

# Half Year Report

Interim results for the 6 months ended 31 December 2007

Press Release

## OUTSTANDING INTERNATIONAL PERFORMANCE AND EPS UP 28%

6 months ended 31 December  
(In £'s million)

	2007	2006	Actual growth	LFL* growth
Net fees	<b>374.8</b>	297.2	26%	23%
Profit from continuing activities	<b>125.0</b>	102.2	22%	20%
Cash from operations	<b>105.0</b>	98.6	6%	
Profit before tax**	<b>122.7</b>	100.3	22%	
Basic earnings per share**	<b>6.05p</b>	4.73p	28%	
Dividend per share	<b>1.85p</b>	1.60p	16%	

- Excellent like-for-like net fee and operating profit growth of 23%\* and 20%\* respectively
- Outstanding International performance with net fees up 45%\* and operating profit up 50%\*
- International business now represents 40% of Group net fees
- 32%\* increase in net fees from permanent business with excellent performance across the Group
- 28%\*\* increase in earnings per share and 16% increase in the interim dividend
- Strong operating cash from operations of £105.0 million
- Strong balance sheet position with net debt of £114.9 million

\* LFL is like-for-like growth, which represents organic growth of continuing activities at constant currency. No adjustment is made for the one additional trading day in 2007.

\*\* continuing activities only.

Commenting on these results, Alistair Cox, Chief Executive of Hays, said:

“This is an excellent result and it shows how we are capitalising on the many opportunities available to us across the world. Our growth has come from all areas of our business: significant structural growth in Continental Europe, a stunning performance in Australia and the aggressive roll out of our activities across Asia. In the United Kingdom, we have improved our net fee performance and we are now increasing our focus on operational effectiveness.

Many of our markets are characterised by shortages of skilled candidates. One of the strengths of Hays is our ability to satisfy the varied needs of both our clients and candidates by delivering services in both the permanent and temporary placement markets. I am delighted that both these sectors have delivered strong growth, including permanent placement fees up by a third.

We have made a good start to the second half of the year. Whilst mindful of the economic uncertainty, the Board remains confident in its outlook for the year.”

## Press Release

### Enquiries

Hays plc  
Paul Venables      Finance Director      + 44 (0) 20 73832266  
Martin Abell      Investor Relations      + 44 (0) 20 73832266

Brunswick  
Gill Ackers      + 44 (0) 20 7404 5959  
Alexa von Wietzlow

### Results presentation webcast

The interim results presentation at 9:00am GMT on 26 February 2008 will be available as a live webcast on our website, [www.haysplc.com](http://www.haysplc.com), and a recording will also be available on our website.

### Reporting calendar

Interim management statement for quarter ending 31 March 2008	10 April 2008
Investor day	17 April 2008
Trading statement for quarter ending 30 June 2008	10 July 2008
Full year results for year ending 30 June 2008	2 September 2008

### Note to editors

Hays plc is the leading global specialist recruitment group. It is market leader in the UK and Australia, and one of the market leaders in Continental Europe. The Group employs 8,673 staff operating from 391 offices in 26 countries across 17 specialisms. For the year ended 30 June 2007:

- the Group had revenues of £2.1 billion, net fees of £633.6 million and operating profit of £216.1 million;
- the Group placed circa 68,000 candidates into permanent jobs during the year and paid circa 46,000 temporary workers weekly; and
- the temporary placement business represented 51% of net fees and the permanent placement business represented 49% of net fees.

## Interim Management Report

### Summary profit and loss statement

6 months ended 31 December  
(In £'s million)

	2007	2006	growth	
			actual	LFL*
Turnover	<b>1,214.3</b>	1,002.3	21%	
Net fees				
Temporary	<b>183.7</b>	157.1	17%	14%
Permanent	<b>191.1</b>	140.1	36%	32%
<b>Total</b>	<b>374.8</b>	297.2	26%	23%
Operating profit**	<b>125.0</b>	102.2	22%	20%
Conversion rate	<b>33.4%</b>	34.4%		
Temporary margin***	<b>18.0%</b>	18.2%		
Temporary fees as % of total	<b>49%</b>	53%		
Period end consultant headcount****	<b>5,718</b>	4,527	26%	23%

\* LFL (like-for-like) growth represents organic growth for continuing activities at constant currency. No adjustment is made for the one additional trading day in 2007.

\*\* continuing activities only.

\*\*\* the temporary placement gross margin is calculated as temporary placement net fees divided by temporary placement gross revenue.

\*\*\*\* the increase in consultants is shown on a closing basis, comparing 31 December 2007 versus 31 December 2006.

Group turnover increased by 21%, net fees increased by 26% (23% on a like-for-like basis\*), and operating profit increased by 22% (20% on a like-for-like basis\*). The increase in net fees was greater than the increase in turnover because of the higher growth in fees generated by the permanent placement business, compared to the temporary placement business. The results benefited modestly from the James Harvard acquisition, which increased net fees by £8.0 million and operating profit by £1.5 million. Exchange rate movements had a favourable impact increasing net fees by £3.6 million and operating profit by £1.3 million.

Our excellent fee growth in the period has been driven by our investment in the business and strong demand in our markets. Whilst the economic cycle is the most important short term influence on the performance of our business, there are significant long term structural changes driving demand in specialist recruitment markets. These long term drivers include deregulation in the labour markets, particularly in Europe, increasing awareness and willingness to use specialist recruitment services, people moving jobs more frequently and demographic changes. In addition, the temporary placement market benefits from increasing demand from both candidates and clients for flexible employment.

We achieved excellent performances in our permanent placement businesses across all regions, benefiting from continued investment in new consultants and favourable market conditions owing to a shortage of highly skilled candidates. Net fees in the permanent business, representing 51% of Group net fees, grew by 32%\*, with permanent placement volumes increasing by 23% and average fees per placement increasing by 7% compared to last year. The temporary placement business, representing 49% of Group net fees, had a strong performance with net fee growth of 14%\*. This growth represented volume and mix growth of 15%, partially offset by a 20 basis point reduction in the temporary margin to 18.0% (2006: 18.2%)\*\*\*.

The Group's conversion rate, which is the proportion of net fees converted into operating profit, decreased from 34.4% last year to 33.4% this period due to the reduction in the conversion rate in the United Kingdom & Ireland, which is explained in the United Kingdom & Ireland section.

## Interim Management Report

### Investment

We have invested significantly in the business during the period. We increased the number of consultants by 26% (23% on a like-for-like basis\*) compared to last year, with the majority of this increase being in the International business. We added 15 offices to the network over the 6 months, of which 13 were in the International business, and we continued to roll out specialisms across our network.

In the United Kingdom & Ireland, we achieved strong growth in net fees through our investment in consultants and our focus on growing our newer specialisms. In Australia & New Zealand, we continued to develop our newer specialisms and strengthened our market leading position with a market beating performance. In Asia, we continue to build critical mass in the major cities. In Continental Europe, we have significantly increased the number of consultants, substantially increased our presence in major cities, and rolled out our network into new cities, with the objective of securing market leading positions in the countries in which we operate.

### United Kingdom & Ireland

6 months ended 31 December  
(In £'s million)

	2007	2006	growth	
			actual	LFL*
<b>Net fees</b>				
Accountancy & Finance	<b>86.9</b>	77.6	12%	12%
Construction & Property	<b>60.6</b>	54.4	11%	11%
Information Technology	<b>16.3</b>	15.8	3%	3%
Other Specialist Recruitment Activities	<b>61.5</b>	50.9	21%	13%
<b>Total</b>	<b>225.3</b>	198.7	13%	11%
<b>Operating profit</b>				
Accountancy & Finance	<b>32.1</b>	31.5	2%	2%
Construction & Property	<b>22.8</b>	22.4	2%	2%
Information Technology	<b>5.6</b>	5.5	2%	2%
Other Specialist Recruitment Activities	<b>10.1</b>	8.1	25%	16%
<b>Total</b>	<b>70.6</b>	67.5	5%	4%
Conversion rate	<b>31.3%</b>	34.0%		
Period end consultant headcount****	<b>3,355</b>	2,909	15%	13%

In the United Kingdom & Ireland, we had net fee growth of 13% (11% on a like-for-like basis\*) to £225.3 million and operating profit growth of 5% (4% on a like-for-like basis\*) to £70.6 million. The difference between headline growth and like-for-like growth was due to the acquisition of James Harvard. We opened a net 2 new offices in the 6 month period, and increased the number of consultants by 13%\* compared to last year.

The improvement in the net fee growth rate versus last year is due to strong growth in both permanent and temporary placements. The Accountancy & Finance business had net fee growth of 12%, building on its improvement in the second half of last year. Construction & Property, which serves both the construction and “built” environment sectors, benefited from strong demand, particularly in the commercial sector, increasing net fees by 11%. Information Technology suffered from a slight weakening in demand later in the period and consequently had net fee growth of 3%. The Other Specialist Recruitment Activities continue to grow rapidly, increasing net fees by 13%\*, with Resource Management, Education and Human Resources achieving particularly good growth. The Other Specialist Recruitment Activities cover 11 specialisms and represent 27% of United Kingdom & Ireland net fees. We see exciting long term growth opportunities for Hays in these markets and we expect a number of these specialisms to develop into large businesses in the future.

## Interim Management Report

As previously referred to, profit in the United Kingdom & Ireland has been affected by the reduction in the temporary business margin that occurred last year, primarily in the public sector, and the impact of legislative changes affecting the status of temporary workers in sectors in which managed service companies operate. These factors reduced operating profit by circa £4 million in the period. Consequently, the conversion rate declined from 34.0% in the first half of last year to 31.3%.

Alistair Cox, the Group Chief Executive, has recently taken over the leadership of the United Kingdom & Ireland business, with the objective of increasing the operational effectiveness of the business.

### Asia Pacific

6 months ended 31 December (In £'s million)	2007	2006	growth	
			Actual	LFL*
Net fees	<b>80.6</b>	51.4	57%	45%
Operating profit	<b>38.6</b>	24.4	58%	49%
Conversion rate	<b>47.9%</b>	47.5%		
Period end consultant headcount****	<b>1,129</b>	802	41%	32%

In Asia Pacific, our businesses continued their excellent track record in both the permanent and temporary placement businesses. Net fees increased 57% (45% on a like-for-like basis\*) to £80.6 million and operating profit increased 58% (49% on a like-for-like basis\*) to £38.6 million. The difference between headline growth and like-for-like growth was due to the appreciation in the Australian dollar and the acquisition of James Harvard in Japan. We increased the number of consultants by 32%\* compared to last year. The business achieved good operating profit leverage increasing the conversion rate from 47.5% to 47.9%.

In Australia & New Zealand, our market leading businesses recorded exceptional performances across all of their specialist activities and regions. We rapidly expanded in the newer specialist activities with Human Resources, Sales & Marketing, and Legal performing especially well, and we opened further offices in Queensland and Victoria. Overall, net fees in Australia & New Zealand increased by 43%\* compared to last year.

In Asia, net fees were £5.8 million in the period (2006: £1.2 million). Our businesses in China, Hong Kong, and Singapore continued their strong momentum. In our acquired Japanese business, we significantly increased headcount and began our geographical expansion by opening in Osaka.

### Continental Europe & Rest of World ('RoW')

6 months ended 31 December (In £'s million)	2007	2006	growth	
			actual	LFL*
Net fees	<b>68.9</b>	47.1	46%	45%
Operating profit	<b>15.8</b>	10.3	53%	54%
Conversion rate	<b>22.9%</b>	21.9%		
Period end consultant headcount****	<b>1,234</b>	816	51%	50%

The Continental Europe & RoW division continued its outstanding progress increasing net fees by 46% (45% on a like-for-like basis\*) to £68.9 million and operating profit by 53% (54% on a like-for-like basis\*) to £15.8 million compared to last year. The difference between headline growth and like-for-like growth was due to the appreciation of the Euro and the acquisition of James Harvard. We invested significantly in consultants, increasing the number of consultants by 50%\* compared to last year. The conversion rate continued to improve, increasing from 21.9% to 22.9%, due to the increased scale of the business.

## Interim Management Report

All countries contributed to the outstanding performance across both temporary and permanent sectors with 10 countries delivering net fee growth of more than 40% in the year.

Germany, representing 40% of the region's net fees, took advantage of growth in the market and further improved its market share, growing net fees by 42%\*. This business predominantly focuses on the IT and Engineering contracting markets and, with the opening in Stuttgart, is now in 7 offices employing 478 staff. We see excellent growth prospects for our expanding Accountancy & Finance, Legal and newly launched Pharmaceutical specialisms.

France, representing 18% of the region's net fees, grew net fees by 35%\*, increasing its presence in Paris and continuing its expansion into the provinces, opening in Nancy. In line with the French specialist recruitment market, this business is predominantly focused on the permanent placement market, and is now in 16 offices employing 390 staff.

Among the other countries in Continental Europe, we opened in new cities in Spain, Switzerland, the Czech Republic and Poland, and we started operations in Hungary. Following the acquisition last year of James Harvard, we continue to roll out our Pharmaceutical specialism across Europe, introducing it into Switzerland and Portugal during the period, bringing our Pharmaceutical presence up to 7 countries in the region. Elsewhere, we have opened new offices in Canada and Brazil and our new businesses in the UAE and Brazil are making excellent progress.

### Taxation

Tax on continuing operations for the period was £36.8 million, representing an effective tax rate of 30.0% (2006: 31.2%). The reduction in the effective tax rate is primarily due to the recognition and utilisation of brought forward tax losses in our French business.

### Earnings per share

Basic earnings per share from continuing activities increased 28% to 6.05 pence (2006: 4.73 pence). The improvement in earnings per share results from the excellent growth in profit after tax, 24% ahead of last year, and the favourable impact of the accretion from the share buy-back programme.

### Cash flow and balance sheet

Cash flow in the period was strong, with 84% conversion of operating profit into operating cash flow. Overall, net cash from continuing operations was £105.0 million (2006: £98.6 million). Cash outflow from working capital was £29.8 million, which is in line with seasonal trends and the increase in turnover. Tax paid was £33.6 million and net capital expenditure was modest at £7.0 million, reflecting the low capital intensity of the business. £48.2 million was paid out in dividends, £3.6 million was paid out in net interest, and £52.7 million was used to buy back our own shares. Over the period, net debt increased from £76.2 million at the start of the period to £114.9 million at the end of the period principally due to the payment of the full year dividend and the buy back of shares.

### Capital structure and dividend

The priorities for our free cash flow are to fund Group development, support a sustainable dividend policy and to buy back shares when appropriate. During the period, we purchased 36.0 million shares at a total cost of £51.7 million, representing 2.5% of the shares in issue at the start of the period. The Board places great importance on the strength of our balance sheet and we will continue to balance this priority with the share buy-back programme. Since the period end, we have purchased a further 10.6 million shares at a cost of £11.2 million. The current expectation is that we will buy back circa £100 million of shares in the 12 months ending 30 June 2008.

In view of the excellent results, the Board has decided to pay an interim dividend of 1.85 pence per share, which represents a 16% increase on last year. The Board has decided to bring forward the interim dividend payment date to 15 April 2008 and it will be paid to shareholders on the register as at 25 March 2008.

### Retirement benefits

The Group's pension liability under IAS 19 at 31 December 2007 of £58.8 million (£42.3 million net of deferred tax) increased by £15.3 million compared to 30 June 2007 mainly due to the increase in expectations for inflation. During the period, the Company contributed £4.4 million of cash into the defined benefit scheme.

## Interim Management Report

### Board changes

As previously announced, the following Board changes were made on 15 November 2007:

- Denis Waxman retired as CEO and Alistair Cox succeeded him;
- Richard Smelt, the Group Human Resources Director of Carphone Warehouse Group plc, joined Hays plc as a non-executive Director;
- Brian Wallace retired as a non-executive Director;
- Lesley Knox assumed the role of Senior Independent Director; and
- Paul Harrison was appointed as Chairman of the Audit Committee.

### Outlook

The Board has identified substantial opportunities for Hays in existing, emerging and new specialist recruitment markets across the world. Our growing International network, our proven ability to replicate our business across both borders and sectors and the ambition of our people, position Hays extremely well to capitalise on these opportunities over the long term.

We have made a good start to the second half of the year. In Asia Pacific and Continental Europe, growth in demand for our services continues to be strong. In the United Kingdom & Ireland, growth has slowed but continues to be good. Whilst mindful of the economic uncertainty, the Board remains confident in its outlook for the year.

## Interim Management Report

### Principal risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. These risks include the following:

#### *Macro economic environment*

The performance of the Group has a very close relationship and dependence on the underlying growth of the economies of the countries in which it operates. The Group strategy is to continue to grow the size of its International businesses in the countries in which the Group currently operates and within new countries that the Group currently has no operations. Over time, this will reduce the Group's exposure or dependence on any one specific economy.

#### *Competitive environment*

In the United Kingdom & Ireland and Australia & New Zealand, the markets for the provision of permanent and temporary recruitment are very competitive and fragmented. In these more developed markets, competitor risk manifests itself in increased competition for clients and candidates and in pricing pressures which may impact margins. In Continental Europe & Rest of the World and Asia, the markets for the provision of recruitment services remain less developed and the market place is more fragmented; however, the markets in Continental Europe and Asia are developing quickly.

The Group's competitors in its markets range from large multi-national organisations to small, boutique, privately owned businesses. The Group is continually subject to existing and new competitors entering into the markets in which it operates. The competitive threat is from small start-up operations to large multi-nationals as the costs of entry into the specialist recruitment markets can be relatively low, although these costs have risen (especially in the United Kingdom & Ireland temporary market) with the increased levels of compliance required from local regulators and clients.

#### *Commercial relationships*

The Group benefits from close commercial relationships with key clients in both the public and private sectors. Within the private sector, the Group is not dependent on any single key client; however, the Group, like most companies is always subject to the risk that a large customer might be unable to fulfil its obligations to the Group, which might materially impact the Group's results.

#### *Foreign exchange*

The Group has significant operations outside the United Kingdom and as such is exposed to movements in exchange rates. Currently, the Group does not actively manage its exposure to foreign exchange risk by the use of financial instruments. The Group uses a small amount of foreign currency denominated loans as a natural hedge against its overseas net assets. In the current period, 40% of total net fees were generated by the International businesses and this is expected to increase in the future. The Group will continue to monitor its policies in this area.

#### *Technology systems*

The Group is increasingly reliant on a number of technology systems in providing its services to clients and candidates. These systems are housed in various datacentres and the Group has improved its capacity to cope with a datacentre loss as a result of a significant event through the establishment of new disaster recovery sites which are physically based in separate locations to the ongoing operations.

The Group is also reliant upon a number of important suppliers that provide the businesses' information technology infrastructure. The Group continues to monitor the performance and robustness of these suppliers to ensure business critical processes are safeguarded as far as practicably possible.

#### *Regulatory environment and legislative changes*

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

As the employment laws are changed and harmonised in certain geographies, they bring with them new risks and opportunities. The Group will continue to monitor its policies, processes and systems to reflect best practice where possible and to meet the legal requirements of the markets in which it operates.

# Interim Management Report

## **Hays plc**

250 Euston Road  
London  
NW1 2AF

By order of the Board

## **Group Finance Director**

Paul Venables  
25 February 2008

## **Disclaimer**

Certain statements included or incorporated by reference within this half year report may constitute “forward looking statements”. By their nature, forward looking statements involve a number of risks, uncertainties or assumptions that could cause actual results or events to differ materially from those expressed or implied by those statements. Forward looking statements regarding past trends or activities should not be taken as representation that such trends or activities will continue in the future. Accordingly, undue reliance should not be placed on forward looking statements. The Board considers the risks and uncertainties listed above to be the principal ones that might affect the Group's performance and results for the second half of this financial year and beyond but cautions that the risks listed above may not address all the factors that could cause results to differ materially.

This report does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to purchase 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. Past performance cannot be relied upon as a guide to future performance.

## Interim Financial Statements

### Consolidated Income Statement

(In £'s million)	Notes	Six months to 31 December 2007 (Unaudited)	Six months to 31 December 2006 (Unaudited)	Year to 30 June 2007
<b>TURNOVER</b>				
Continuing operations	2	1,214.3	1,002.3	2,110.2
<b>NET FEES*</b>				
Continuing operations	2	374.8	297.2	633.6
<b>PROFIT FROM OPERATIONS</b>				
Continuing operations	2	125.0	102.2	216.1
Finance income		1.2	0.6	1.5
Finance cost		(3.5)	(2.5)	(5.9)
	3	(2.3)	(1.9)	(4.4)
<b>PROFIT BEFORE TAX</b>				
		122.7	100.3	211.7
Tax	4	(36.8)	(31.3)	(63.6)
<b>PROFIT FROM CONTINUING OPERATIONS AFTER TAX</b>				
		85.9	69.0	148.1
<b>PROFIT FROM DISCONTINUED OPERATIONS AFTER TAX</b>				
	5	–	0.3	18.4
<b>PROFIT ATTRIBUTABLE TO EQUITY HOLDERS</b>				
		85.9	69.3	166.5
<b>Earnings per share from continuing operations</b>				
– Basic	7	6.05p	4.73p	10.19p
– Diluted	7	6.00p	4.72p	10.13p
<b>Earnings per share from discontinued operations</b>				
– Basic	7	–	0.02p	1.27p
– Diluted	7	–	0.02p	1.26p
<b>Total earnings per share</b>				
– Basic	7	6.05p	4.75p	11.46p
– Diluted	7	6.00p	4.74p	11.39p

\* Net fees are equal to turnover less payroll costs of temporary contractors and workers

### Consolidated Statement of Recognised Income & Expense

(In £'s million)	Six months to 31 December 2007 (Unaudited)	Six months to 31 December 2006 (Unaudited)	Year to 30 June 2007
Profit for the period	85.9	69.3	166.5
Currency translation adjustments	11.7	(2.2)	(0.9)
Actuarial (losses)/profits on defined benefit pension scheme	(17.9)	(32.9)	12.9
Tax on items taken directly to reserves	4.4	9.9	(4.7)
Net (expense)/income recognised directly in equity	(1.8)	(25.2)	7.3
Total recognised income and expense for the period	84.1	44.1	173.8
Attributable to equity shareholders of the parent	84.1	44.1	173.8

## Interim Financial Statements

### Consolidated Balance Sheet

(In £'s million)	Notes	31 December 2007 (Unaudited)	31 December 2006 (Unaudited)	30 June 2007
Goodwill		164.0	122.2	157.7
Other intangible assets		4.4	1.9	4.3
Property, plant & equipment		28.2	21.1	25.2
Deferred tax assets		28.3	32.8	22.7
<b>NON-CURRENT ASSETS</b>		<b>224.9</b>	178.0	209.9
Trade & other receivables		429.7	370.7	375.7
Cash & cash equivalents		86.3	30.0	68.4
<b>CURRENT ASSETS</b>		<b>516.0</b>	400.7	444.1
<b>TOTAL ASSETS</b>		<b>740.9</b>	578.7	654.0
Trade & other payables		(275.7)	(233.3)	(252.4)
Tax liabilities		(35.9)	(49.8)	(31.7)
<b>CURRENT LIABILITIES</b>		<b>(311.6)</b>	(283.1)	(284.1)
Bank loans & overdrafts		(201.2)	(112.6)	(144.6)
Trade & other payables		(19.6)	(5.2)	(19.6)
Retirement benefit obligations	8	(58.8)	(88.9)	(43.5)
Deferred tax liabilities		–	(0.9)	–
Provisions	9	(48.4)	(53.7)	(50.2)
<b>NON-CURRENT LIABILITIES</b>		<b>(328.0)</b>	(261.3)	(257.9)
<b>TOTAL LIABILITIES</b>		<b>(639.6)</b>	(544.4)	(542.0)
<b>NET ASSETS</b>		<b>101.3</b>	34.3	112.0
Called up share capital		14.7	15.7	15.7
Capital redemption reserve		2.7	1.7	1.7
Share premium account		369.6	369.6	369.6
Retained earnings		(311.6)	(359.4)	(288.7)
Other reserves		25.9	6.7	13.7
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>101.3</b>	34.3	112.0

## Interim Financial Statements

### Consolidated Cash Flow Statement

(In £'s million)	Notes	Six months to 31 December 2007 (Unaudited)	Six months to 31 December 2006 (Unaudited)	Year to 30 June 2007
Operating profit from continuing operations		125.0	102.2	216.1
Adjustments for:				
Depreciation of property, plant & equipment		4.1	3.2	7.3
Amortisation of intangible fixed assets		0.4	0.1	0.4
Movements in provisions, employee benefits and other items		5.3	2.1	2.4
		9.8	5.4	10.1
<b>OPERATING CASH FLOW BEFORE MOVEMENT IN WORKING CAPITAL</b>		<b>134.8</b>	<b>107.6</b>	<b>226.2</b>
Changes in working capital		(29.8)	(9.0)	5.9
<b>CASH GENERATED BY OPERATIONS</b>		<b>105.0</b>	<b>98.6</b>	<b>232.1</b>
Income taxes paid		(33.6)	(31.8)	(70.7)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>71.4</b>	<b>66.8</b>	<b>161.4</b>
<b>INVESTING ACTIVITIES</b>				
Purchase of tangible & intangible assets		(7.0)	(4.8)	(15.1)
Proceeds from sale of property, plant & equipment		-	-	0.2
Cash paid in respect of acquisitions made in previous years		-	-	(0.3)
Acquisition of subsidiaries		-	-	(22.8)
Sale of businesses and related assets		-	(2.2)	1.6
Interest received		1.2	0.6	1.5
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(5.8)</b>	<b>(6.4)</b>	<b>(34.9)</b>
<b>FINANCING ACTIVITIES</b>				
Interest paid		(4.8)	(3.3)	(5.9)
Equity dividends paid		(48.2)	(42.3)	(65.5)
Cash outflow in respect of share buy-back		(52.7)	(21.8)	(58.2)
Additional pension scheme funding		(1.8)	-	-
(Purchase)/disposal of own shares		(0.8)	1.8	(0.4)
Proceeds from share option exercises		0.7	-	3.8
(Repayment)/issue of loan notes		(0.7)	(0.5)	0.2
Increase/(decrease) in bank overdrafts & repayment of borrowings		57.3	(16.7)	14.6
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(51.0)</b>	<b>(82.8)</b>	<b>(111.4)</b>
<b>NET INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	10	<b>14.6</b>	<b>(22.4)</b>	<b>15.1</b>
<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		<b>68.4</b>	<b>52.8</b>	<b>52.8</b>
Effect of foreign exchange rate movements		3.3	(0.4)	0.5
<b>CASH &amp; CASH EQUIVALENTS AT END OF PERIOD</b>		<b>86.3</b>	<b>30.0</b>	<b>68.4</b>
(In £'s million)	Notes			
<b>BANK LOANS, OVERDRAFTS AND FINANCE LEASE OBLIGATIONS AT BEGINNING OF PERIOD</b>		<b>(144.6)</b>	<b>(129.8)</b>	<b>(129.8)</b>
(Increase)/decrease in period		(56.6)	17.2	(14.8)
<b>BANK LOANS, OVERDRAFTS AND FINANCE LEASE OBLIGATIONS AT END OF PERIOD</b>		<b>(201.2)</b>	<b>(112.6)</b>	<b>(144.6)</b>
<b>NET DEBT AT END OF PERIOD</b>	10	<b>(114.9)</b>	<b>(82.6)</b>	<b>(76.2)</b>

## Interim Financial Statements

### Consolidated Reconciliation of Movements in Equity

For the six months ended 31 December 2007

(In £'s million)	Share capital	Capital redemption reserve	Share premium account	Retained earnings	Other reserves	Total
Balance at 1 July 2007	15.7	1.7	369.6	(288.7)	13.7	112.0
Currency translation adjustments	–	–	–	–	11.7	11.7
Actuarial losses on defined benefit pension scheme	–	–	–	(17.9)	–	(17.9)
Tax on items taken directly to reserves	–	–	–	4.4	–	4.4
Net (expense)/income recognised directly in equity	–	–	–	(13.5)	11.7	(1.8)
Profit for the period	–	–	–	85.9	–	85.9
Total recognised income for the period	–	–	–	72.4	11.7	84.1
Dividends paid	–	–	–	(48.2)	–	(48.2)
Share-based payment schemes	–	–	–	3.9	1.3	5.2
Purchase of own shares and other	–	–	–	0.7	(0.8)	(0.1)
Share buy-back	–	–	–	(51.7)	–	(51.7)
Cancellation of treasury shares	(1.0)	1.0	–	–	–	–
Balance at 31 December 2007	14.7	2.7	369.6	(311.6)	25.9	101.3

For the six months ended 31 December 2006

(In £'s million)	Share capital	Capital redemption reserve	Share premium account	Retained earnings	Other reserves	Total
Balance at 1 July 2006	15.7	1.7	369.6	(354.8)	11.1	43.3
Currency translation adjustments	–	–	–	–	(2.2)	(2.2)
Actuarial losses on defined benefit pension scheme	–	–	–	(32.9)	–	(32.9)
Tax on items taken directly to reserves	–	–	–	9.9	–	9.9
Net expense recognised directly in equity	–	–	–	(23.0)	(2.2)	(25.2)
Profit for the period	–	–	–	69.3	–	69.3
Total recognised income/(expense) for the period	–	–	–	46.3	(2.2)	44.1
Dividends paid	–	–	–	(42.3)	–	(42.3)
Share-based payment schemes	–	–	–	3.1	(0.7)	2.4
Purchase of own shares and other	–	–	–	3.7	(1.5)	2.2
Share buy-back	–	–	–	(15.4)	–	(15.4)
Balance at 31 December 2006	15.7	1.7	369.6	(359.4)	6.7	34.3

For the year ended 30 June 2007

(In £'s million)	Share capital	Capital redemption reserve	Share premium account	Retained earnings	Other reserves	Total
Balance at 1 July 2006	15.7	1.7	369.6	(354.8)	11.1	43.3
Currency translation adjustments	–	–	–	–	(0.9)	(0.9)
Actuarial profits on defined benefit pension scheme	–	–	–	12.9	–	12.9
Tax on items taken directly to reserves	–	–	–	(4.7)	–	(4.7)
Net income/(expense) recognised directly in equity	–	–	–	8.2	(0.9)	7.3
Profit for the period	–	–	–	166.5	–	166.5
Total recognised income/(expense) for the period	–	–	–	174.7	(0.9)	173.8
Dividends paid	–	–	–	(65.5)	–	(65.5)
Share-based payment schemes	–	–	–	4.2	3.9	8.1
Purchase of own shares and other	–	–	–	5.3	(0.4)	4.9
Share buy-back	–	–	–	(52.6)	–	(52.6)
Balance at 30 June 2007	15.7	1.7	369.6	(288.7)	13.7	112.0

## Interim Financial Statements

### Consolidated Reconciliation of Movements in Equity – Other Reserves

For the six months ended 31 December 2007

(In £'s million)	Own shares	Equity reserve	Cumulative translation	Total
Balance at 1 July 2007	(1.1)	12.6	2.2	13.7
Currency translation adjustments	–	–	11.7	11.7
Total recognised expense for the period	–	–	11.7	11.7
Share-based payment schemes	–	1.3	–	1.3
Purchase of own shares	(0.8)	–	–	(0.8)
Balance at 31 December 2007	(1.9)	13.9	13.9	25.9

For the six months ended 31 December 2006

(In £'s million)	Own shares	Equity reserve	Cumulative translation	Total
Balance at 1 July 2006	(0.7)	8.7	3.1	11.1
Currency translation adjustments	–	–	(2.2)	(2.2)
Total recognised income for the period	–	–	(2.2)	(2.2)
Share-based payment schemes	–	(0.7)	–	(0.7)
Purchase of own shares	(1.5)	–	–	(1.5)
Balance at 31 December 2006	(2.2)	8.0	0.9	6.7

For the year ended 30 June 2007

(In £'s million)	Own shares	Equity reserve	Cumulative translation	Total
Balance at 1 July 2006	(0.7)	8.7	3.1	11.1
Currency translation adjustments	–	–	(0.9)	(0.9)
Total recognised income for the period	–	–	(0.9)	(0.9)
Share-based payment schemes	–	3.9	–	3.9
Purchase of own shares	(0.4)	–	–	(0.4)
Balance at 30 June 2007	(1.1)	12.6	2.2	13.7

## Notes to the Interim Financial Statements

### 1. Basis of preparation

The condensed consolidated interim financial statements are the results for the six months ended 31 December 2007. The condensed consolidated interim financial statements ("interim financial statements") have been prepared under International Financial Reporting Standards ("IFRS") as adopted by the European Union, in accordance with International Accounting Standard 34 "Interim Financial Reporting" and the Disclosure and Transparency Rules of the Financial Services Authority. It is unaudited but has been reviewed by the auditors and their report is attached.

The interim financial statements do not constitute statutory accounts as defined in Section 240 of the Companies Act 1985 as they do not include all of the information required for full statutory accounts. The interim financial statements should be read in conjunction with the statutory accounts for the year ended 30 June 2007, which were prepared in accordance with IFRS as adopted by the European Union and have been filed with the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985.

#### Accounting policies

The interim financial statements have been prepared on the basis of the accounting policies and methods of computation applicable for the year ending 30 June 2008. These accounting policies are consistent with those applied in the preparation of the accounts for the year ended 30 June 2007.

In the current financial year, the Group will adopt IFRS 7 "Financial instruments: Disclosures" for the first time. As IFRS 7 is a disclosure standard, there is no impact of this change in accounting policy on the interim financial statements.

### 2. Segmental information

Continuing operations comprise one class of business, being specialist recruitment activities. The Group operates in three identified geographic segments. These results by geography are shown below.

#### Turnover, net fees and profit from continuing operations

(In £'s million)	Six months to 31 December 2007 (Unaudited)	Six months to 31 December 2006 (Unaudited)	Year to 30 June 2007
<b>TURNOVER</b>			
United Kingdom & Ireland	<b>768.2</b>	677.3	1,413.7
Continental Europe & Rest of World	<b>220.3</b>	167.6	353.2
Asia Pacific	<b>225.8</b>	157.4	343.3
	<b>1,214.3</b>	1,002.3	2,110.2
<b>NET FEES</b>			
United Kingdom & Ireland	<b>225.3</b>	198.7	417.1
Continental Europe & Rest of World	<b>68.9</b>	47.1	102.5
Asia Pacific	<b>80.6</b>	51.4	114.0
	<b>374.8</b>	297.2	633.6
<b>PROFIT FROM OPERATIONS</b>			
United Kingdom & Ireland	<b>70.6</b>	67.5	140.8
Continental Europe & Rest of World	<b>15.8</b>	10.3	21.1
Asia Pacific	<b>38.6</b>	24.4	54.2
	<b>125.0</b>	102.2	216.1

## Notes to the Interim Financial Statements

### 3. Finance income and finance costs

(In £'s million)	Six months to 31 December 2007 (Unaudited)	Six months to 31 December 2006 (Unaudited)	Year to 30 June 2007
<b>FINANCE INCOME</b>			
Interest on bank deposits	1.2	0.6	1.5
	<b>1.2</b>	<b>0.6</b>	<b>1.5</b>
<b>FINANCE COSTS</b>			
Interest payable on bank overdrafts and loans	(4.9)	(3.3)	(7.4)
Pension Protection Fund levy	(0.1)	(0.3)	(0.4)
Net interest on pension obligations	1.5	1.1	1.9
	<b>(3.5)</b>	<b>(2.5)</b>	<b>(5.9)</b>
Net finance charge	<b>(2.3)</b>	<b>(1.9)</b>	<b>(4.4)</b>

### 4. Taxation on ordinary activities

The Group's consolidated effective tax rate in respect of continuing operations for the six months to 31 December 2007 is based on the estimated effective tax rate for the full year of 30.0% (31 December 2006: 31.2%, 30 June 2007: 30.0%).

(In £'s million)	Six months to 31 December 2007 (Unaudited)	Six months to 31 December 2006 (Unaudited)	Year to 30 June 2007
<b>TAX CHARGE</b>			
United Kingdom	19.0	18.2	39.2
Overseas	17.8	13.1	24.4
	<b>36.8</b>	<b>31.3</b>	<b>63.6</b>

### 5. Profit from discontinued operations

There was no profit or loss from discontinued operations in the period to 31 December 2007.

Profit from discontinued operations in the six months ended 31 December 2006 of £0.3 million arose from the repayment of loan notes previously provided for.

Profit from discontinued operations in the year ended 30 June 2007 of £18.4 million arose from a £17.6 million write-back of tax related accruals that were established when the Group completed the disposal of non-core activities between March 2003 and November 2004, less a £0.3 million charge on other items. A further £1.1 million profit arose from disposal of business assets and relates mainly to the cash receipts from loan notes arising from the disposal of the Hays US Home Delivery business, previously fully provided against.

### 6. Dividends

(In £'s million)	Six months to 31 December 2007 (Unaudited)	Six months to 31 December 2006 (Unaudited)	Year to 30 June 2007
Amounts recognised per ordinary share as distributions to equity holders in the period:			
Final dividend for the year ended 30 June 2006 of 2.90 pence per share	–	42.3	42.3
Interim dividend for the period to 31 December 2006 of 1.60 pence per share	–	–	23.2
Final dividend for the year ended 30 June 2007 of 3.40 pence per share	48.2	–	–
	<b>48.2</b>	<b>42.3</b>	<b>65.5</b>

The interim dividend for the period ended 31 December 2007 of 1.85 pence per share is not included as a liability in the balance sheet as at 31 December 2007.

## Notes to the Interim Financial Statements

### 7. Earnings per share

(In £'s million)	Six months to 31 December 2007 (Unaudited)	Six months to 31 December 2006 (Unaudited)	Year to 30 June 2007
Earnings from continuing operations	122.7	100.3	211.7
Tax on earnings from continuing operations	(36.8)	(31.3)	(63.6)
<b>Basic earnings from continuing operations</b>	<b>85.9</b>	<b>69.0</b>	<b>148.1</b>
Earnings from discontinued operations	–	0.4	1.1
Tax on earnings from discontinued operations	–	(0.1)	17.3
<b>Basic earnings from discontinued operations</b>	<b>–</b>	<b>0.3</b>	<b>18.4</b>
Number of shares (million):			
Weighted average number of shares	1,419.0	1,457.4	1,453.2
Dilution effect of share options	12.5	5.2	8.2
<b>Weighted average number of shares used for diluted EPS</b>	<b>1,431.5</b>	<b>1,462.6</b>	<b>1,461.4</b>
Basic earnings per share from continuing operations	6.05p	4.73p	10.19p
Basic earnings per share from discontinued operations	–	0.02p	1.27p
<b>Total basic earnings per share</b>	<b>6.05p</b>	<b>4.75p</b>	<b>11.46p</b>
Diluted earnings per share from continuing operations	6.00p	4.72p	10.13p
Diluted earnings per share from discontinued operations	–	0.02p	1.26p
<b>Total diluted earnings per share</b>	<b>6.00p</b>	<b>4.74p</b>	<b>11.39p</b>

### 8. Retirement benefit obligations

(In £'s million)	Six months to 31 December 2007 (Unaudited)	Six months to 31 December 2006 (Unaudited)	Year to 30 June 2007
Deficit in scheme brought forward	(43.5)	(55.9)	(55.9)
Current service cost	(3.2)	(3.6)	(7.1)
Contributions and other	4.3	2.4	4.7
Finance income	1.5	1.1	1.9
Actuarial (loss)/profit	(17.9)	(32.9)	12.9
<b>Deficit in scheme carried forward</b>	<b>(58.8)</b>	<b>(88.9)</b>	<b>(43.5)</b>

### 9. Provisions

(In £'s million)	Property	Deferred employee benefits	Other	Total
Balance at 1 July 2007	14.7	1.7	33.8	50.2
Utilised	(1.3)	–	(1.2)	(2.5)
Reallocation	5.0	–	(5.0)	–
Exchange adjustments	0.3	–	0.4	0.7
<b>Balance as at 31 December 2007</b>	<b>18.7</b>	<b>1.7</b>	<b>28.0</b>	<b>48.4</b>

## Notes to the Interim Financial Statements

### 9. Provisions (continued)

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 2016. Other provisions comprise liabilities arising as a result of business disposals and the Group transformation, mainly relating to possible warranty and environmental claims for businesses disposed as part of the Group transformation during the period from March 2003 to November 2004. After a detailed review of Other provisions the Directors have concluded that £5.0 million of Other provisions is more fairly presented in the Property provisions.

### 10. Movement in net debt

(In £'s million)	1 July 2007	Cash flow	Exchange movement	31 December 2007
Cash & cash equivalents	68.4	14.6	3.3	86.3
Bank loans & overdrafts	(144.6)	(56.6)	–	(201.2)
<b>Net debt</b>	<b>(76.2)</b>	<b>(42.0)</b>	<b>3.3</b>	<b>(114.9)</b>

The table above is presented as additional information to show movement in net debt, defined as cash & cash equivalents less overdrafts & bank loans.

### 11. Contingent liabilities

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

### 12. Events after the balance sheet date

As part of the share buy-back programme, the Company has purchased an additional 10.6 million shares for a total cost of £11.2 million since the balance sheet date.

### 13. Like-for-like results

Like-for-like results represent organic growth of continuing activities at constant currency.

For the six months ended 31 December 2007 this is calculated as follows:

	(In £'s million)
Net fees for the six months ended 31 December 2006	297.2
Foreign exchange impact	3.6
Adjustment for fees from disposed of businesses	(1.6)
Net fees for the six months ended 31 December 2006 at constant currency	299.2
Fees generated from acquisitions	8.0
Fees generated from organic growth	67.6
<b>Net fees for the six months ended 31 December 2007</b>	<b>374.8</b>
Profit from operations for the six months ended 31 December 2006	102.2
Foreign exchange impact	1.3
Adjustment for profit from disposed of businesses	(0.3)
Profit from operations for the six months ended 31 December 2006 at constant currency	103.2
Profit from operations generated from acquisitions	1.5
Profit from operations generated from organic growth	20.3
<b>Profit from operations for the six months ended 31 December 2007</b>	<b>125.0</b>

## Responsibility Statement

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been presented in accordance with IAS 34 “Interim Financial Reporting”;
- the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties’ transactions and changes therein).

By order of the Board

### **Group Finance Director**

Paul Venables

25 February 2008

# Independent Review Report to Hays plc

## Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2007 which comprises the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated balance sheet, the consolidated cash flow statement, the consolidated reconciliation of movements in equity, and related notes 1 to 13. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

## Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

## Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

## Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2007 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

## Deloitte & Touche LLP

Chartered Accountants and Registered Auditor  
London  
United Kingdom  
25 February 2008