

Interim Results

Six months ended 31 December 2005

Bob Lawson

Chairman

Continued strong net fee and profit growth

6 months ended 31 December	2005	Growth *
£m		
Net fees	259.1	+ 14%
Operating profit	94.1	+ 16%
Net cash from continuing operations	83.9	

* Growth rates at constant currency

Corporate

- Earnings per share of 4.16p, + 28%
- Interim dividend of 1.45p, + 28%
- Share buy-back
 - Return of £312m of surplus cash from the disposal process is now complete
 - Buy-backs will be used going forward to return surplus cash
- Appointed Paul Venables new Group Finance Director, effective 1 May 2006

Agenda

- Operating review – Denis Waxman, Chief Executive
- Financial review – John Martin, Finance Director
- Outlook – Denis Waxman, Chief Executive

Operating review

Denis Waxman

Chief Executive

Specialist Recruitment



6 months ended 31 December
£m

2005

Growth *

Net fees

259.1

+ 14%

Operating profit

94.1

+ 16%

Consultants

3,742

+ 9%

* Growth rates at constant currency

Fee growth in every region

6 months ended 31 December 2005

£m

	Net fees	Growth *
 United Kingdom & Ireland	184.8	+ 7%
 Continental Europe & Canada	32.9	+ 36%
 Australia & New Zealand	41.4	+ 34%
	259.1	+ 14%

* Growth rates at constant currency

Profit growth in every region

6 months ended 31 December 2005

£m

	Op profit	Growth *
 United Kingdom & Ireland	67.4	+ 6%
 Continental Europe & Canada	6.6	+ 74%
 Australia & New Zealand	20.1	+ 46%
	94.1	+ 16%

* Growth rates at constant currency

United Kingdom & Ireland



Accountancy & Finance

6 months ended 31 December	2005	Growth
£m		
Net fees	78.0	+ 8%
Operating profit	32.6	+ 6%
Consultants	948	+ 2%

- Good performance in Scotland and the Home Counties
- Temporary worker numbers continue to grow

United Kingdom & Ireland



Construction & Property

6 months ended 31 December	2005	Growth
£m		
Net fees	51.3	+ 4%
Operating profit	21.5	+ 7%
Consultants	749	(2%)

- Strong performance from the North East, Scotland & Ireland
- Mixed performance in South East

United Kingdom & Ireland



Information Technology

6 months ended 31 December	2005	Growth
£m		
Net fees	15.1	+ 7%
Operating profit	5.4	+ 8%
Consultants	148	-

- Permanent and temporary fees both grew
- Good growth in permanent volumes

United Kingdom & Ireland



Other Specialist Activities

6 months ended 31 December	2005	Growth
£m		
Net fees	40.4	+ 8%
Operating profit	7.9	-
Consultants	745	+ 1%

- Good net fee growth in HR, Education, Purchasing & Supply and Executive
- Organic start up in Hays Retail
- Refocused Contact Centre business

Other Specialist Activities: Origin of net fees

Banking & Financial Services	20%
Education	14%
Contact Centres	14%
Human Resources	13%
Legal	11%
Other	28%



Other Specialist Activities: Expansion & rollout



Retail



Sales & Marketing



Healthcare



Social Care



Purchasing & Supply



Executive

Other Specialist Activities: Impact of investment

6 months ended 31 December	2004	New *	Existing	2005
£m				
Net fees	37.4	2.4	0.6	40.4
Net fee growth		+ 6%	+ 2%	+ 8%
Costs	<u>(29.5)</u>	<u>(2.8)</u>	<u>(0.2)</u>	<u>(32.5)</u>
Operating profit	7.9	(0.4)	0.4	7.9
Headcount	741	51	(47)	745
Conversion rate	21.1%	(2.3%)	0.8%	19.6%

Typically 6-18 months to break even

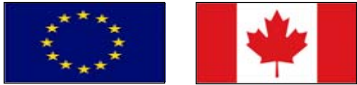
* Activities which are either new or substantially expanded since 1 July 2004

Other Specialist Activities: Health and Social Care

Acquisition of RSG for £18.5m cash in February 2006

- Specialist recruitment business supplying health and social care markets
- Annual net fees of £8.4m and operating profits of £2.4m
- Places qualified professionals in temporary, contract and permanent roles
- Highly experienced management team with 64 consultants
- Trading as Hays Healthcare and Hays Social Care

Continental Europe & Canada



6 months ended 31 December
£m

2005

Growth *

Net fees	32.9	+ 36%
Operating profit	6.6	+ 74%
Consultants	572	+ 36%

- Strong growth continued in Germany, France & Benelux
- Organic start-up in Italy

* Growth rates at constant currency

Continental Europe & Canada: Origin of net fees



Germany 50%



France 21%



Benelux 10%



Canada 7%



Iberia 4%



Other 8%



Continental Europe & Canada: New offices in H1



Berlin



Milan



Ottawa



Strasbourg



Barcelona II

Continental Europe & Canada: Impact of investment

6 months ended 31 December	2004	New ¹	Existing	2005
£m				
Net fees	24.3	1.6	7.0	32.9
Net fee growth ²		7%	29%	36%
Costs	(20.5)	(2.5)	(3.3)	(26.3)
Operating profit	3.8	(0.9)	3.7	6.6
Headcount	421	77	74	572
Conversion rate	15.6%	(3.9%)	+ 8.4%	20.1%

Typically 2 years to break even

¹ New offices and activities since 1 July 2004

² Growth rates at constant currency

Australia & New Zealand



6 months ended 31 December
£m

2005

Growth *

Net fees	41.4	+ 34%
Operating profit	20.1	+ 46%
Consultants	580	+ 33%

- Strong growth in both temporary and permanent fees
- Growth across all specialist activities
- Continued investment in new recruitment consultants

* Growth rates at constant currency

Further international expansion



Hong Kong



Dubai

Pricing

- Temporary margins remain firm, 5 bps improvement principally due to mix
- Permanent placements:
 - Pricing remained consistent
 - Wage inflation of approximately 3.5%

Financial review

John Martin

Finance Director

Income statement

6 months ended 31 Dec £m	2005	2004	Actual Growth	Constant exchange
Turnover	888.7	800.7	+ 11%	+ 10%
Net fees	259.1	226.1	+ 15%	+ 14%
Profit from operations	94.1	80.4	+ 17%	+ 16%
Net finance income	<u>0.5</u>	<u>0.7</u>		
Profit before tax	94.6	81.1	+ 17%	
Tax	<u>(29.6)</u>	<u>(25.6)</u>		
Profit after tax	<u><u>65.0</u></u>	<u><u>55.5</u></u>	<u><u>+ 17%</u></u>	

Note: Figures throughout relate to continuing operations, under IFRS

Net fee growth

6 months ended 31 Dec £m	2005	2004	Actual Growth	Constant exchange
Temporary net fees	148.5	132.5	+ 12%	+ 11%
Permanent net fees	110.6	93.6	+ 18%	+ 17%
	<u>259.1</u>	<u>226.1</u>	<u>+ 15%</u>	<u>+ 14%</u>
Permanent % of total	42.7%	41.4%	+ 1.3%	

Note: Figures throughout relate to continuing operations, under IFRS

Impact of exchange movements and trading days

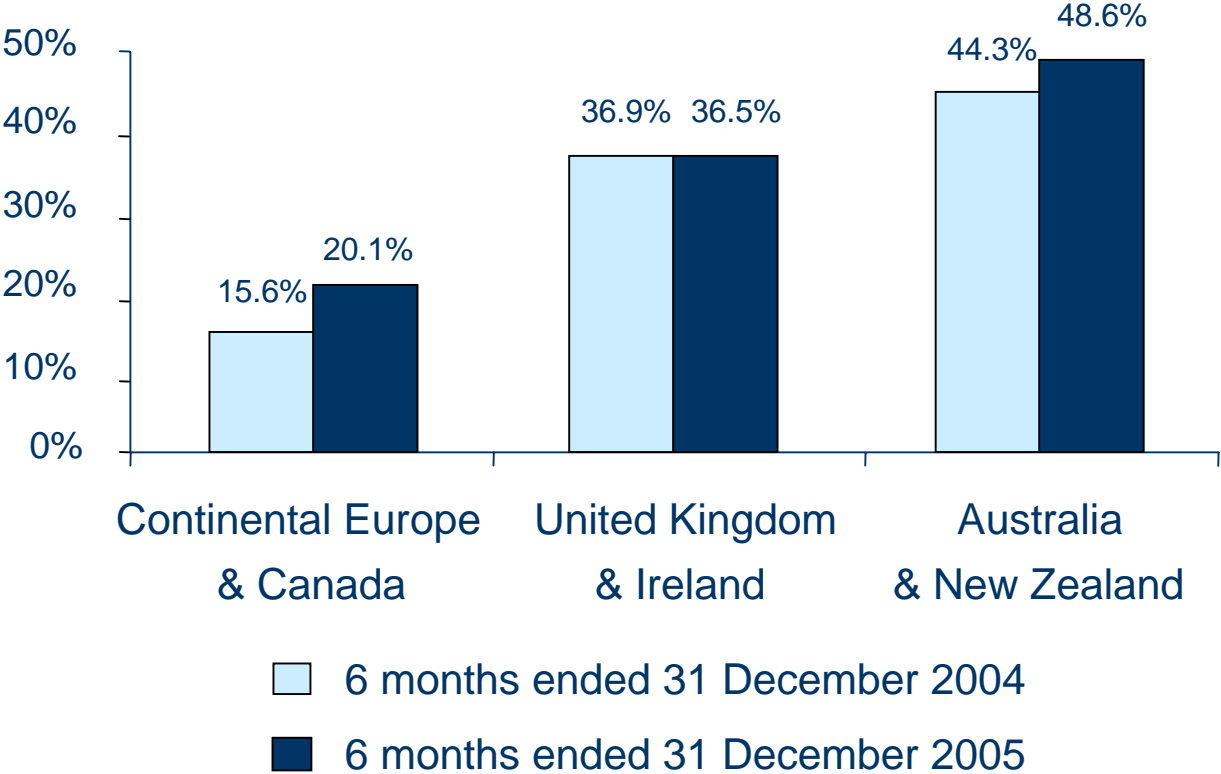
FX impact £m	Net fees	Operating profit
Australia & New Zealand	2.0	1.0
Continental Europe & Canada	(0.1)	-
	<u>1.9</u>	<u>1.0</u>

Number of trading days	H1	H2	Year
2005/06	128	125	253
2004/05	129	124	253

Cost development and investment

Operating expenses £m	United Kingdom & Ireland	Australia & New Zealand	Continental Europe & Canada	Total
6 months ended 31 Dec 2004	109.1	16.1	20.5	145.7
Movement	8.3	5.2	5.8	19.3
6 months ended 31 Dec 2005	<u>117.4</u>	<u>21.3</u>	<u>26.3</u>	<u>165.0</u>
Operating expenses	+ 8%	+ 32%	+ 28%	+ 13%
Consultant headcount at period end	-	+ 33%	+ 36%	+ 9%

Conversion rate



Overall conversion rate improved from 35.6% to 36.3%

Finance income, tax and discontinued operations

6 months ended 31 December	2005	2004
£m		
Average (debt) / cash	(2.0)	96.9
Net finance income	0.5	0.7
Effective tax rate	31.3%	31.6%
Discontinued operations, net of tax	17.2	7.2

Earnings per share

6 months ended 31 December	2005	2004	Growth
Basic earnings from continuing operations	£65.0m	£55.5m	+ 17%
Weighted average number of shares	<u>1,564.2m</u>	<u>1,712.1m</u>	<u>(9%)</u>
Basic Earnings Per Share	<u><u>4.16p</u></u>	<u><u>3.24p</u></u>	<u><u>+ 28%</u></u>

1,482.3m shares for basic EPS at 28 February

Cash flow from operations and tax

6 months ended 31 December £m	2005	2004
Profit from continuing operations	94.1	80.4
Depreciation	3.1	3.9
Movements in working capital	(13.3)	(9.2)
	<u>83.9</u>	<u>75.1</u>
Tax paid on continuing operations	(26.4)	(17.6)
Discontinued operations (net of tax)	19.3	(27.1)
Net cash from operations	<u><u>76.8</u></u>	<u><u>30.4</u></u>

Cash flow from investing and financing

6 months ended 31 December		2005	2004
£m			
Net cash from operations		76.8	30.4
Investing	Net capital expenditure / receipt	(3.3)	0.2
	Prior year acquisitions	(1.6)	-
	Residual	(10.6)	68.1
Financing	Dividends	(35.6)	(34.4)
	Own shares and buy-backs	(165.4)	(30.4)
	Interest	1.6	1.3
(Decrease) / increase in cash / (net debt)		<u>(138.1)</u>	<u>35.2</u>

Balance sheet

As at 31 December	2005	2004
£m		
Goodwill and intangibles	101.9	103.0
Property, plant & equipment	18.4	16.4
Net deferred tax	30.2	32.3
Net working capital	146.0	139.7
Tax liabilities	(91.8)	(92.7)
Retirement benefit obligations	(87.3)	(85.7)
Provisions and other liabilities	(64.8)	(108.3)
	<u>52.6</u>	<u>4.7</u>
Net (debt) / cash	(73.4)	113.7
Net (liabilities) / assets	<u>(20.8)</u>	<u>118.4</u>

Retirement benefit obligations

- Pension obligations under IAS brought onto the balance sheet
- Pension deficit under IAS 19 of £87.3m (£61.1m net of deferred tax)
- Assumptions:
 - Latest mortality assumptions added 3 years
 - Liabilities discounted at AA bond yield of 4.73%
 - Inflation increased to 2.75%, salary inflation assumed at 5.1%
- Action:
 - Employee contributions increased by 2%
 - Employer contributions increased from 9.8% to 14.2%

Interim dividend

	Pence per share	Growth
Interim dividend last year	1.13	
Increase to reflect growth in the business	0.15	+ 13%
Increase to reflect the impact of the share buy-back	0.17	+ 15%
	<u>1.45</u>	<u>+ 28%</u>

- No longer accrued in profit & loss account under IFRS

Capital structure

- New 5 year Revolving Credit Facility
- Supported by a syndicate of 11 banks
- Syndication oversubscribed and closed at £460m
- Targeted net debt range revised to £150m to £250m

Net debt at 28 February is approximately £95m

Share buy-back

Period ended	Number of shares	Total cost £m	% of issued capital *
31 December 2004	27.1	33.2	1.6%
30 June 2005	73.7	94.9	4.3%
31 December 2005	134.4	168.1	7.7%
28 February 2006	12.6	16.1	0.7%
	<u>247.8</u>	<u>312.3</u>	<u>14.3%</u>

Acquired 14.3% of the shares at an average price of 126p

* Using 1,735.9 m shares

Financial summary

- Record H1 net fees + 14% * to £259.1m
- Conversion rate + 0.7% to 36.3%
- Record H1 operating profit + 16% * to £94.1m
- Earnings per share + 28% to 4.16p
- Strong net cash from operations of £83.9m
- Interim dividend + 28% to 1.45p
- Completed transformation buy-back of £312.3m, 14.3% of equity
- New £460m, 5 year Revolving Credit Facility
- Targeted net debt range of £150m to £250m: currently circa. £95m

* Growth at constant currency

Outlook

Denis Waxman

Chief Executive

Outlook - Trading

- Net fees in January & February to date have grown at approximately + 13%
- Continuing growth trends
 - UK single digit growth
 - International strong double digit growth

Expanding the business in the second half

- New offices planned + 12
- New business units planned + 25
- New consultant headcount + 8-9%
- Actively researching entry into new countries

APPENDICES

Appendix I - Recruitment consultant headcount

As at period ended	December 2005	June 2005	Growth since June 05	December 2004	Growth since Dec 04
United Kingdom & Ireland					
Accountancy & Finance	948	971	(2%)	930	+ 2%
Construction & Property	749	778	(4%)	763	(2%)
Information Technology	148	165	(10%)	148	-
Other Specialist Activities	745	780	(5%)	741	+ 1%
	<u>2,590</u>	<u>2,694</u>	<u>(4%)</u>	<u>2,582</u>	<u>-</u>
Continental Europe & Canada	572	476	+ 20%	421	+ 36%
Australia & New Zealand	580	513	+ 13%	437	+ 33%
	<u>3,742</u>	<u>3,683</u>	<u>+ 2%</u>	<u>3,440</u>	<u>+ 9%</u>

Appendix II - Office network

	Office locations	On-site locations	Back office locations	Total
At 30 June 2005	289	33	4	326
Expansion	15	-	-	15
Office mergers	(3)	-	-	(3)
At 31 Dec 2005	<u>301</u>	<u>33</u>	<u>4</u>	<u>338</u>

New office locations:

United Kingdom & Ireland: Exeter, Galway, Hastings, Keighley, Macclesfield, Southend, Stafford, Torquay

Continental Europe & Canada: Barcelona, Berlin, Milan, Ottawa, Strasbourg

Other international locations: Dubai & Hong Kong

Appendix III - Business units

As at period ended	December 2005	June 2005	December 2004
United Kingdom & Ireland	443	423	412
Continental Europe & Canada	181	155	147
Australia & New Zealand	145	145	135
	<u>769</u>	<u>723</u>	<u>694</u>

46 new business units (+ 6%) since June 2005

Appendix IV - Restatement of prior year net fees

6 months ended 31 December 2004

	As previously presented	IFRS adjustments	Reclassified	Restated
United Kingdom & Ireland				
Accountancy & Finance	79.3	-	(7.4)	71.9
Construction & Property	53.2	-	(3.7)	49.5
Information Technology	14.1	-	-	14.1
Other Specialist Activities	26.3	-	11.1	37.4
	<u>172.9</u>	<u>-</u>	<u>-</u>	<u>172.9</u>
Continental Europe & Canada	24.3	-	-	24.3
Australia & New Zealand	28.9	-	-	28.9
	<u>226.1</u>	<u>-</u>	<u>-</u>	<u>226.1</u>

Appendix V - Restatement of prior year operating profit

6 months ended 31 December 2004

	As previously presented	IFRS adjustments	Reclassified	Restated
United Kingdom & Ireland				
Accountancy & Finance	33.6	(0.1)	(2.7)	30.8
Construction & Property	20.5	(0.1)	(0.3)	20.1
Information Technology	5.0	-	-	5.0
Other Specialist Activities	4.9	-	3.0	7.9
	<u>64.0</u>	<u>(0.2)</u>	<u>-</u>	<u>63.8</u>
Continental Europe & Canada	3.8	-	-	3.8
Australia & New Zealand	12.8	-	-	12.8
	<u>80.6</u>	<u>(0.2)</u>	<u>-</u>	<u>80.4</u>

Appendix VI - impact of foreign exchange movements

6 mths ended 31 December	2004	Impact of fx movements	Growth at constant currency	2005	Growth *
Net fees					
United Kingdom & Ireland	172.9	-	11.9	184.8	7%
Continental Europe & Canada	24.3	(0.1)	8.7	32.9	36%
Australia & New Zealand	28.9	2.0	10.5	41.4	34%
	<u>226.1</u>	<u>1.9</u>	<u>31.1</u>	<u>259.1</u>	<u>14%</u>
Operating profit					
United Kingdom & Ireland	63.8	-	3.6	67.4	6%
Continental Europe & Canada	3.8	-	2.8	6.6	74%
Australia & New Zealand	12.8	1.0	6.3	20.1	46%
	<u>80.4</u>	<u>1.0</u>	<u>12.7</u>	<u>94.1</u>	<u>16%</u>
* Growth rates at constant currency					

Appendix VII - Segmental summary

6 months ended 31 December	2005 Net fees	2005 Operating profit	2004 Net fees	2004 Operating profit
United Kingdom & Ireland				
Accountancy & Finance	78.0	32.6	71.9	30.8
Construction & Property	51.3	21.5	49.5	20.1
Information Technology	15.1	5.4	14.1	5.0
Other specialist activities	40.4	7.9	37.4	7.9
	<u>184.8</u>	<u>67.4</u>	<u>172.9</u>	<u>63.8</u>
Continental Europe & Canada	32.9	6.6	24.3	3.8
Australia & New Zealand	41.4	20.1	28.9	12.8
	<u>259.1</u>	<u>94.1</u>	<u>226.1</u>	<u>80.4</u>

Appendix VIII - Restatement of prior year net fees

Year ended 30 June 2005

	As previously presented	IFRS adjustments	Reclassified	Restated
United Kingdom & Ireland				
Accountancy & Finance	165.9	-	(16.9)	149.0
Construction & Property	103.6	-	(6.6)	97.0
Information Technology	29.3	-	-	29.3
Other Specialist Activities	55.9	-	23.5	79.4
	<u>354.7</u>	<u>-</u>	<u>-</u>	<u>354.7</u>
Continental Europe & Canada	53.3	-	-	53.3
Australia & New Zealand	62.6	-	-	62.6
	<u>470.6</u>	<u>-</u>	<u>-</u>	<u>470.6</u>

Appendix IX - Restatement of prior year operating profit

Year ended 30 June 2005

	As previously presented	IFRS adjustments	Reclassified	Restated
United Kingdom & Ireland				
Accountancy & Finance	71.1	(0.3)	(6.9)	63.9
Construction & Property	38.9	(0.2)	-	38.7
Information Technology	10.1	(0.1)	-	10.0
Other Specialist Activities	10.5	(0.1)	6.9	17.3
	<u>130.6</u>	<u>(0.7)</u>	<u>-</u>	<u>129.9</u>
Continental Europe & Canada	8.5	-	-	8.5
Australia & New Zealand	28.0	(0.2)	-	27.8
	<u>167.1</u>	<u>(0.9)</u>	<u>-</u>	<u>166.2</u>