of Hays plc for the year ended 30 June 2012 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes 1 to 32. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2012 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

## OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, contained within the Directors' Report – Other Statutory Information, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

**Stephen Griggs (Senior Statutory Auditor)**  
for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor  
London, United Kingdom  
29 August 2012

## CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE

(In £s million)	Note	2012	2011
<b>Turnover</b>			
Continuing operations		<b>3,654.6</b>	3,256.0
<b>Net fees<sup>(1)</sup></b>			
Continuing operations	4	<b>734.0</b>	672.1
Operating profit from continuing operations before exceptional items	4	<b>128.1</b>	114.1
Exceptional items	5	<b>-</b>	4.1
<b>Operating profit from continuing operations</b>	4	<b>128.1</b>	118.2
Finance income	9	<b>0.9</b>	1.0
Finance cost	9	<b>(6.6)</b>	(8.5)
<b>Profit before tax</b>		<b>122.4</b>	110.7
Tax	10	<b>(46.9)</b>	(32.4)
<b>Profit from continuing operations after tax</b>		<b>75.5</b>	78.3
<b>Profit from discontinued operations</b>	11	<b>11.0</b>	1.8
<b>Profit attributable to equity holders of the parent Company</b>		<b>86.5</b>	80.1
Earnings per share from continuing operations before exceptional items			
– Basic	13	<b>5.47p</b>	5.19p
– Diluted	13	<b>5.37p</b>	5.10p
Earnings per share from continuing operations			
– Basic	13	<b>5.47p</b>	5.69p
– Diluted	13	<b>5.37p</b>	5.59p
Earnings per share from continuing and discontinued operations			
– Basic	13	<b>6.26p</b>	5.82p
– Diluted	13	<b>6.16p</b>	5.72p

(1) Net fees comprise turnover less remuneration of temporary workers and other recruitment agencies.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE

(In £s million)	2012	2011
Profit for the year	<b>86.5</b>	80.1
Currency translation adjustments	<b>(16.1)</b>	19.4
Mark to market valuation of derivative financial instruments	<b>(0.4)</b>	(0.7)
Actuarial (loss)/gain on defined benefit pension schemes	<b>(24.6)</b>	43.7
Tax relating to components of other comprehensive income	<b>2.4</b>	(11.6)
Other net (expense)/income for the year	<b>(38.7)</b>	50.8
Total comprehensive income for the year	<b>47.8</b>	130.9
Attributable to equity shareholders of the parent Company	<b>47.8</b>	130.9

# CONSOLIDATED BALANCE SHEET

AT 30 JUNE

(In £s million)	Note	2012	2011
<b>Non-current assets</b>			
Goodwill	14	177.2	183.5
Other intangible assets	15	55.5	62.9
Property, plant and equipment	16	24.2	23.4
Deferred tax assets	17	28.3	29.2
		<b>285.2</b>	299.0
<b>Current assets</b>			
Trade and other receivables	18	538.6	524.2
Cash and cash equivalents	19	38.7	55.1
		<b>577.3</b>	579.3
<b>Total assets</b>		<b>862.5</b>	878.3
<b>Current liabilities</b>			
Trade and other payables	21	(429.0)	(405.0)
Current tax liabilities		(29.2)	(31.0)
Bank loans and overdrafts	20	(1.6)	(4.9)
Provisions	23	(2.7)	(8.5)
Derivative financial instruments		(1.1)	(0.7)
		<b>(463.6)</b>	(450.1)
<b>Non-current liabilities</b>			
Bank loans	20	(170.0)	(185.0)
Trade and other payables		-	(1.0)
Retirement benefit obligations	22	(15.4)	(11.9)
Provisions	23	(22.9)	(33.9)
		<b>(208.3)</b>	(231.8)
<b>Total liabilities</b>		<b>(671.9)</b>	(681.9)
<b>Net assets</b>		<b>190.6</b>	196.4
<b>Equity</b>			
Called up share capital	24	14.7	14.7
Share premium	25	369.6	369.6
Capital redemption reserve	26	2.7	2.7
Retained earnings	27	(270.5)	(275.6)
Other reserves	28	74.1	85.0
<b>Total shareholders' equity</b>		<b>190.6</b>	196.4

The Consolidated Financial Statements of Hays plc, registered number 2150950, were approved by the Board of Directors and authorised for issue on 29 August 2012.

Signed on behalf of the Board of Directors

A R Cox

P Venables



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012

(In £s million)	Share capital	Share premium account	Capital redemption reserve	Retained earnings	Other reserves	Total
At 1 July 2011	14.7	369.6	2.7	(275.6)	85.0	196.4
Currency translation adjustments	-	-	-	-	(16.1)	(16.1)
Mark to market valuation of derivative financial instruments	-	-	-	-	(0.4)	(0.4)
Actuarial loss on defined benefit pension schemes	-	-	-	(24.6)	-	(24.6)
Tax relating to components of other comprehensive income	-	-	-	2.4	-	2.4
Net expense recognised in other comprehensive income	-	-	-	(22.2)	(16.5)	(38.7)
Profit for the year	-	-	-	86.5	-	86.5
Total comprehensive income for the year	-	-	-	64.3	(16.5)	47.8
Dividends paid	-	-	-	(65.8)	-	(65.8)
Share-based payments	-	-	-	6.6	4.4	11.0
Other share movements	-	-	-	-	1.2	1.2
<b>At 30 June 2012</b>	<b>14.7</b>	<b>369.6</b>	<b>2.7</b>	<b>(270.5)</b>	<b>74.1</b>	<b>190.6</b>

FOR THE YEAR ENDED 30 JUNE 2011

(In £s million)	Share capital	Share premium account	Capital redemption reserve	Retained earnings	Other reserves	Total
At 1 July 2010	14.7	369.6	2.7	(313.0)	58.3	132.3
Currency translation adjustments	-	-	-	-	19.4	19.4
Mark to market valuation of derivative financial instruments	-	-	-	-	(0.7)	(0.7)
Actuarial gain on defined benefit pension schemes	-	-	-	43.7	-	43.7
Tax relating to components of other comprehensive income	-	-	-	(11.6)	-	(11.6)
Net income recognised in other comprehensive income	-	-	-	32.1	18.7	50.8
Profit for the year	-	-	-	80.1	-	80.1
Total comprehensive income for the year	-	-	-	112.2	18.7	130.9
Dividends paid	-	-	-	(79.7)	-	(79.7)
Share-based payments	-	-	-	4.9	6.7	11.6
Other share movements	-	-	-	-	1.3	1.3
At 30 June 2011	14.7	369.6	2.7	(275.6)	85.0	196.4

Details of the Other reserves are explained in note 28.

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE

(In £s million)	Note	2012	2011
<b>Operating profit from continuing operations</b>		<b>128.1</b>	118.2
Adjustments for:			
Exceptional items <sup>(1)</sup>		<b>(7.0)</b>	(19.5)
Depreciation of property, plant and equipment		<b>9.7</b>	9.4
Amortisation of intangible fixed assets		<b>13.5</b>	10.9
Loss on disposal of property, plant and equipment		<b>0.9</b>	–
Net movements in provisions and other items		<b>(5.4)</b>	(2.4)
Share-based payments		<b>12.2</b>	12.5
		<b>23.9</b>	10.9
<b>Operating cash flow before movement in working capital</b>		<b>152.0</b>	129.1
Changes in working capital			
Increase in receivables		<b>(26.7)</b>	(93.5)
Increase in payables		<b>29.9</b>	46.3
		<b>3.2</b>	(47.2)
<b>Cash generated by operations</b>		<b>155.2</b>	81.9
Income taxes paid		<b>(44.2)</b>	(26.6)
<b>Net cash inflow from operating activities</b>		<b>111.0</b>	55.3
<b>Investing activities</b>			
Purchase of property, plant and equipment		<b>(12.7)</b>	(8.9)
Proceeds from sales of business and related assets		<b>0.1</b>	0.5
Purchase of intangible assets		<b>(6.1)</b>	(9.7)
Cash paid in respect of acquisitions made in previous years		<b>(1.0)</b>	(3.2)
Interest received		<b>0.9</b>	1.0
<b>Net cash used in investing activities</b>		<b>(18.8)</b>	(20.3)
<b>Financing activities</b>			
Interest paid		<b>(7.1)</b>	(9.5)
Equity dividends paid		<b>(65.8)</b>	(79.7)
Purchase of own shares		<b>(0.7)</b>	–
Proceeds from exercise of share options		<b>2.1</b>	1.2
(Decrease)/increase in bank loans and overdrafts		<b>(18.3)</b>	38.0
Pension scheme funding		<b>(12.4)</b>	(12.0)
<b>Net cash used in financing activities</b>		<b>(102.2)</b>	(62.0)
<b>Net decrease in cash and cash equivalents</b>		<b>(10.0)</b>	(27.0)
<b>Cash and cash equivalents at beginning of year</b>	32	<b>55.1</b>	74.7
Effect of foreign exchange rate movements		<b>(6.4)</b>	7.4
<b>Cash and cash equivalents at end of year</b>	32	<b>38.7</b>	55.1

(1) The adjustment to the Cash Flow Statement in the year to June 2012 of £7.0 million relates to cash paid in respect of exceptional items which were recognised in the financial years ended 30 June 2010 and 30 June 2011.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

Hays plc is a Company incorporated in England and Wales and its registered office is 250 Euston Road, London NW1 2AF.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and International Financial Reporting Interpretation Committee interpretations (IFRICs) as adopted by the European Union and therefore comply with Article 4 of the European Union International Accounting Standard (IAS) Regulation.

### New standards and interpretations

The Consolidated Financial Statements have been prepared on the basis of the accounting policies and methods of computation applicable for the year ending 30 June 2012. These accounting policies are consistent with those applied in the preparation of the accounts for the year ended 30 June 2011 with the exception of the following new accounting standards, amendments and interpretations which were mandatory for accounting periods beginning on or after 1 January 2011.

Improvements to IFRSs 2010	(effective 1 July 2011)
IAS 24 (revised 2009)	Related Party Disclosure (effective 1 January 2011)
IFRIC 14 (amendment)	IAS 19 – The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective 1 January 2011)
IFRS 1 (amendment)	Severe Hyperinflation and Removal of Fixed Dates for First Time Adopters (effective 1 July 2011)
IFRS 7 (amendment)	Disclosures – Transfers of Financial Assets (effective 1 July 2011)

There have been no alterations made to the accounting policies as a result of considering all amendments to other IFRS and IFRIC amendments and interpretations that became effective during the financial year, as these were either not material to the Group's operation, or were not relevant.

The Group has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but which are only effective for our accounting periods beginning on or after 1 July 2012. These new pronouncements are listed below:

IFRS 9	Financial Instruments (effective 1 January 2015)
IFRS 10	Consolidated Financial Statements (effective 1 January 2013)
IFRS 11	Joint Arrangements (effective 1 January 2013)
IFRS 12	Disclosure of Interests in Other Entities (effective 1 January 2013)
IFRS 13	Fair Value Measurement (effective 1 January 2013)
IAS 1 (amendment)	Presentation of Items of Other Comprehensive Income (effective 1 July 2012)

IAS 12 (amendment)	Deferred Tax: Recovery of Underlying Assets (effective 1 January 2012)
IAS 19 (revised)	Employee Benefits (effective 1 January 2013)
IAS 27 (revised)	Separate Financial Statements (effective 1 January 2013)
IAS 28 (revised)	Investments in Associates and Joint Ventures (effective 1 January 2013)
Improvements to IFRSs 2009–2011	(effective 1 January 2013)
IFRS 7 (amendment)	Disclosures – Offsetting Financial Assets and Financial Liabilities (effective 1 January 2013)
IAS 32 (amendment)	Presentation – Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014)

The directors are currently evaluating the impact of the adoption of these standards, amendments and interpretations.

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 Consolidated Financial Statements have been prepared in accordance with IFRSs adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation.

The Consolidated Financial Statements have been prepared on the historical cost basis.

### b Going concern

The Group's business activities, together with the factors likely to effect its future development, performance and position are set out in the Business Review on pages 1 to 29. The financial position of the Group, its cash flows and liquidity position are described in the Financial Review on pages 30 to 33. In addition, notes 19 to 20 of the Consolidated Financial Statements include details of the Group's treasury activities, long-term funding arrangements and exposure to financial risk.

The Group has sufficient financial resources which, together with internally generated cash flows, will continue to provide sufficient sources of liquidity to fund its current operations, including its contractual and commercial commitments and any proposed dividends. Therefore the Group is well placed to manage its business risks, despite the current uncertain economic outlook.

After making enquires the directors have formed the judgement that at the time of approving the Consolidated Financial Statements there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the Consolidated Financial Statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### c Basis of consolidation

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group whereby 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 subsidiaries. The results of subsidiaries acquired or disposed 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.

#### d 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 workers are provided. Where the Group is acting as a principal, turnover represents the amounts billed for the services of the temporary workers, including the remuneration costs of the temporary workers.

Where Hays acts as principal in arrangements that invoice on behalf of other recruitment agencies, turnover represents amounts invoiced and collected on behalf of other recruitment agencies, including arrangements where no commission is directly receivable by the Group.

Where the Group is acting as an agent, turnover represents commission receivable relating to the supply of temporary workers and does not include the remuneration costs of the temporary workers.

#### e Net fees

Net fees represent turnover less the remuneration costs of temporary workers for temporary assignments and remuneration of other recruitment agencies. For the placement of permanent candidates, net fees are equal to turnover.

#### f Exceptional items

Exceptional items as disclosed on the face of the Consolidated Income Statement are items which due to their size and non-recurring nature have been classified separately in order to draw them to the attention of the reader of the financial statements and to show the underlying profits of the Group.

#### g Foreign currencies

On consolidation, the tangible and intangible assets and liabilities of 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 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 Consolidated 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.

#### h 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 Consolidated 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 Consolidated Statement of Comprehensive Income in the period in which they occur. Past service costs/curtailments 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 Comprehensive Income.

The retirement benefit obligation recognised in the Consolidated 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.



**i Share-based payments**

The fair value of all share-based remuneration that is assessed upon market-based performance criteria is determined at the date of grant and recognised as an expense in the Consolidated 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 of all share-based remuneration that is assessed upon non-market-based performance criteria is determined at the date of the grant and recognised as an expense in the Consolidated Income Statement over the vesting period, based on the number of shares that are expected to vest. The number of shares that are expected to vest is adjusted accordingly to the satisfaction of the performance criteria at each period end.

The fair values are determined by use of the relevant valuation models. All share-based remuneration is equity settled.

**j Borrowing costs**

Interest costs are recognised as an expense in the Consolidated Income Statement in the period in which they are incurred. Arrangement fees incurred in respect of borrowings are amortised over the term of the agreement.

**k 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 Consolidated 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 Consolidated 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.

**l 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. For the purpose of impairment testing, assets are grouped at the lowest level for which there are separately identifiable cash flows, known as cash-generating units (CGUs). Any impairment is recognised immediately in the Consolidated 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.

**m Intangible assets**

Intangible assets acquired as part of a business combination are stated in the Consolidated Balance Sheet at their fair value as at the date of acquisition less accumulated amortisation and any provision for impairment. The directors review intangible assets for indications of impairment annually.

Internally generated intangible assets are stated in the Consolidated 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 incorporated into major ERP implementations that support the recruitment process and financial reporting process is amortised over a life of up to seven years. Other software is amortised between three and five years.

**n 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 cost is written off over the unexpired term of the lease
Plant and machinery	– At rates varying between 5% and 33%
Fixtures and fittings	– At rates varying between 10% and 25%

**o Trade receivables**

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### p 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.

#### q Trade payables

Trade payables are measured at fair value.

#### r Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of the proceeds received, net of direct-issue costs.

Finance charges, including premiums payable on settlement or redemption and direct-issue costs, are accounted for on an accrual basis in profit or loss using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

#### s Derivative financial instruments and hedge accounting

The Group uses certain derivative financial instruments to reduce its exposure to interest rate movements. The Group does not hold or use derivative financial instruments for speculative purposes.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and any ineffective portion is recognised immediately in the Consolidated Income Statement.

The Group uses a range of 80% to 125% for hedge effectiveness, in accordance with IAS 39, and any relationship which has effectiveness outside this range is deemed to be ineffective and hedge accounting is suspended.

The fair values of interest rate swaps represent the replacement costs calculated using observable market rates of interest and exchange. The fair value of long-term borrowing is calculated by discounting expected future cash flows at observable market rates.

Amounts deferred in equity are recognised in the Consolidated Income Statement in the same period in which the hedged item affects net income.

Cash flow hedge accounting is discontinued when a hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time any cumulative gain or loss on the hedging instrument recognised in equity is either retained in equity until the firm commitment or forecasted transaction occurs, or where a hedge transaction is no longer expected to occur, is immediately credited or expensed in the Consolidated Income Statement.

#### t Leases

Leases where a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases by the lessee.

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

#### u 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 when 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.

### 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

#### Retirement benefit obligations

Under IAS 19 'Employee Benefits', the Group has recognised a pension deficit of £15.4 million (2011: £11.9 million). A number of assumptions have been made in determining the pension deficit and these are described in note 22 to the Consolidated Financial Statements.

#### 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 14 to the Consolidated Financial Statements.

#### Provisions in respect of disposed businesses

As described in note 23, 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.

#### Provisions in respect of recoverability of trade receivables

As described in note 18, provisions for impairment of trade receivables have been made. In reviewing the appropriateness of these provisions, consideration has been given to the ageing of the debt and the potential likelihood of default, taking into account current economic conditions.

#### 4 SEGMENTAL INFORMATION

##### Adoption of IFRS 8, Operating Segments

The Group has adopted IFRS 8, Operating Segments, with effect from 1 July 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker to allocate resources to segments and to assess their performance.

As a result the Group continues to segment the business into three regions, Asia Pacific, Continental Europe & Rest of World, and United Kingdom & Ireland.

The Group's continuing operations comprise one class of business, that of qualified, professional and skilled recruitment.

##### Net fees and operating profit from continuing operations

The Group's Management Board, which is regarded as the chief operating decision maker, uses net fees by segment as its measure of revenue in internal reports. This is because net fees exclude the remuneration of temporary workers, and payments to other recruitment agencies where the Group acts as principal, which are not considered relevant in allocating resources to segments. The Group's Management Board considers net fees for the purpose of making decisions about allocating resources. The reconciliation of turnover to net fees can be found in note 6.

(In £s million)	2012	2011
<b>Net fees from continuing operations</b>		
Asia Pacific	<b>242.2</b>	210.0
Continental Europe & Rest of World	<b>266.5</b>	220.4
United Kingdom & Ireland	<b>225.3</b>	241.7
	<b>734.0</b>	672.1

(In £s million)	2012	2011 Before exceptional items	2011 Exceptional items	2011
<b>Operating profit from continuing operations</b>				
Asia Pacific	<b>90.9</b>	78.1	–	78.1
Continental Europe & Rest of World	<b>43.7</b>	32.4	–	32.4
United Kingdom & Ireland	<b>(6.5)</b>	3.6	4.1	7.7
	<b>128.1</b>	114.1	4.1	118.2

The Group does not report items below operating profit by segment in its internal management reporting. The full detail of these items can be seen in the Group Consolidated Income Statement on page 67.

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

##### Net trade receivables

For the purpose of monitoring performance and allocating resources from a balance sheet perspective, the Group's Management Board monitors trade receivables net of provisions for impairments only on a segment by segment basis. These are monitored on a constant currency basis for comparability through the year. These are shown below and reconciled to the totals as shown in note 18.

(In £s million)	As reported internally	Foreign exchange	2012	As reported internally	Foreign exchange	2011
<b>Net trade receivables</b>						
Asia Pacific	76.1	(1.7)	<b>74.4</b>	59.9	9.9	69.8
Continental Europe & Rest of World	157.3	(17.4)	<b>139.9</b>	104.7	10.6	115.3
United Kingdom & Ireland	137.7	(0.6)	<b>137.1</b>	160.0	0.5	160.5
	371.1	(19.7)	<b>351.4</b>	324.6	21.0	345.6

##### Major customers

Included in turnover is an amount of approximately £587 million (2011: £540 million) which arose from sales to the Group's largest customer, which were generated within the United Kingdom & Ireland. This is the only customer to exceed 10% of the Group's turnover, however as it includes a significant element of remuneration of temporary workers and remuneration of other recruitment agencies, it represents less than 2% of the Group's net fees.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 5 EXCEPTIONAL ITEMS

In the prior year, the Group recognised an exceptional credit of £4.1 million in the Consolidated Income Statement. Full details of these items were disclosed in the 2011 Annual Report & Financial Statements.

### 6 OPERATING PROFIT FROM CONTINUING OPERATIONS

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

(In £s million)	2012	2011
Turnover	<b>3,654.6</b>	3,256.0
Remuneration of temporary workers	<b>(2,421.3)</b>	(2,125.8)
Remuneration of other recruitment agencies	<b>(499.3)</b>	(458.1)
Net fees	<b>734.0</b>	672.1

Profit from operations is stated after charging/(crediting) the following items to net fees of £734.0 million (2011: £672.1 million):

(In £s million)	2012	2011 Before exceptional items	2011 Exceptional items	2011
Staff costs (note 8)	<b>436.6</b>	406.9	7.0	413.9
Depreciation of property, plant and equipment	<b>9.7</b>	9.4	0.8	10.2
Amortisation of intangible assets	<b>13.5</b>	10.9	10.0	20.9
Auditor remuneration (note 7)				
– for statutory audit services	<b>0.8</b>	1.0	–	1.0
– for other services	<b>0.2</b>	0.3	–	0.3
Other external charges	<b>145.1</b>	129.5	(21.9)	107.6
	<b>605.9</b>	558.0	(4.1)	553.9

Included within staff costs is a £6.0 million credit in respect of the curtailment gain arising from the closure of the UK defined benefit pension scheme to the accrual of future benefits (note 22).

Set against this is a series of non-recurring UK costs amounting to £5.8 million, of which £2.5 million is included within staff costs, and £3.3 million within other external charges. The net UK impact of these items is a £0.2 million credit to the Income Statement.

### 7 AUDITOR REMUNERATION

(In £s million)	2012	2011
Fees payable to the Company's Auditor for the audit of the Company's annual accounts	<b>0.2</b>	0.3
Fees payable to the Company's Auditor and their associates for other services to the Group:		
The audit of the Company's subsidiaries pursuant to legislation	<b>0.6</b>	0.7
Total audit fees	<b>0.8</b>	1.0
Half year review pursuant to legislation	<b>0.1</b>	0.1
Tax and other services	<b>0.1</b>	0.2
Total non-audit fees	<b>0.2</b>	0.3

Other services, principally relating to technical accounting advice, totalled £17,000 (2011: £33,000). No services were performed pursuant to contingent fee arrangements.



## 8 STAFF COSTS

The aggregate staff remuneration (including executive directors) was:

(In £s million)	2012	2011 Before exceptional items	2011 Exceptional items	2011
Wages and salaries	<b>368.6</b>	338.2	6.2	344.4
Social security costs	<b>46.6</b>	41.4	0.8	42.2
Other pension costs	<b>9.2</b>	14.8	–	14.8
Share-based payments	<b>12.2</b>	12.5	–	12.5
	<b>436.6</b>	406.9	7.0	413.9

Average number of persons employed (including executive directors):

(Number)	2012	2011
Continuing operations		
Asia Pacific	<b>1,522</b>	1,358
Continental Europe & Rest of World	<b>2,727</b>	2,159
United Kingdom & Ireland	<b>3,623</b>	3,728
	<b>7,872</b>	7,245

Closing number of persons employed (including executive directors):

(Number)	2012	2011
Continuing operations		
Asia Pacific	<b>1,505</b>	1,446
Continental Europe & Rest of World	<b>2,799</b>	2,457
United Kingdom & Ireland	<b>3,496</b>	3,717
	<b>7,800</b>	7,620

## 9 FINANCE INCOME AND FINANCE COST

### Finance income

(In £s million)	2012	2011
Interest on bank deposits	<b>0.9</b>	1.0

### Finance cost

(In £s million)	2012	2011
Interest payable on bank loans and overdrafts	<b>(8.0)</b>	(7.0)
Pension Protection Fund levy	<b>(0.9)</b>	(0.3)
Net interest on pension obligations	<b>2.3</b>	(1.2)
	<b>(6.6)</b>	(8.5)
Net finance charge	<b>(5.7)</b>	(7.5)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 10 INCOME TAXES RELATING TO CONTINUING OPERATIONS

The tax (charge)/credit for the year is comprised of the following:

#### Current tax

(In £s million)	2012	2011
Current tax expense in respect of the current year	<b>(43.8)</b>	(43.6)
Adjustments recognised in the current year in relation to the current tax of prior years	<b>(0.8)</b>	0.2
	<b>(44.6)</b>	(43.4)

#### Deferred tax

(In £s million)	2012	2011
Deferred tax expense in respect of the current year	<b>(3.2)</b>	4.3
Adjustments to deferred tax attributable to changes in tax rates and laws	<b>(0.7)</b>	(0.2)
Adjustments to deferred tax in relation to prior years	<b>1.6</b>	6.9
	<b>(2.3)</b>	11.0
Total income tax expense recognised in the current year relating to continuing operations	<b>(46.9)</b>	(32.4)

The income tax expense for the year can be reconciled to the accounting profit as follows:

(In £s million)	2012	2011 Before exceptional items	2011 Exceptional items	2011
Profit before tax from continuing operations	<b>122.4</b>	106.6	4.1	110.7
Income tax expense calculated at 25.5% (2011: 27.5%)	<b>(31.2)</b>	(29.3)	(1.1)	(30.4)
Effect of expenses that are not deductible in determining taxable profit	<b>(0.1)</b>	(2.9)	3.9	1.0
Deductible pension contribution in respect of prior periods	<b>2.5</b>	–	–	–
Effect of unused tax losses not recognised as deferred tax assets	<b>(7.9)</b>	(4.9)	–	(4.9)
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>(9.4)</b>	(4.6)	–	(4.6)
Effect on deferred tax balances due to the change in income tax rate from 26.0% to 24.0% (effective March 2012)	<b>(0.7)</b>	(0.2)	–	(0.2)
Effect of share-based payment charges and share options	<b>(0.9)</b>	(0.4)	–	(0.4)
	<b>(47.7)</b>	(42.3)	2.8	(39.5)
Adjustments recognised in the current year in relation to the current tax of prior years	<b>(0.8)</b>	0.2	–	0.2
Adjustments to deferred tax in relation to prior years	<b>1.6</b>	6.9	–	6.9
Income tax expense recognised in the Consolidated Income Statement (relating to continuing operations)	<b>(46.9)</b>	(35.2)	2.8	(32.4)
Effective tax rate for the year on continuing operations	<b>38.3%</b>	33.0%	(68.3%)	29.3%

The tax rate used for the 2012 and 2011 reconciliations above is the corporate tax rate of 25.5% (2011: 27.5%) payable by corporate entities in the United Kingdom on taxable profits under tax law in that jurisdiction.

Income tax recognised directly in other comprehensive income:

#### Deferred tax

(In £s million)	2012	2011
Excess tax deductions relating to share-based payments	<b>(1.0)</b>	1.0
Tax relating to actuarial gains and losses in respect of defined benefit pension schemes	<b>3.4</b>	(12.6)
Total income tax recognised directly in other comprehensive income	<b>2.4</b>	(11.6)

## 11 DISCONTINUED OPERATIONS

The results of the discontinued businesses which have been included in the Consolidated Income Statement were as follows:

(In £s million)	2012	2011
Profit from discontinued operations	10.1	0.5
Profit before tax	10.1	0.5
Tax credit	0.9	1.3
Profit from discontinued operations after tax	11.0	1.8

The profit from discontinued operations of £11.0 million arose primarily from the write-back of provisions that were established when the Group completed the disposal of its non-core activities between March 2003 and November 2004 which in the light of subsequent events are no longer required.

Cash inflows generated from discontinued operations were the following:

(In £s million)	2012	2011
Investing activities	0.1	0.5

## 12 DIVIDENDS

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

	2012 pence per share	2012 £s million	2011 pence per share	2011 £s million
Previous year final dividend	3.95	54.3	3.95	54.3
Current year interim dividend	0.83	11.5	1.85	25.4
		65.8		79.7

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

	2012 pence per share	2012 £s million	2011 pence per share	2011 £s million
Interim dividend	0.83	11.5	1.85	25.4
Final dividend (proposed)	1.67	23.1	3.95	54.3
	2.50	34.6	5.80	79.7

The final dividend for 2012 of 1.67 pence per share (£23.1 million) will be proposed at the Annual General Meeting on 7 November 2012 and has not been included as a liability as at 30 June 2012. If approved, the final dividend will be paid on 16 November 2012 to shareholders on the register at the close of business on 12 October 2012.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 13 EARNINGS PER SHARE

For the year ended 30 June 2012	Earnings (£s million)	Weighted average number of shares (million)	Per share amount (pence)
<b>Continuing operations:</b>			
Basic earnings per share from continuing operations	75.5	1,381.4	5.47
Dilution effect of share options	–	23.4	(0.10)
Diluted earnings per share from continuing operations	75.5	1,404.8	5.37
<b>Discontinued operations:</b>			
Basic earnings per share from discontinued operations	11.0	1,381.4	0.80
Dilution effect of share options	–	23.4	(0.02)
Diluted earnings per share from discontinued operations	11.0	1,404.8	0.78
<b>Continuing and discontinued operations:</b>			
Basic earnings per share from continuing and discontinued operations	86.5	1,381.4	6.26
Dilution effect of share options	–	23.4	(0.10)
Diluted earnings per share from continuing and discontinued operations	86.5	1,404.8	6.16

For the year ended 30 June 2011	Earnings (£s million)	Weighted average number of shares (million)	Per share amount (pence)
<b>Continuing operations before exceptional items:</b>			
Basic earnings per share from continuing operations	71.4	1,376.0	5.19
Dilution effect of share options	–	24.3	(0.09)
Diluted earnings per share from continuing operations	71.4	1,400.3	5.10
<b>Continuing operations after exceptional items:</b>			
Basic earnings per share from continuing operations	78.3	1,376.0	5.69
Dilution effect of share options	–	24.3	(0.10)
Diluted earnings per share from continuing operations	78.3	1,400.3	5.59
<b>Discontinued operations:</b>			
Basic earnings per share from discontinued operations	1.8	1,376.0	0.13
Dilution effect of share options	–	24.3	–
Diluted earnings per share from discontinued operations	1.8	1,400.3	0.13
<b>Continuing and discontinued operations:</b>			
Basic earnings per share from continuing and discontinued operations	80.1	1,376.0	5.82
Dilution effect of share options	–	24.3	(0.10)
Diluted earnings per share from continuing and discontinued operations	80.1	1,400.3	5.72

#### Reconciliation of earnings

(In £s million)	Earnings
Continuing operations before exceptional items	71.4
Exceptional items (note 5)	4.1
Tax credit on exceptional items (note 10)	2.8
Continuing operations	78.3

The weighted average number of shares in issue for both years exclude shares held in treasury and shares held by the Hays plc Employee Share Trust.



**14 GOODWILL**

(In £s million)	<b>2012</b>	2011
<b>Cost</b>		
At 1 July	<b>183.5</b>	185.6
Exchange adjustments	<b>(6.3)</b>	6.5
Additions during the year	<b>-</b>	1.4
Impairment losses in the year	<b>-</b>	(10.0)
At 30 June	<b>177.2</b>	183.5

Goodwill arising on business combinations is reviewed and tested at least annually. Goodwill has been tested for impairment by comparing the carrying amount of each cash-generating unit (CGU), including goodwill, with the recoverable amount. 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 operating profit, discount rates and growth rates. The operating profit is based on the latest one-year forecasts for the CGUs approved by management, and management uses estimated pre-tax discount rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The Group prepares cash flow forecasts derived from the most recent financial forecasts approved by management and extrapolates cash flows in perpetuity based on the long-term growth rates and expected cash conversion rates. The long-term growth rates are based on management forecasts, which are consistent with external sources of an average estimated growth rate of 3.0% (2011: 3.0%), reflecting long-term wage inflation driving fee growth. The pre-tax rate used to discount the forecast cash flows is 12.5% (2011: 12.0%).

Impairment reviews were performed at the year end by comparing the carrying value of goodwill with the recoverable amount of the CGUs to which goodwill has been allocated.

Management has determined that there has been no impairment to any of the CGUs and in respect of these a sensitivity analysis has been performed in assessing recoverable amounts of goodwill. This has been based on changes in key assumptions considered to be possible by management and included a change in the discount rate of up to 1% and changes in long-term growth rate between 0% and 5%. The sensitivity analysis shows that no impairment would arise under each scenario for any of the CGUs.

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

(In £s million)	<b>2012</b>	2011
Asia Pacific	<b>25.4</b>	24.5
Continental Europe & Rest of World	<b>58.7</b>	65.9
United Kingdom & Ireland	<b>93.1</b>	93.1
	<b>177.2</b>	183.5

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 15 OTHER INTANGIBLE ASSETS

(In £s million)	2012	2011
<b>Cost</b>		
At 1 July	87.1	75.0
Exchange adjustments	(0.5)	0.7
Additions	6.1	11.7
Disposals	(6.5)	(0.3)
At 30 June	86.2	87.1
<b>Amortisation</b>		
At 1 July	24.2	12.9
Exchange adjustments	(0.5)	0.6
Charge for year	13.5	10.9
Disposals	(6.5)	(0.2)
At 30 June	30.7	24.2
<b>Net book value</b>		
At 30 June	55.5	62.9
At 1 July	62.9	62.1

All other intangible assets relate to computer software.

Other intangible asset additions in the current year include £2.6 million in relation to internally generated assets (2011: £5.3 million).

There were no assets in the course of construction included within other intangible assets, as was the case in the prior year.

The estimated average useful life of the intangible assets is seven years (2011: seven years). Software incorporated into major ERP implementations is amortised over a life of up to seven years. Other software is amortised between three and five years.

There were no capital commitments at the year end (2011: Nil).

**16 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 2011	1.5	10.7	33.2	26.1	71.5
Exchange adjustments	(0.2)	(0.5)	(0.9)	(1.3)	(2.9)
Capital expenditure	0.2	1.5	6.3	4.7	12.7
Disposals	–	(0.1)	(9.3)	(1.5)	(10.9)
<b>At 30 June 2012</b>	<b>1.5</b>	<b>11.6</b>	<b>29.3</b>	<b>28.0</b>	<b>70.4</b>
<b>Accumulated depreciation</b>					
At 1 July 2011	1.0	7.6	22.6	16.9	48.1
Exchange adjustments	(0.2)	(0.3)	(0.7)	(0.8)	(2.0)
Charge for the year	0.1	1.4	3.9	4.3	9.7
Disposals	–	(0.1)	(8.9)	(0.6)	(9.6)
<b>At 30 June 2012</b>	<b>0.9</b>	<b>8.6</b>	<b>16.9</b>	<b>19.8</b>	<b>46.2</b>
<b>Net book value</b>					
<b>At 30 June 2012</b>	<b>0.6</b>	<b>3.0</b>	<b>12.4</b>	<b>8.2</b>	<b>24.2</b>
At 1 July 2011	0.5	3.1	10.6	9.2	23.4

There were no capital commitments as was the case in the prior year.

(In £s million)	Freehold properties	Leasehold properties (short)	Plant and machinery	Fixtures and fittings	Total
<b>Cost</b>					
At 1 July 2010	1.2	8.5	33.0	28.6	71.3
Exchange adjustments	0.2	1.1	1.6	0.9	3.8
Capital expenditure	0.1	1.9	3.7	3.2	8.9
Disposals	–	(0.8)	(5.1)	(6.6)	(12.5)
At 30 June 2011	1.5	10.7	33.2	26.1	71.5
<b>Accumulated depreciation</b>					
At 1 July 2010	0.8	6.0	22.4	18.3	47.5
Exchange adjustments	0.1	0.8	1.1	0.6	2.6
Charge for the year	0.1	1.5	3.7	4.1	9.4
Disposals	–	(0.7)	(4.6)	(6.1)	(11.4)
At 30 June 2011	1.0	7.6	22.6	16.9	48.1
<b>Net book value</b>					
At 30 June 2011	0.5	3.1	10.6	9.2	23.4
At 1 July 2010	0.4	2.5	10.6	10.3	23.8

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 17 DEFERRED TAX

Deferred tax assets in relation to:

(In £s million)	1 July 2011	(Charge)/ credit to Consolidated Income Statement	(Charge)/ credit to other comprehensive income	Exchange difference	30 June 2012
Accelerated tax depreciation	4.7	9.3	–	(0.6)	<b>13.4</b>
Retirement benefit obligation	5.1	(3.5)	3.4	–	<b>5.0</b>
Share-based payments	4.5	(0.2)	(1.0)	–	<b>3.3</b>
Provisions	3.5	(0.6)	–	–	<b>2.9</b>
Tax losses	8.1	(7.9)	–	(0.2)	<b>–</b>
Other short-term timing differences	3.3	0.6	–	(0.2)	<b>3.7</b>
	29.2	(2.3)	2.4	(1.0)	<b>28.3</b>

(In £s million)	1 July 2010	(Charge)/ credit to Consolidated Income Statement	(Charge)/ credit to other comprehensive income	Exchange difference	30 June 2011
Accelerated tax depreciation	(0.7)	5.2	–	0.2	4.7
Retirement benefit obligation	18.8	(1.1)	(12.6)	–	5.1
Share-based payments	1.7	1.8	1.0	–	4.5
Provisions	3.7	(0.2)	–	–	3.5
Tax losses	3.7	4.4	–	–	8.1
Other short-term timing differences	1.8	0.9	–	0.6	3.3
	29.0	11.0	(11.6)	0.8	29.2

The United Kingdom Government has announced that the rate of corporation tax will reduce from 24% to 23% with effect from 1 April 2013. If this change has been substantively enacted at 30 June 2012, the Group's deferred tax asset would have been reduced by £0.9 million, with £0.7 million charged directly to other comprehensive income and £0.2 million charged to the Consolidated Income Statement.

#### Unrecognised deductible temporary differences, unused tax losses and unused tax credits

(In £s million)	2012	2011
Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised are attributable to the following:		
Tax losses (revenue in nature)	<b>39.4</b>	37.5
Tax losses (capital in nature)	<b>5.3</b>	5.8
Deductible temporary differences	<b>0.2</b>	–
	<b>44.9</b>	43.3

#### Unrecognised taxable temporary differences associated with investments and interests

(In £s million)	2012	2011
Taxable temporary differences in relation to investments in subsidiaries, for which deferred tax liabilities have not been recognised are attributable to the following:		
Foreign subsidiaries	<b>0.3</b>	2.8

**18 TRADE AND OTHER RECEIVABLES**

(In £s million)	2012	2011
Trade receivables	<b>371.6</b>	363.6
Less provision for impairment	<b>(20.2)</b>	(18.0)
Net trade receivables	<b>351.4</b>	345.6
Prepayments and accrued income	<b>187.2</b>	178.6
	<b>538.6</b>	524.2

The directors consider that the carrying amount of trade receivables approximates to their fair value. The average credit period taken is 35 days (2011: 38 days).

The ageing analysis of the trade receivables not impaired is as follows:

(In £s million)	2012	2011
Not yet due	<b>250.8</b>	243.0
Up to one month past due	<b>82.6</b>	74.3
One to three months past due	<b>18.0</b>	28.3
	<b>351.4</b>	345.6

The Group's exposure to foreign currency translation is primarily in respect of the Euro and the Australian Dollar. The sensitivity of a one cent change versus the year end closing exchange rates in respect of the Euro and Australian Dollar would result in a £1.1 million and £0.4 million movement in trade receivables respectively.

The movement on the provision for impairment of trade receivables is as follows:

(In £s million)	2012	2011
At 1 July	<b>18.0</b>	16.2
Exchange movement	<b>(0.5)</b>	0.7
Charge for the year	<b>3.8</b>	1.9
Uncollectable amounts written off	<b>(1.1)</b>	(0.8)
At 30 June	<b>20.2</b>	18.0

The ageing of impaired trade receivables relates primarily to trade receivables over three months past due.

**Credit risk**

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the Consolidated 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 likely reduction in the recoverability of the cash flows. The Group reduces risk through its credit control process and by contractual arrangements with other recruitment agencies in situations where the Group invoices on their behalf. The Group's exposure is spread over a large number of customers.

The risk disclosures contained on pages 22 and 23 within the Directors' Report form part of these financial statements.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 19 CASH AND CASH EQUIVALENTS

(In £s million)	2012	2011
Cash at bank and in hand	38.7	40.6
Short-term bank deposits	-	14.5
	38.7	55.1

The effective interest rate on short-term deposits was 1.1% (2011: 1.3%). The average maturity of short-term deposits was one day (2011: one day).

#### Credit risk

Counterparty credit risk on liquid funds is closely monitored using the credit ratings assigned by international credit rating agencies to financial institutions. A credit limit is applied to each bank and deposits held are monitored against those limits.

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

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

### 20 BANK LOANS AND OVERDRAFTS

(In £s million)	2012	2011
Bank loans	170.0	185.0
Overdrafts	1.6	4.9
	171.6	189.9

#### Risk management

A description of the Group's treasury policy and controls is included in the Financial Review on page 33.

#### Interest rate risk

The Group is exposed to cash flow interest rate risk on floating rate bank loans and overdrafts. At 30 June 2012 the Group had drawn down £170 million (2011: £185 million) from its unsecured revolving credit facility. In the prior year, the Group entered into interest rate derivatives to partially hedge this risk. The fair value of these derivatives at 30 June was £(1.1) million (2011: £(0.7) million).

The interest rate profile of bank loans and overdrafts is as follows:

(In £s million)	2012	2011
Floating rate – sterling	171.6	189.9

The floating rate liabilities comprise bank loans and unsecured overdrafts bearing interest at rates based on local market rates.

#### Committed facilities

The Group has an unsecured revolving credit facility of £300 million which expires in January 2014. The financial covenants under the existing facility require the Group's interest cover to be at least 4:1 and its leverage ratio (net debt to EBITDA) to be no greater than 2.5:1. The interest rate of the facility is based on a ratchet mechanism with a margin payable over LIBOR in the range of 1.75% to 2.25%.

At 30 June 2012, £130 million of the committed facility was undrawn.

**Interest rates**

The weighted average interest rates paid were as follows:

	2012	2011
Bank borrowings	2.8%	2.5%

**Maturities of bank loans and overdrafts**

The maturities of borrowings are as follows:

(In £s million)	2012	2011
Within one year	1.6	4.9
More than one year	170.0	185.0
	171.6	189.9

**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 on floating rates.

**Capital management**

The Board's current priorities for the Group's free cash flow are to fund Group development, maintain the strength of the Balance Sheet and to support a sustainable dividend policy. The Group's overall strategy remains unchanged from last year in that it manages its capital to ensure that entities in the Group will be able to continue as going concerns through the economic cycle.

The capital structure of the Group consists of net debt, which is represented by cash and cash equivalents (note 19), bank loans and overdrafts (note 20) and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in notes 24 to 28.

The Group is not restricted to any externally imposed capital requirements.

**Foreign currency risk**

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 2012.

The Group does not use derivatives to hedge balance sheet and income statement translation exposure.

**21 TRADE AND OTHER PAYABLES**

(In £s million)	2012	2011
<b>Current</b>		
Trade creditors	116.9	106.0
Other tax and social security	57.7	55.5
Other creditors	26.9	25.9
Accruals and deferred income	226.5	216.6
Acquisition liabilities	1.0	1.0
	429.0	405.0

The directors consider that the carrying amount of trade payables approximates to their fair value. The average credit period taken for trade purchases is 32 days (2011: 32 days).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 22 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.

#### a UK Defined Contribution Scheme

The Hays Stakeholder Pension Plan was established on 1 July 2001 and replaced by the Hays Group Personal Pension Plan in March 2012 (together the money purchase arrangements). 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 18% of pensionable salary depending on the level of employee contribution and seniority.

The total cost charged to the Consolidated Income Statement of £3.4 million (2011: £3.0 million) represents employer's contributions payable to the money purchase arrangements. Contributions of £0.3 million (2011: £0.3 million) were outstanding at the end of the year. The assets of the money purchase arrangements are held separately from those of the Group.

#### b UK Defined Benefit Schemes

- (i) 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 which 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.

On 30 June 2012 the Group closed its UK defined benefit pension schemes to the accrual of future benefits. The closure resulted in a curtailment gain of £6.0 million which has been recognised in the Consolidated Income Statement (see note 6). Employees in these schemes became eligible to join the Hays Group Personal Pension Plan.

A formal actuarial valuation of the Hays Pension Scheme is carried out every three years. The last formal actuarial valuation of the Hays Pension Scheme was performed at 30 June 2009. Following this valuation, the deficit was £150 million and a revised deficit funding schedule of £12 million per annum, subject to 3% per annum fixed uplift over a 12-year period, was agreed with effect from 1 July 2010. During the year the Group made a contribution of £12.4 million to the Hays Pension Scheme (2011: £12.0 million) in accordance with the agreed deficit funding schedule.

A roll forward of the actuarial valuation of the Hays Pension Scheme to 30 June 2012 and a valuation of the Hays Supplementary Pension Scheme have been performed by an independent actuary, who is an employee of Hymans Robertson LLP. The key assumptions used at 30 June 2012 are listed below.

#### IAS 19 accounting valuation

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 the Consolidated Income Statement, in retained earnings and presented in the Consolidated Statement of Comprehensive Income.

The principal long-term assumptions are as follows:

%	2012	2011
RPI inflation	3.3	3.6
CPI inflation	2.6	2.9
Discount rate	5.0	5.5
Rate of increase in salaries	n/a	3.9
Rate of increase of pensions in payment and deferment	3.3	3.6
Expected long-term rates of return on scheme assets	5.0	6.1

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

The mortality rates have been calculated using the SINA generational mortality tables with a medium cohort projection and an underpin to future improvements of 1% per annum with age adjustments (minus 0.5 years for male pensioners). This assumes that a 65-year-old male current pensioner has a life expectancy of 21.5 years.

The amounts recognised in the Consolidated Income Statement for the defined benefit schemes are as follows:

(In £s million)	2012	2011
Expected return on pension scheme assets	<b>26.9</b>	22.7
Interest on pension liabilities	<b>(24.6)</b>	(23.9)
Net financial return	<b>2.3</b>	(1.2)
Past service cost/curtailment	<b>6.0</b>	-
Current service cost	<b>(2.7)</b>	(3.8)
Total amount credited/(charged) to the Consolidated Income Statement	<b>5.6</b>	(5.0)

The actuarial gains and losses have been recognised in the Consolidated Statement of Comprehensive Income as follows:

(In £s million)	2012	2011
Actuarial gain on scheme assets	<b>7.1</b>	36.8
Actuarial gain/(loss) due to scheme experience	<b>0.2</b>	(0.5)
Impact of changes in assumptions relating to the present value of scheme liabilities	<b>(31.9)</b>	7.4
Net (loss)/gain recognised directly in the Consolidated Statement of Comprehensive Income	<b>(24.6)</b>	43.7

(In £s million)	2012	2011
Deficit in the scheme brought forward	<b>(11.9)</b>	(67.1)
Past service cost/curtailment	<b>6.0</b>	-
Current service cost	<b>(2.7)</b>	(3.8)
Contributions	<b>15.5</b>	16.5
Net financial return	<b>2.3</b>	(1.2)
Actuarial (loss)/gain	<b>(24.6)</b>	43.7
Deficit in the scheme carried forward	<b>(15.4)</b>	(11.9)

The amount included in the Consolidated Balance Sheet arising from the Group's obligations in respect of its defined benefit pension schemes is as follows:

(In £s million)	2012	2011
Present value of defined benefit obligations	<b>(491.5)</b>	(452.4)
Fair value of scheme assets	<b>476.1</b>	440.5
Defined benefit scheme deficit	<b>(15.4)</b>	(11.9)
Liability recognised in the Consolidated Balance Sheet	<b>(15.4)</b>	(11.9)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 22 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

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

(In £s million)	2012	2011
<b>Change in benefit obligation</b>		
Benefit obligation at 1 July	<b>(452.4)</b>	(445.3)
Past service cost/curtailment	<b>6.0</b>	–
Current service cost	<b>(2.7)</b>	(3.8)
Interest cost	<b>(24.6)</b>	(23.9)
Members' contributions	<b>(0.9)</b>	(0.4)
Actuarial gain/(loss) due to scheme experience	<b>0.2</b>	(0.5)
Changes in assumptions	<b>(31.9)</b>	7.4
Benefits and expenses paid	<b>14.8</b>	14.1
Benefit obligation at 30 June	<b>(491.5)</b>	(452.4)
<b>Analysis of defined benefit obligation</b>		
Plans that are wholly or partly funded	<b>(482.5)</b>	(444.7)
Plans that are wholly unfunded	<b>(9.0)</b>	(7.7)
Total	<b>(491.5)</b>	(452.4)
<b>Change in the fair value of scheme assets</b>		
Fair value of plan assets at 1 July	<b>440.5</b>	378.2
Expected return on plan assets	<b>26.9</b>	22.7
Actuarial gain	<b>7.1</b>	36.8
Employer contributions	<b>15.5</b>	16.5
Member contributions	<b>0.9</b>	0.4
Benefits and expenses paid	<b>(14.8)</b>	(14.1)
Fair value of plan assets at 30 June	<b>476.1</b>	440.5

The change in the deficit is mainly attributable to an actuarial loss partially offset by employer contributions. The actuarial loss due to changes in assumptions comprises a gain on account of higher than expected asset returns being offset by a loss due to the decrease in the net yield (discount rate versus RPI inflation rate).

The analysis of the scheme assets and the expected return at the Consolidated Balance Sheet date was as follows:

	2012 Fair value £s million	2012 Expected return %	2011 Fair value £s million	2011 Expected return %
Equities	<b>176.2</b>	<b>6.6</b>	224.7	7.3
Bonds and gilts	<b>166.6</b>	<b>3.6</b>	198.2	4.9
Other assets	<b>133.3</b>	<b>4.5</b>	17.6	0.5
	<b>476.1</b>	<b>5.0</b>	440.5	6.1

Other assets as at 30 June 2012 comprise a mix of absolute return funds, property, LDI funds and cash.

To develop the expected long-term rate of return on assets assumption used in determining the net pension cost for the year to 30 June 2012, the Group considered the level of expected returns on risk-free investments (primarily government bonds), the rate of return on AA rated corporate bonds, the level of risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class at 30 June 2011. The expected return for each asset class was then weighted based on the asset allocation to develop the expected long-term rate of return on asset assumption for the portfolio. This resulted in the selection of the 6.1% assumption for the year ended 30 June 2012.



The five-year history of experience adjustments is as follows:

(In £s million)	2012	2011	2010	2009	2008
Present value of defined benefit obligations	<b>(491.5)</b>	(452.4)	(445.3)	(439.1)	(474.8)
Fair value of scheme assets	<b>476.1</b>	440.5	378.2	329.9	386.7
Deficit in the scheme	<b>(15.4)</b>	(11.9)	(67.1)	(109.2)	(88.1)
Experience adjustments on scheme liabilities					
Amount (£s million)	<b>0.2</b>	(0.5)	52.2	(12.4)	(6.1)
Percentage of scheme liabilities (%)	<b>-</b>	-	12%	(3%)	(1%)
Experience adjustments on scheme assets					
Amounts (£s million)	<b>7.1</b>	36.8	37.2	(78.2)	(51.0)
Percentage of scheme assets (%)	<b>1%</b>	8%	10%	(24%)	(13%)

The amount of deficit funding contributions which are expected to be paid to the scheme during the financial year to 30 June 2013 is £12.7 million. Future service contributions will no longer be payable.

### 23 PROVISIONS

(In £s million)	Property	Other	Total
At 1 July 2011	16.5	25.9	42.4
Exchange adjustments	(0.3)	(0.4)	(0.7)
Charged to income statement	2.4	-	2.4
Credited to income statement	(2.0)	(8.0)	(10.0)
Utilised	(3.6)	(4.9)	(8.5)
<b>At 30 June 2012</b>	<b>13.0</b>	<b>12.6</b>	<b>25.6</b>

(In £s million)	2012	2011
Current	<b>2.7</b>	8.5
Non-current	<b>22.9</b>	33.9
	<b>25.6</b>	42.4

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 2015 and the amounts will be paid over this period.

Other provisions include potential warranty and environmental claim liabilities arising as a result of the business disposals that were concluded in 2004, deferred employee benefit provisions, and restructuring provisions. Of these provisions, £2.7 million is expected to be paid in the next 12 months and it is not possible to estimate the timing of the payments for the other items.

### 24 CALLED UP SHARE CAPITAL

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

	Share capital number (thousand)	Share capital £s million
At 1 July 2011 and 30 June 2012	<b>1,464,097</b>	<b>14.7</b>

In accordance with the Companies Act 2006, the Company no longer has an authorised share capital.

Under part 18 of the Companies Act 2006, the Company is allowed to hold 10% of issued share capital in treasury.

As at 30 June 2012, the Company held 74.6 million (2011: 79.9 million) Hays plc shares in treasury.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 25 SHARE PREMIUM ACCOUNT

(In £s million)	2012	2011
At 30 June	<b>369.6</b>	369.6

### 26 CAPITAL REDEMPTION RESERVE

(In £s million)	2012	2011
At 30 June	<b>2.7</b>	2.7

### 27 RETAINED EARNINGS

(In £s million)	2012	2011
At 1 July	<b>(275.6)</b>	(313.0)
Actuarial (loss)/gain on defined benefit pension schemes	<b>(24.6)</b>	43.7
Tax on items taken directly to reserves	<b>2.4</b>	(11.6)
Profit for the year	<b>86.5</b>	80.1
Dividends paid	<b>(65.8)</b>	(79.7)
Share-based payments	<b>6.6</b>	4.9
At 30 June	<b>(270.5)</b>	(275.6)

### 28 OTHER RESERVES

(In £s million)	2012	2011
Own shares	<b>(2.2)</b>	(3.4)
Equity reserve	<b>23.8</b>	19.4
Cumulative translation reserve	<b>53.6</b>	69.7
Hedging reserve	<b>(1.1)</b>	(0.7)
	<b>74.1</b>	85.0

#### Other reserves – own shares

(In £s million)	2012	2011
At 1 July	<b>(3.4)</b>	(4.7)
Movement in own shares	<b>1.2</b>	1.3
At 30 June	<b>(2.2)</b>	(3.4)

Investments in 'own shares' are held by an employee benefit trust to satisfy share awards made to employees. Dividends in respect of 'own shares' have been waived other than shares held as bare nominee for employees in respect of post-tax share awards. The number of shares held at 30 June 2012 is 4,757,883 (2011: 8,587,641).

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.

**Other reserves – equity reserve**

(In £s million)	2012	2011
At 1 July	19.4	12.7
Share-based payments	4.4	6.7
At 30 June	23.8	19.4

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

**Other reserves – cumulative translation reserve**

(In £s million)	2012	2011
At 1 July	69.7	50.3
Currency translation adjustments	(16.1)	19.4
At 30 June	53.6	69.7

**Other reserves – hedging reserve**

(In £s million)	2012	2011
At 1 July	(0.7)	–
Mark to market valuation of derivative financial instruments	(0.4)	(0.7)
At 30 June	(1.1)	(0.7)

The Group has entered into six interest rate swaps which exchange a fixed payment for a floating rate receipt on a total debt value of £40 million with an equal mix of two-year and three-year maturities. Each of the interest rate swaps commenced in October 2011. These instruments are classified as Level 2 in the IFRS 7 fair value hierarchy.

**29 SHARE-BASED PAYMENTS**

During the year, £12.2 million (2011: £12.5 million) was charged to the Consolidated Income Statement in relation to equity-settled share-based payments.

**Share options**

At 30 June 2012 the following options had been granted and remained outstanding in respect of the Company's Ordinary shares of 1 pence 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	730,931	7,309	102	2005–2012
Hays plc 1996 Company Share Option Plan	123,306	1,233	113	2005–2012
Total Share options outstanding	854,237	8,542		
Hays UK Sharesave Scheme	2,263,526	22,635	69	2012–2012
	650,676	6,507	93	2013–2013
	648,044	6,480	112	2014–2014
	3,326,719	33,267	78	2015–2015
	6,888,965	68,889		
Hays International Sharesave Scheme	2,556,500	25,565	69 to 112	2012–2015
Total Sharesave options outstanding	9,445,465	94,454		
Total Share and Sharesave options outstanding	10,299,702	102,996		

The Hays International Sharesave Scheme is available to employees in Australia, New Zealand, Germany, the Netherlands, Belgium, the Republic of Ireland, France, Spain, Portugal, Canada, Hong Kong, Singapore and the United Arab Emirates.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 29 SHARE-BASED PAYMENTS CONTINUED

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

	2012 Number of share options (thousand)	2012 Weighted average exercise price (pence)	2011 Number of share options (thousand)	2011 Weighted average exercise price (pence)
Share options (excluding Sharesave)				
Outstanding at the beginning of the year	2,858	115	4,195	173
Exercised during the year	-	-	(90)	110
Expired during the year	(2,004)	120	(1,247)	313
Outstanding at the end of the year	854	104	2,858	115
Exercisable at the end of the year	854	104	2,858	115

The shares outstanding at 30 June 2012 had a weighted average exercise price of 104 pence and a weighted average remaining contractual life of three months. During the year to 30 June 2012, no options were exercised or granted.

	2012 Number of share options (thousand)	2012 Weighted average exercise price (pence)	2011 Number of share options (thousand)	2011 Weighted average exercise price (pence)
Sharesave				
Outstanding at the beginning of the year	10,414	80	12,041	79
Granted during the year	4,657	78	1,594	112
Forfeited/cancelled during the year	(826)	86	(943)	78
Exercised during the year	(3,059)	69	(829)	95
Expired during the year	(1,741)	91	(1,449)	101
Outstanding at the end of the year	9,445	80	10,414	80
Exercisable at the end of the year	3,029	69	646	100

On 21 March 2012, 4.7 million Sharesave options were granted. The aggregate of the estimated fair values of the options granted on that date is £0.9 million. In the prior year, 1.6 million Sharesave options were granted. The aggregate of the estimated fair values of the options granted in the prior year was £0.4 million.

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

Share price at grant	90 pence
Exercise price	78 pence
Expected volatility	34.7%
Expected life	3.4 years
Risk-free rate	0.78%
Expected dividends	5.31%

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

#### Performance Share Plan (PSP) and Deferred Annual Bonus (DAB)

The PSP is designed to link reward to the key long-term value drivers of the business and to align the interests of the executive directors and approximately 360 of the global senior management population with the long-term interests of shareholders. PSP awards are discretionary and vesting is dependent upon the achievement of performance conditions measured over either a three-year period or a one-year period with a two-year holding period.

Only the executive directors and other members of the Management Board participate in the DAB which promotes a stronger link between short-term and long-term performance through the deferral of annual bonuses into shares for a three-year period.

Further details of the schemes for the executive directors can be found in the Remuneration Report on pages 54 to 65.

### 30 RELATED PARTIES

#### Remuneration of key management personnel

The remuneration of the Management Board, 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' and represents the total compensation costs incurred by the Group in respect of remuneration, not the benefit to the individuals. Further information about the remuneration of executive directors is provided in the directors' Remuneration Report on pages 54 to 65.

(In £s million)	2012	2011
Short-term employee benefits	5.9	6.2
Post-employment benefits	0.1	0.1
Share-based payments	4.7	4.1
	<b>10.7</b>	10.4

### 31 OPERATING LEASE ARRANGEMENTS

#### The Group as lessee

(In £s million)	2012	2011
Minimum lease payments under operating leases recognised in income for the year	<b>30.6</b>	29.6

At 30 June 2012, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

(In £s million)	2012	2011
Within one year	<b>33.7</b>	27.3
Between two and five years	<b>65.6</b>	56.6
After five years	<b>8.9</b>	14.8
	<b>108.2</b>	98.7

### 32 MOVEMENT IN NET DEBT

(In £s million)	1 July 2011	Cash flow	Exchange movement	30 June 2012
Cash and cash equivalents	55.1	(10.0)	(6.4)	<b>38.7</b>
Bank loans and overdrafts	(189.9)	18.3	–	<b>(171.6)</b>
Net debt	(134.8)	8.3	(6.4)	<b>(132.9)</b>

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



# HAYS PLC COMPANY BALANCE SHEET

AT 30 JUNE

(In £s million)	Note	Company 2012	Company 2011
<b>Fixed assets</b>			
Tangible assets	4	<b>0.2</b>	0.4
Investments	5	<b>910.4</b>	910.4
		<b>910.6</b>	910.8
<b>Current assets</b>			
Debtors due within one year	6	<b>10.2</b>	6.5
Debtors due after more than one year	7	<b>328.2</b>	445.7
Cash at bank and in hand		<b>-</b>	14.5
		<b>338.4</b>	466.7
<b>Creditors: amounts falling due within one year</b>	8	<b>(481.7)</b>	(697.4)
<b>Net current liabilities</b>		<b>(143.3)</b>	(230.7)
<b>Total assets less current liabilities</b>		<b>767.3</b>	680.1
<b>Creditors: amounts falling due after more than one year</b>	9	<b>(10.4)</b>	(6.8)
<b>Provisions</b>	11	<b>(8.9)</b>	(12.9)
<b>Net assets</b>		<b>748.0</b>	660.4
<b>Capital and reserves</b>			
Called up share capital	12,13	<b>14.7</b>	14.7
Share premium account	13	<b>369.6</b>	369.6
Capital redemption reserve	13	<b>2.7</b>	2.7
Profit and loss account	13	<b>363.2</b>	276.8
Own shares	13	<b>(2.2)</b>	(3.4)
<b>Equity shareholders' interests</b>		<b>748.0</b>	660.4

The financial statements of Hays plc, registered number 2150950, were approved by the Board of Directors and authorised for issue on 29 August 2012.

Signed on behalf of the Board of Directors

**A R Cox**

**P Venables**

# NOTES TO THE HAYS PLC COMPANY FINANCIAL STATEMENTS

## 1 BASIS OF PREPARATION

### a Accounting basis

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and Law.

As permitted by Section 408 of the Companies Act 2006, 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.

### b 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.

### c Investments

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

### d 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:

Plant and machinery – At rates varying between 5% and 33%

Fixture and fittings – At rates varying between 10% and 25%

### e 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.

### f Pension costs

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs/curtailments are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the Statement of Total Recognised Gains and Losses.

The main defined benefit scheme is funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the Company Balance Sheet.

### g Employee share option schemes

The Company operates a number of employee share option schemes. All equity-settled, share-based payments are measured at fair value at the date of grant and are recorded in the Balance Sheet within total equity shareholders' interests in accordance with FRS 20, 'Share-based Payments'.

### h 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 54 to 65 of the Annual Report.

## 3 PROFIT FOR THE YEAR

Hays plc has not presented its own profit and loss account and related notes as permitted by Section 408 of the Companies Act 2006. The profit for the financial year in the Hays plc Company Financial Statements is £162.5 million (2011: £14.0 million).

## NOTES TO THE HAYS PLC COMPANY FINANCIAL STATEMENTS CONTINUED

### 4 TANGIBLE FIXED ASSETS

(In £s million)	Plant and machinery	Fixtures and fittings	Total
<b>Cost</b>			
At 1 July 2011	0.4	0.9	1.3
Additions	–	0.1	0.1
<b>At 30 June 2012</b>	<b>0.4</b>	<b>1.0</b>	<b>1.4</b>
<b>Depreciation</b>			
At 1 July 2011	0.2	0.7	0.9
Charge for the year	0.1	0.2	0.3
<b>At 30 June 2012</b>	<b>0.3</b>	<b>0.9</b>	<b>1.2</b>
<b>Net book value</b>			
<b>At 30 June 2012</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>
At 1 July 2011	0.2	0.2	0.4

### 5 INVESTMENTS

(In £s million)	Shares in subsidiary undertakings
<b>Cost</b>	
<b>At 1 July 2011 and 30 June 2012</b>	<b>910.4</b>
<b>Provision for impairment</b>	
<b>At 1 July 2011 and 30 June 2012</b>	<b>–</b>
<b>Total</b>	
<b>At 30 June 2011 and 30 June 2012</b>	<b>910.4</b>

The principal subsidiary undertakings of the Group are listed in note 14.

### 6 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

(In £s million)	2012	2011
Corporation tax debtor	8.5	5.2
Prepayments	1.7	1.3
	<b>10.2</b>	6.5

### 7 DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

(In £s million)	2012	2011
Prepayments	–	1.1
Amounts owed by subsidiary undertakings	327.3	443.8
Deferred tax	0.9	0.8
	<b>328.2</b>	445.7

Amounts owed by subsidiary undertakings are repayable on demand. The Company charges interest on amounts owed by subsidiary undertakings at a rate of three-month LIBOR plus 1%.

### 8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

(In £s million)	2012	2011
Overdrafts	5.8	31.0
Accruals	21.7	18.9
Amounts owed to subsidiary undertakings	454.2	647.5
	<b>481.7</b>	697.4

Amounts owed to subsidiary undertakings are repayable on demand. The Company is charged interest on amounts owed to subsidiary undertakings at a rate of three-month LIBOR less 1%.

## 9 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

(In £s million)	2012	2011
Retirement benefit obligations (note 10)	<b>10.4</b>	6.8

## 10 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 Hays defined benefit pension schemes were closed to the accrual of future benefits on 30 June 2012 at which time active members became deferred members of the scheme.

The pension credit included in the Company's profit and loss account of £5.2 million (2011 charge: £0.7 million) comprises a past service cost/curtailment credit of £6.0 million relating to the closure of the pension scheme on 30 June 2012 less the current service cost charge of £0.8 million.

The mortality rates have been calculated using the SINA generational mortality tables with a medium cohort projection and an underpin to future improvements of 1% per annum with age adjustments (minus 0.5 years for male pensioners). This assumes that a 65-year-old male current pensioner has a life expectancy of 21.5 years.

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

(In £s million)	2012	2011
Deficit in the scheme brought forward	<b>(11.9)</b>	(67.1)
Current service cost	<b>(2.7)</b>	(3.8)
Past service cost/curtailment	<b>6.0</b>	–
Contributions	<b>15.5</b>	16.5
Net financial return	<b>2.3</b>	(1.2)
Actuarial (loss)/gain	<b>(24.6)</b>	43.7
Deficit in the scheme carried forward	<b>(15.4)</b>	(11.9)

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

	2012	2011	2010	2009	2008
Rate of increase in salaries	<b>n/a</b>	3.9%	3.6%	3.9%	4.0%
Rate of increase of pensions in payment and deferment	<b>3.3%</b>	3.6%	3.4%	3.7%	3.7%
Discount rate	<b>5.0%</b>	5.5%	5.4%	6.4%	5.8%
RPI inflation	<b>3.3%</b>	3.6%	3.4%	3.7%	3.7%
CPI inflation	<b>2.6%</b>	2.9%	–	–	–

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

(Expected rate of return)	2012	2011	2010	2009	2008
Equities	<b>6.6%</b>	7.3%	7.3%	7.5%	7.5%
Bonds and gilts	<b>3.6%</b>	4.9%	4.9%	5.4%	5.1%
Other assets	<b>4.5%</b>	0.5%	0.5%	0.5%	5.0%

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

(In £s million)	2012	2011	2010	2009	2008
Equities	<b>176.2</b>	224.7	196.7	170.5	213.9
Bonds and gilts	<b>166.6</b>	198.2	166.4	157.7	164.9
Other assets	<b>133.3</b>	17.6	15.1	1.7	7.9
Fair value of scheme assets	<b>476.1</b>	440.5	378.2	329.9	386.7
Present value of defined benefit obligations	<b>(491.5)</b>	(452.4)	(445.3)	(439.1)	(474.8)
Defined benefit scheme deficit	<b>(15.4)</b>	(11.9)	(67.1)	(109.2)	(88.1)
Related deferred tax asset	<b>5.0</b>	5.1	18.8	30.6	24.7
Net pension liability under FRS 17	<b>(10.4)</b>	(6.8)	(48.3)	(78.6)	(63.4)

## NOTES TO THE HAYS PLC COMPANY FINANCIAL STATEMENTS CONTINUED

### 10 RETIREMENT BENEFIT OBLIGATION CONTINUED

The five-year history of experience adjustments is as follows:

(In £s million)	2012	2011	2010	2009	2008
Present value of defined benefit obligations	<b>(491.5)</b>	(452.4)	(445.3)	(439.1)	(474.8)
Fair value of scheme assets	<b>476.1</b>	440.5	378.2	329.9	386.7
Deficit in the scheme	<b>(15.4)</b>	(11.9)	(67.1)	(109.2)	(88.1)
The history of experience adjustments is as follows:					
Experience adjustments on scheme liabilities					
Amount (£s million)	<b>0.2</b>	(0.5)	52.2	(12.4)	(6.1)
Percentage of scheme liabilities	<b>-</b>	-	12%	(3%)	(1%)
Experience adjustments on scheme assets					
Amounts (£s million)	<b>7.1</b>	36.8	37.2	(78.2)	(51.0)
Percentage of scheme assets	<b>1%</b>	8%	10%	(24%)	(13%)

### Future profile of Hays Pension Scheme

The Hays Pension Scheme was closed on 30 June 2012. 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.

The amount of deficit funding contributions which are expected to be paid to the scheme during the financial year to 30 June 2013 is £12.7 million.

### 11 PROVISIONS

(In £s million)	Total
At 1 July 2011	12.9
Released to profit and loss account	(3.3)
Utilised	(0.7)
<b>At 30 June 2012</b>	<b>8.9</b>

Provisions include liabilities arising as a result of the business disposals relating to the Group transformation that concluded in 2004. The release in the year of £3.3 million relates to provisions that in light of subsequent events are no longer required. It is not possible to estimate the timing of payments against the remaining provisions.

### 12 CALLED UP SHARE CAPITAL

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

	Share capital number (thousands)	Share capital £s million
<b>At 1 July 2011 and 30 June 2012</b>	<b>1,464,097</b>	<b>14.7</b>

In accordance with the Companies Act 2006, the Company no longer has an authorised share capital.

### 13 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 2011	14.7	369.6	2.7	276.8	(3.4)	660.4
Total recognised gains and losses	-	-	-	141.5	-	141.5
Other share movements	-	-	-	-	1.2	1.2
Share-based payments	-	-	-	10.7	-	10.7
Dividends paid	-	-	-	(65.8)	-	(65.8)
<b>At 30 June 2012</b>	<b>14.7</b>	<b>369.6</b>	<b>2.7</b>	<b>363.2</b>	<b>(2.2)</b>	<b>748.0</b>

Investments in 'own shares' are held by an employee benefit trust to satisfy share awards made to employees. Dividends in respect of 'own shares' have been waived other than shares held as bare nominee for employees in respect of post-tax share awards. The number of shares held at 30 June 2012 is 4,757,883 (2011: 8,587,641).



## 14 PRINCIPAL SUBSIDIARIES

	Country of registration
<b>Holding companies</b>	
Hays Belgium NV	Belgium
* Hays Holdings Limited	England & Wales
* Hays International Holdings Limited	England & Wales
* Hays Overseas Holdings Limited	England & Wales
* Hays Specialist Recruitment (Holdings) Limited	England & Wales
Hays France SAS	France
Hays Specialist Recruitment Hong Kong Limited	Hong Kong SAR
Hays Specialist Recruitment Holdings Sdn. Bhd.	Malaysia
Hays, S.A. de C.V.	Mexico
Hays Holdings B.V.	Netherlands
Hays Overseas (Portugal) SGPS LDA	Portugal
Hays Holding Corporation	United States of America
<b>Trading companies</b>	
Hays Specialist Recruitment (Australia) Pty Limited	Australia
Hays Österreich GmbH Personnel Services	Austria
Hays NV	Belgium
Hays Services NV	Belgium
Hays Recruitment and Selection Ltda	Brazil
Hays Specialist Recruitment (Canada) Inc	Canada
Hays Especialistas En Reclutamiento Limitada	Chile
Hays Specialist Recruitment (Shanghai) Co. Limited	China
Hays Colombia SAS	Colombia
Hays Czech Republic, s.r.o	Czech Republic
Hays Specialist Recruitment (Denmark) A/S	Denmark
Hays Healthcare Limited	England & Wales
Hays Social Care Limited	England & Wales
Hays Specialist Recruitment Limited	England & Wales
Hays BTP & Immobilier SASU	France
Hays Executive SASU	France
Hays Finance SASU	France
Hays Ile de France SASU	France
Hays IT Services SASU	France
Hays Nord Est SASU	France
Hays Ouest SASU	France
Hays Paris SASU	France
Hays Pharma SASU	France
Hays Pharma Services SASU	France
Hays Sud Est SASU	France
Hays Sud Ouest SASU	France
Hays Travail Temporaire SASU	France
Hays AG	Germany
Hays Finance GmbH	Germany
Hays Temp GmbH	Germany
Hays Hong Kong Limited	Hong Kong SAR
Hays Hungary Kft.	Hungary
Hays Specialist Recruitment Private Limited	India
Hays Business Services Ireland Limited	Ireland
Hays Specialist Recruitment (Ireland) Limited	Ireland
Hays S.r.l	Italy
Hays Resource Management Japan K.K.	Japan
Hays Specialist Recruitment Japan K.K.	Japan
Hays S.a.r.l	Luxembourg

## NOTES TO THE HAYS PLC COMPANY FINANCIAL STATEMENTS CONTINUED

### 14 PRINCIPAL SUBSIDIARIES CONTINUED

	Country of registration
<b>Trading companies</b>	
Hays Specialist Recruitment (Malaysia) Sdn. Bhd.	Malaysia
Hays Servicios, S.A. de C.V.	Mexico
Hays B.V.	Netherlands
Hays Temp B.V.	Netherlands
Hays Poland Sp. z o.o.	Poland
HaysP – Recrutamento, Seleccao e Empresa de Trabalho Temporario, Unipessoal, LDA	Portugal
Hays Specialist Recruitment Limited Liability Company	Russia
Hays Specialist Recruitment Pte. Limited	Singapore
Hays Personnel Espana Empresa de Trabajo Temporal SA	Spain
Hays Personnel Services Espana SA	Spain
Hays Specialist Recruitment AB	Sweden
Hays (Schweiz) AG	Switzerland
Hays FZ-LLC	United Arab Emirates
Hays Specialist Recruitment LLC	United States of America

As at 30 June 2012, Hays plc and/or a subsidiary or subsidiaries in aggregate owned 100% of each class of the issued shares of each of these companies (except Hays Specialist Recruitment (Shanghai) Co. Limited in China which is 70% owned and Hays Specialist Recruitment (Malaysia) Sdn. Bhd. in Malaysia which is 49% owned). Shares in companies marked with an asterisk (\*) were owned directly by Hays plc and companies not so marked were owned by a subsidiary or subsidiaries of Hays plc.

The list of companies includes holding companies and those that had a material effect on the consolidated results to 30 June 2012. Information on the other United Kingdom companies in the Group will be included in the relevant annual returns.

### 15 RELATED PARTIES

Hays plc has taken advantage of the exemption granted under FRS 8 'Related Party Disclosure' not to disclose transactions with entities that are part of the Hays plc Group.

### 16 SUBSEQUENT EVENTS

The final dividend for 2012 of 1.67 pence per share (£23.1 million) will be proposed at the Annual General Meeting on 7 November 2012 and has not been included as a liability as at 30 June 2012. The final dividend will be paid on 16 November 2012 to shareholders on the register at close of business on 12 October 2012.

## SHAREHOLDER INFORMATION

Enquiries relating to your shareholding, including the administrative matters listed below, should be addressed to the Company's Registrar, Equiniti, at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom. Telephone: 0871 384 2843<sup>(1)</sup>. Textphone: 0871 384 2255<sup>(1)</sup>. International: +44 121 415 7047. The helpline is open Monday to Friday 8.30am to 5.30pm, excluding bank holidays.

- Dividend payments.
- Dividend mandate instructions: dividends may be paid directly into your bank or building society account on completion of a mandate instruction form. Tax vouchers will continue to be sent to the shareholder's registered address.
- Lost share certificates, dividend warrants or 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 & Financial Statements, it could be because you have more than one record on the share register and you may wish to amalgamate your accounts into one record.

You can access details of your shareholding and a range of other shareholder services by registering at [shareview.co.uk](http://shareview.co.uk).

### SHARE PRICE

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

### ID FRAUD AND UNSOLICITED MAIL

Share-related fraud and identity theft affects shareholders of many companies and we urge you to be vigilant. If you receive any unsolicited mail offering advice, you should inform Equiniti immediately.

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: [mpsonline.org.uk](http://mpsonline.org.uk).

### 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 adviser.

### INDIVIDUAL SAVINGS ACCOUNT

Investors in Hays plc Ordinary shares may take advantage of a low-cost individual savings account (ISA) and/or an investment account where they can hold their Hays plc shares electronically. The ISA and investment account are operated by Equiniti Financial Services Limited. Commissions start from £5.00 and £1.75 respectively for the sale and purchase of shares.

For further information or to apply for an ISA or investment account, visit Equiniti's website at [shareview.co.uk/dealing](http://shareview.co.uk/dealing) or telephone them on 0845 300 0430.

### DEALING SERVICE

Equiniti offers 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. For more information about this service and for details of their rates, log on to [shareview.co.uk/dealing](http://shareview.co.uk/dealing) or telephone them on 0845 603 7037 between 8.30am and 4.30pm, Monday to Friday. If you wish to deal, you will need your account/shareholder reference number which appears on your share certificate.

Alternatively, if you hold a share certificate, you can also use any bank, building society or stockbroker offering share dealing facilities to buy or sell shares. If you are in any doubt about buying or selling shares, you should seek professional financial advice.

### SHAREGIFT

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

### DIVIDEND RE-INVESTMENT PLAN (DRIP)

The Company has a DRIP to allow shareholders to reinvest the cash dividend that they receive in Hays plc shares on competitive dealing terms. Further information is available from the Share Dividend Team at Equiniti at Aspect House, Spencer House, Lancing, West Sussex BN99 6DA, United Kingdom. Telephone: 0871 384 2268<sup>(1)</sup>. International: +44 121 415 7173. Website: [shareview.co.uk](http://shareview.co.uk).

### FINANCIAL CALENDAR 2012/13

Interim Management Statement for quarter ending 30/09/12	9 October 2012
Annual General Meeting	7 November 2012
Payment of final dividend	16 November 2012
Trading Update for quarter ending 31/12/12	10 January 2013
Half Year Report for six months ending 31/12/12	28 February 2013
Interim Management Statement for quarter ending 31/03/13	11 April 2013
Interim Dividend	April 2012
Trading Update for quarter ending 30/06/13	11 July 2013

### COMPANY SECRETARIAL

Private shareholder enquiries should be sent to [cosec@hays.com](mailto:cosec@hays.com).

### INVESTOR RELATIONS

Institutional investor enquiries should be sent to [ir@hays.com](mailto:ir@hays.com).

### REGISTERED OFFICE

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<sup>(1)</sup> Calls to this number are charged at 8 pence per minute from a BT landline. Charges from other telephone providers may vary.

## DIRECTORY

Listed below are the main offices for each of our countries of operation. To find your local office please visit the Hays website: [hays.com](http://hays.com)

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