"We exceeded £1 billion of net fees for the first time, driven by our International businesses which grew 15%."

CHIEF EXECUTIVE'S REVIEW

Our Chief Executive, Alistair Cox, discusses the Group's performance in 2018 and looks ahead to our areas of focus and development in the future, including our next five-year plan.

Q. How do you feel Hays performed in 2018?

A. Before I talk about our performance, I would like to pay tribute to our Chairman Alan Thomson, who sadly passed away in July 2018. Alan had been our Chairman since November 2010 and was deeply passionate about Hays, helping many people in the organisation reach their full potential. He was instrumental in building a strong Board, one well-equipped to help me drive the business forward. I will greatly miss his guidance, wisdom and humour.

He was a man of integrity and humility, and the best tribute I can pay to Alan is to ensure his values endure in Hays' culture.

Andrew Martin, our new Chairman, was brought onto the board by Alan in 2017 and brings a wealth of experience to help us guide the business forward.

Turning to our performance, I am delighted by our progress through FY18. Net fees grew by 12% and we exceeded £1bn of net fees for the first time, driven by our International businesses which grew 15%. Overall, our International profits grew 16% to £196.4m, setting another new record level.

We delivered £243.4m of operating profit, slightly ahead of market expectations, and our conversion rate improved by 50bps. Cash performance was strong, and we ended the year with £122.9m net cash, enabling the Board to propose a second successive special dividend, of 5.0p per share, on top of a core dividend which itself was up 18%.

This year we moved to a four-division reporting structure, giving greater visibility of our Australia and New Zealand (ANZ) businesses (previously within APAC), and Germany, our largest business, which we report separately for the first time.

Germany grew 16% and we further reinforced our position as the number one player in that market. We opened four new offices and increased our headcount 13%. I remain of the view that Germany is the most exciting recruitment market in the world today, driven by acute skills shortages and the structural opening up of that market to specialist recruitment services.

ANZ had a strong year, driving highly profitable growth at roughly double the market rate – no mean feat given we are faraway the market leader in that important market.

Our RoW businesses were in many ways the stand-out performers, delivering an excellent year with profit up 51%. The investments we have made in these businesses in recent years are now driving strong leverage and real momentum in Asia, the Americas and Europe ex-Germany. We continue to see structural growth in many countries via first-time outsourcing, which gives me great confidence for our future.

Back in the UK, the market remained subdued but stable pending clarification of trading arrangements with the European Union post Brexit. With that challenging backdrop, we delivered a good profit performance, up 13% in a difficult market.

Turning to uses of our cash flow, my first priority is always to re-invest in the business and in 2018 we made significant investments in people, property and infrastructure. We grew headcount by 8% globally, opened seven new offices and materially expanded 20 others. We further enhanced our back- and front-office systems around the world, ensuring we have the infrastructure and capacity to continue to grow in these supportive markets.

However, given our highly cash-generative model, even after these significant investments, we ended the year with net cash of £122.9m.

Therefore, in line with our policy, I am delighted that we are able to propose increasing our core dividend by 18%, and our second special dividend of £72.9m. This takes total dividends proposed and paid for FY18 to £128.4m, up 19% from £108.2m last year.

Our 2022 plan was presented at our Investor Day in London in November 2017.

Q. You have just successfully completed the five-year plan launched in 2013, growing profits by almost 100%, and have set the Group another ambitious profit range for the five years to 2022. Given you have such limited visibility on earnings, how do you ensure such targets are credible?

A. I am very proud of the outcome of our 2013 strategic plan. When we initially set out our goal to broadly double profits by 2018, it's fair to say most commentators were sceptical that a business with only 5-6 weeks of net fee visibility could deliver against such ambitious long-term plans. Remember, we were still in the aftermath of the global commodities collapse, uncertainty surrounding the Euro crisis was fresh in the memory and the Brexit referendum was not yet on the agenda.

Despite all these major uncertainties, we still delivered £243.4m of operating profit in FY18, even in a year of heavy investment. I think that is testament to our deep operational capability in each of our 33 businesses and the granular detail which underpinned our planning.

Every year since 2013, we have reported our key markets of Australia and New Zealand, Germany, UK & Ireland and Rest of World under a 'traffic light' system against our original targets. Not only did we deliver a Group result in line with our original ambitions, but each of our four regions also delivered an outcome within their original range.

RoW delivered an excellent result, above the top-end of its range. ANZ delivered its mid-point. The UK & Ireland, despite the material impact of the Brexit vote on the market, still came in within the targeted range.

In Germany, we delivered a profit towards the bottom-end of our 2013 plan range. However, we took an important strategic decision around 18 months ago to significantly increase investment in Germany, as we see the opportunity to potentially double that business in the next five years. That's an exciting prospect, especially given we see structural growth potential which extends well beyond our 2022 plan. Our investment clearly reduced near-term profits, but I consider that a fair trade-off given the opportunity.

So having delivered on our promises in the original 2013 plan, we will follow the same course in our 2018 plan, which we presented to shareholders and analysts at our Investor Day in November 2017. As with 2013, our aim is to balance profitable growth and investment.

Most of our markets are currently supportive. Assuming this continues, with no significant downturns in our major markets over the plan period, and with excellent structural growth opportunities in many of our markets, it is our aim to broadly double our profits again over the five years to 2022.

In the UK, we have assumed a continued uncertain economic backdrop, with a Brexit transition period beyond March 2019 and a reasonably orderly exit from the European Union.

> "Since 2015, our Germany headcount is up over 50%, and we have opened nine new offices as we expand our footprint."

Q. How would you characterise 2018 financial and operating performance in the context of the 2022 plan?

A. We made a strong start, with net fees and profits slightly ahead of the required CAGR trajectory to hit the 2022 plan. It was always our intention to hit the ground running, with significant initial investment meaning that profit drop-through rates in year one would be at the lower end of where we aim to deliver throughout the plan.

Yet despite these investments, I am pleased we still delivered a 50bps improvement in Group conversion rate to 22.7%, one of the best conversion rates in the industry. Should macro conditions remain similar this year to last, I am optimistic we will see further strong progress in FY19, the second year of our plan.

To reinforce growth, we have spent significant time aligning our management teams around the world to the Group plan, as well as developing local plans.

Needless to say, explaining the story of our potential has brought its own benefits internally, particularly as colleagues see for themselves the career opportunities that will avail to them at Hays.

Q. Aside from financial performance, what were your strategic highlights in 2018? Any 'low-lights'?

A. Apart from the way our businesses embraced the 2022 plan, we also saw excellent progress with a number of our strategic initiatives around the world.

Having entered the important USA market in the last few years, the team there delivered impressive growth, with net fees up 28% and headcount up 21%. All areas of the business did well, but we saw spectacular growth in newer specialisms.

For example, having opened our Construction specialism in 2014, we grew that by 80% in FY18, delivering $13m in net fees. We have the opportunity as the global leader in C&P recruitment to build a huge US business, alongside our IT, A&F and Life Sciences businesses there.

We continued to make significant investments in our German business. Since 2015 our headcount is up over 50%, and we have opened nine new offices as we expand our footprint. We also put in place the infrastructure to reinforce our market leadership in what is one of the world's most attractive markets.

The benefits of market leadership are crystal clear: witness the continued out-performance of our Australian business over many years.

Replicating that position in Germany is important to us and we will not shy away from capitalising on the enormous structural opportunities in this market. We now need strong execution to deliver on these investments, but the opportunities in Germany stretch well beyond 2022, and we will continue to invest accordingly.

The rapid development of the IT industry around the world offers excellent opportunities. Organisations are struggling to find the skills they require across newer technologies being developed such as data science, artificial intelligence or cyber security. We have invested to grow our IT businesses in many countries and this is a sector that I think will be exciting for a long time to come.

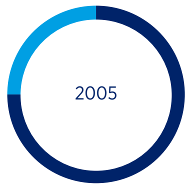
As a result, our IT specialism is now our largest globally, at 21% of global net fees. Given the dynamics of the workforce in this industry, and the propensity for many skilled professionals to work as freelancers or contractors, this also lends itself well to our strategy of building our non-Perm businesses globally. Again, we made great progress in this area and non-Perm now represents c.75% of our IT net fees in our largest markets.

Elsewhere, we continued to invest in new ideas to make our business more effective and productive. Our IT teams developed powerful and proprietary tools focused on business development and candidate management. We brought out new app-based platforms in areas like Education, helping to link schools and teachers.

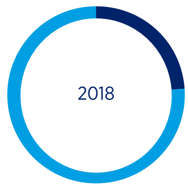
We built on our collaborations with some of the world's best organisations, designed to bring their cutting-edge technologies and innovations to bear for the benefit of our clients and candidates. Our partnership with Xing in Germany reached its one-year anniversary in August 2018, and continues to go very well.

Together with our ground-breaking collaborations with Seek in Australia and LinkedIn globally, and more recently with Google as they launch Google Jobs, we are continually looking for ways to get the most accurate and up-to-date data in the industry, and use it to 'Find & Engage' with great candidates quicker and better than anyone else.

Net Fee Diversification of the Group



UK & Ireland	**75%**
International	**25%**



UK & Ireland	**24%**
International	**76%**

Our Investor Day included a detailed break-out session on our Germany growth strategy.

Last year also saw the introduction of significant new European legislation with GDPR. Preparing our business was a huge task, but one that our Legal and Operational teams coped with admirably. This was the biggest change in data laws for a generation.

However, with the right resources and processes in place, our rigorous approach to GDPR can help to enhance our competitive position in the market.

Finally, while I wouldn't call it a 'low-light', the uncertainty of Brexit negotiations and associated political disruption in the UK makes this a continuing difficult market. That said, I applaud the performance of our UK team, consolidating our market leadership and closely controlling costs.

Longer term, the UK remains a large and important economy to us. Should a sensible EU-exit deal be reached, I am convinced we will be in a strong position to capitalise on any pent-up demand once our clients feel confident again to start investing in their own businesses.

Q. Has there been any change in your assessment of the industry Megatrends?

A. If anything, our enthusiasm for the structural attraction of non-Perm and flexible working has grown. The world of work is changing at a tremendous pace, and in tandem with major shifts in worker demographics and pension needs, the prospects for longer, plural careers are huge.

We are actively positioning Hays to be the trusted partner and advisor to candidates throughout their working lives, helping them navigate between roles as their careers develop.

On the other side of the coin, we are also ideally placed to help our clients plan their own growth, and how they might access resources needed to deliver that. We can help them navigate the increasing complexity of workforces, ensuring they can tap into the talent they need in a way that makes sense for them.

This can be via permanent recruitment, utilising a temporary or contractor workforce or even structuring teams of skilled individuals around specific projects.

Technology is also changing how the recruitment process is delivered and we invest heavily to understand which of the many innovations continually being launched truly add value and seek to incorporate them into our own methodologies, to our clients' and candidates' benefit.

Above all, in a skill-short world, the competition for the best talent is huge and it is our job to help ensure our clients win in that game.

Q. On technology, how do you manage the risk of disruption from new entrants and platforms?

A. Commentators have forecast the disintermediation of recruitment agencies for longer than I've been in the industry. First it was via job boards, then social media platforms and online communities, and latterly aggregators and peer-to-peer platforms.

However, to date, rather than be disrupted, the role of a specialist agency has actually been enhanced. That's because the heart of good recruitment is based on the strength of the relationships formed with clients and candidates and that's a very human thing.

So we see technology and human skills as working hand-in-hand to deliver the best outcome for our clients and candidates. I call that the art and science of successful recruitment, automating whatever we can to free up our expert consultants to do what they do best: advise.

Consequently we invest heavily in technology to ensure our consultants have the best tools available to do their job. But we also invest heavily in our people, so they have the right skills to become trusted advisors to their clients and candidates, and become true experts in their chosen field.

That has allowed us to focus our business on our own proprietary 'Find & Engage' model, where our specialist consultants become highly successful at finding and nurturing skilled talent in their own niche market, knowing that they will then find the right role for each of their candidates.

Having invested to create unrivalled access to these niche candidate pools, we are well positioned to swiftly find the scarce talent that our clients need. I think that is a real differentiator for us, based on the successful integration of human skills, technology and data. That is hard to replicate, and even harder for a machine alone to replace. But clearly the risk of disruption remains, and we will stay vigilant.

"Above all, in a skill-short world the competition for talent is huge, and it is our job to ensure our clients win that race."

Q. The term "our people are our greatest asset" is often used by companies. Can you give some examples of what it means at Hays?

A. Hays is a business that has people at its heart, and we are hugely proud – and protective – of our culture. We think it's unique and it sets us apart in our industry. I visited over 15 Hays countries last year, and in each office I visit, the same core values of client service, integrity and passion for the job hold true.

Some of the awards received in FY18 include France being ranked third in the top 500 workplaces nationally, and Germany gaining an Employers Institute 'Top Employer' award for a tenth consecutive year. Glassdoor UK placed us in the top 50 of all companies for the fourth year running. And at the Recruitment International awards, Australia won 'Best Large Recruiter To Work For'.

We don't achieve these accolades without investment. This year we launched the Hays 'International Leadership and Management Programme'. I'm delighted with the initial results, and 90 of our senior leaders will attend in its first two years.

Equally, our annual employee engagement survey, which we present in our KPIs, measures satisfaction, sense of belonging and personal motivations. This achieved a record high level of participation of 86% globally, and a high engagement score of 82%.

Key strengths identified from the feedback included supportive line management, high levels of recognition, commitment to development and clear career paths. That suggests to me that we are doing many things right for our people, although there is always room to improve.

Last year we delivered 4,185 training days and I'm proud to say that 3,370 colleagues were promoted. A further 68 transferred internationally, reinforcing our culture while giving them exciting new opportunities globally. Ultimately, we want to keep the best talent within Hays, which is in the interest of our clients, candidates and shareholders.

Q. What keeps you awake at night as a CEO?

A. The biggest risks to our business are geopolitical and macroeconomic in nature. A disorderly exit of the UK from the European Union would likely have a detrimental effect on business investment in the UK, as well as candidate confidence. An upward spiral in trade tariffs across the globe would also be unhelpful. Political disruption anywhere brings uncertainty, weakening investment confidence.

Hardly a day goes by without a news story on cyber threats to businesses. At Hays we take this threat extremely seriously and it occupies a central position at Board level. It is my job as CEO to be 'professionally paranoid' around the subject and do everything we can to protect our candidate, client and employee data.

It is a continual battle, but our IT, Legal and Operations teams' level of engagement gives me great comfort as CEO. However, we can never be complacent.

My main personal challenges are staying apace with innovation and industry developments to ensure we remain highly relevant and the industry leader. I'm also hugely passionate about the development of our people, their motivation and succession planning as this business is based so heavily on the quality of our people. Making sure we have the right internal talent for both today and for the future is a vital part of my job.

Overall then, our core business is in excellent health and the outlook is positive. Last year we helped more than 320,000 people find their next job, and over 30,000 clients find the talent they need to grow. That's real scale. We view our role in helping people develop their careers and finding highly skilled workers as a core function in society, and it is one we are very proud of.

Looking forward, I expect significant further technological changes and innovation, and plan to embrace these. Change will continue to present us with opportunities, as well as creating risks or threats to our business model. However, we have successfully navigated these in the past. The business is in the best shape I have ever seen it, and we are wholly focused on positioning the Group to capitalise on long-term growth prospects.

Finally, during the year Hays celebrated its 50th anniversary. Reaching that milestone is increasingly rare in today's business world. It was an event I was extremely proud to be a part of and I was privileged to open trading at the London Stock Exchange in June as recognition. It is an honour to lead a business that has grown and evolved so dramatically since our formation in 1968, and one that has helped progress the careers of literally millions of jobseekers worldwide in that time.

Alistair Cox
Chief Executive

Hays management open trading at the London Stock Exchange to celebrate our 50th anniversary.

OUR CASH STRATEGY

Our aspiration is to build on the momentum of our 2013 plan, driving operating profit in the range £300-450m by 2022.

At our Investor Day in November 2017, we detailed our ambition to deliver operating profit of between £300-450m by 2022, with a mid-point of £375m*.

Our business is highly cash-generative, meaning that if we hit the mid-point of this profit range, we can potentially deliver a cumulative £944m of operating free cash flow.

After taxes, budgeted capex and pension payments, we calculate that £727m could be available for returns to shareholders. In FY18, we have paid and proposed a total of £128.4m in dividends (FY17: £108.3m).

Potential for material returns to shareholders based on achieving our five-year aspirations

Operating profit (£)		Dividend potential (£)**
300m	Lower case	651m
375m	Mid-case	727m
450m	Upper case	820m

* This assumes a continued benign economic backdrop, and a relatively business-friendly exit of the UK from the EU
** Cumulative figure over five years

RECORD INTERNATIONAL PROFITS AND RECORD TOTAL DIVIDENDS

"I am pleased to report a strong financial performance, including our core dividend up 18%, and the Group's second special dividend of £72.9 million."

Paul Venables
Group Finance Director, Hays plc

FINANCE DIRECTOR'S REVIEW

Financial highlights

I am pleased to report that we delivered a strong financial performance for 2018. Turnover was up 13%, and net fees[2] increased by 12% on both an actual and like-for-like basis, with operating profit up 15%, again on both an actual and like-for-like basis, to £243.4 million. We converted 100% of operating profit into operating cash flow. Our industry-leading conversion rate[3] improved by 50bps to 22.7% (2017: 22.2%), driven by positive leverage in RoW.

Our cash performance was strong, we ended the year with net cash of £122.9 million. As a result, the Board proposes to increase the final core dividend by 22% to 2.75p per share, resulting in an increase to the full-year core dividend to 3.81p per share, up 18% on prior year and covered 3.0x by earnings. Additionally, our strong cash position and our confidence in outlook, enabled the Board to propose a special dividend of 5.00p per share, in line with our dividend policy.

During the year, overall market conditions remained strong, with many clear opportunities to grow, notably in Australia, Germany and RoW. Within RoW, our Asia and Americas growth accelerated throughout the year. In the UK, our markets remain uncertain but are stable overall.

Increase in Group net fee income
+12%
2017: +6%

Conversion rate of Group net fees into operating profit
22.7%
2017: 22.2%

Increase in operating profit
+15%
2017: +1%

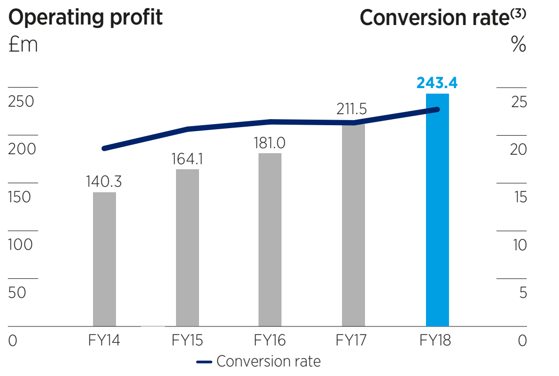
Group consultant headcount up 8% year-on-year
7,464
2017: 6,884

Total proposed and paid dividends
£128.4m
2017: £108.2m

Operating performance

Year ended 30 June (£s million)	2018	2017	Actual growth	LFL growth
Turnover[1]	5,753.3	5,081.0	13%	13%
Net fees[2]	1,072.8	954.6	12%	12%
Operating profit	243.4	211.5	15%	15%
Cash generated by operations	243.5	217.0	12%	
Profit before tax	238.5	204.6	17%	
Basic earnings per share	11.44p	9.66p	18%	
Dividend per share	3.81p	3.22p	18%	

Note: unless otherwise stated all growth rates discussed in the Finance Director's Review are LFL (like-for-like) year-on-year net fees and profits, representing organic growth of continuing operations at constant currency.
(1) Net fees of £1,072.8 million (2017: 954.6 million) are reconciled to statutory turnover of £5,753.3 million (2017: £5,081.0 million) in note 5 to the Consolidate Financial Statements.
(2) Net fees comprise Turnover less remuneration of temporary workers and other recruitment agencies.



Foreign exchange

Overall, net currency movements versus sterling were minimal in the year. Over the course of the year to 30 June 2018, exchange rate movements reduced net fees by £0.1 million, and increased operating profit by £1.0 million.

Fluctuations in the rates of the Group's key operating currencies versus sterling continue to represent a significant sensitivity for the reported performance of our business. By way of illustration, each 1 cent movement in annual exchange rates of the Australian dollar and euro impacts net fees by £1.1 million and £3.8 million respectively per annum; and operating profits by £0.4 million and £1.2 million respectively per annum.

The rate of exchange between the Australian dollar and sterling over the year ended 30 June 2018 averaged AUD 1.7388 and closed at AUD 1.7847. As at 28 August 2018 the rate stood at AUD 1.7535. The rate of exchange between the euro and sterling over the year ended 30 June 2018 averaged €1.1290 and closed at €1.1307. As at 28 August 2018 the rate stood at €1.0996.

The impact of these movements in foreign exchange rates means that if we re-translate the Group's full-year operating profit of £243.4 million at 28 August 2018 exchange rates, the actual reported result would increase by c.£3 million to c.£246 million.

Strong growth in International Temp and Perm

Net fees in Temp, which incorporates our Contracting business and represented 58% of Group net fees, increased by 10%. This comprised a volume increase of 13%, partially offset by underlying Temp margins[4] down 50bps at 15.9% (2017: 16.4%), primarily due to mix and a reduction in Temp margin in our Australia, Germany and UK markets. Net fees in Perm increased by 16%, with volumes up 11% and our average Perm net fee up 5%. Perm growth in our International businesses was strong and broad-based, and Perm net fees grew 1% in the UK.

Movements in consultant headcount

Consultant headcount ended June 2018 at 7,464, up 8% year-on-year. In ANZ, consultant headcount was up 10% year-on-year, led by Australia up 12%. Our Germany consultant headcount was up 13%.

In UK & I, the division's consultant headcount was down 2% in the year, by natural attrition. In Rest of World (RoW), consultant headcount increased by 13% year-on-year, including material investments in the USA, Canada and China, where headcount was up 21%, 23% and 23% respectively. Over the last six months, Group consultant headcount growth was flat (versus December 2017).

Current trading

We continue to see strong overall net fee growth across our International businesses. We will therefore continue to invest in a targeted way to capitalise on these opportunities. Conditions in the UK are stable overall.

Movements in the rates of exchange of the Group's key currencies, notably the Australian dollar and the euro, remain a material sensitivity to our reported financial performance.

We expect Group headcount growth in Q1 FY19 to be up c.3-5% sequentially, including the impact of our normal seasonal graduate intake. This will be primarily driven by our International businesses, particularly North America, Asia and Europe, including Germany and France.

Importantly, moving into FY19, we increasingly overlap tough growth comparatives from the prior year, especially in Australia and Europe.

Australia & New Zealand

We continue to see good activity levels in Australia across all states and most specialisms, although we start to overlap increasingly tough growth comparatives in Q1 FY19.

Germany

In Germany, growth remains strong overall, despite tough comparators.

United Kingdom & Ireland

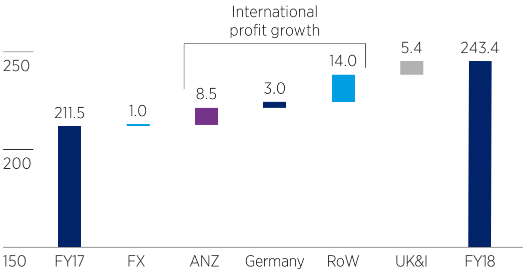
Conditions in the UK remain uncertain but stable.

Rest of World

Conditions remain strong across Europe, Asia and the Americas.

(3) Conversion rate is the proportion of net fees converted into operating profit.
(4) The underlying gross margin is calculated as Temp net fees divided by Temp gross revenue and relates solely to Temp 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 and arrangements where the Company provides major payrolling services.

Operating profit bridge: year-on-year growth £m



Net finance charge

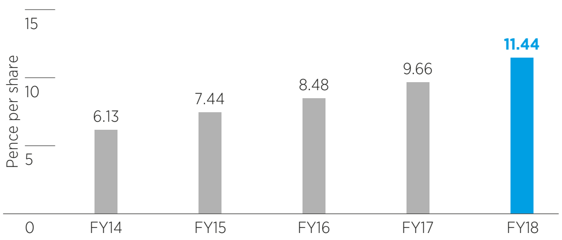
The net finance charge for the year was £4.9 million (2017: £6.9 million). The average interest rate on gross debt during the period was 2.0% (2017: 2.2%), generating net bank interest payable including amortisation of arrangement fees of £1.6 million (2017: £2.1 million). The net interest charge on defined benefit pension scheme obligations was £2.1 million (2017: £2.4 million). The Pension Protection Fund levy was £0.3 million (2017: £0.5 million) and the interest unwind on the deferred acquisition liability related to the Veredus transaction was £0.6 million (2017: £1.1 million). We expect the net finance charge for the year ending 30 June 2019 to be around £3.0 million.

Taxation

Taxation for the year was £72.7 million (2017: £65.5 million), representing an effective tax rate of 30.5% (2017: 32.0%). The effective tax rate reflects the Group's geographical mix of profits, with the decrease year-on-year primarily due to increased profit in lower tax jurisdictions, and a reduction in UK tax rate. The Group's effective tax rate for the year to June 2019 will be driven by the mix of profits generated during the year. We currently expect the rate to be broadly unchanged at 30.5%.

Earnings per share

Basic earnings per share increased by 18% to 11.44 pence (2017: 9.66 pence), reflecting the Group's higher operating profit, lower net finance charge and lower effective tax rate.

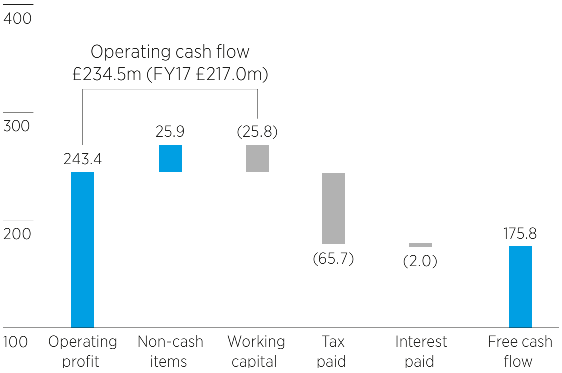


"We continue to see strong overall net fee growth across our International businesses. Conditions in the UK are stable overall."

Cash flow and balance sheet

Strong underlying cash performance with 100% conversion of operating profit into operating cash flow (2017: 103%). This was a result of good working capital management throughout the year, particularly considering the strong growth in our International Temp and Contracting businesses, which are relatively working capital-intensive. Trade debtor days were unchanged at 39 days (2017: 39 days).

Operating profit to free cash flow conversion £m



Net capital expenditure was £25.0 million (2017: £21.4 million), with the increase primarily due to investments in IT front and back office operational systems, cyber security and property. We expect capital expenditure to be c.£30 million for the year to June 2019.

Dividends paid in the year totalled £109.7 million and pension deficit contributions were £15.3 million. Net interest paid was £2.0 million and the cash tax payment was £65.7 million.

Having eliminated net debt in 2016 and paid a £61.6 million special dividend during the year, we ended June 2018 with a net cash position of £122.9 million.

Closing net cash/(net debt) £m

Retirement benefits

The Group's pension position under IAS19 at 30 June 2018 has resulted in a surplus of £75.9 million, compared to a deficit of £0.2 million at 30 June 2017. The surplus was primarily due to favourable changes in both demographics and financial assumptions (an increase in the discount rate and a decrease in the inflation rate), together with an increase in asset values.

In respect of IFRIC 14, the scheme's Definitive Deed and Rules is considered to provide Hays with an unconditional right to a refund of surplus assets and therefore the recognition of a net defined benefit scheme asset is not restricted. Agreements to make funding contributions do not give rise to any additional liabilities in respect of the scheme.

During the year the Company contributed £15.3 million of cash to the defined benefit scheme (2017: £14.8 million), in line with the agreed deficit recovery plan. The 2015 triennial valuation quantified the actuarial deficit at c.£95 million and the recovery plan comprises an annual payment of £14.0 million from July 2015, with a fixed 3% uplift per year, over a period of just under 10 years. The scheme was closed to new entrants in 2001 and to future accrual in June 2012. The formal actuarial valuation as at 30 June 2018 is currently being performed by the actuary and will be completed during FY19.

On 6 August 2018, Hays Pension Trustee Limited, in agreement with Hays plc, entered into a bulk purchase annuity policy (buy-in) contract with Canada Life Limited for a premium of £270.6 million in respect of insuring all future payments to the existing pensioners of the Hays defined benefit scheme as at 31 December 2017. The pension buy-in transaction was funded through the existing investment assets held by the Trustee on behalf of the pension scheme.

This material balance sheet de-risking exercise is in line with Hays' long-term strategy to reduce future volatility of the Group's defined benefit schemes, and their financial impact on the Group.

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 core dividend at a level which is both affordable and appropriate. Our strategy is to maintain dividend cover at the top end of 2.0x to 3.0x full-year earnings, and to match increases in core dividend with full year earnings growth. Assuming a positive outlook, it remains our intention that any excess free cash flow generated over-and-above £50 million, which is not needed for the priorities outlined above, will then be distributed to shareholders via special dividends to supplement the core dividend at year end.

With reference to the above, and taking into account the good financial performance of the Group this year, the Board proposes to increase the final core dividend by 22% to 2.75p per share resulting in an increase to the full-year dividend to 3.81p per share, up 18% on prior year. As such, the full-year dividend will be covered 3.0x by earnings. Additionally, in line with the above policy on uses of excess cash flow, the Board recommends the payment of a special dividend of £72.9 million, equivalent to 5.00p per share, up 18% on prior year. The final dividend and the special dividend will be paid, subject to shareholder approval, on 16 November 2018 to shareholders on the register on 5 October 2018.

Treasury management

The Group's operations are financed by retained earnings and bank borrowings. The Group has in place a £210 million revolving credit facility, maturing in April 2020, which provides considerable headroom versus current and future Group funding requirements. The covenants within the facility require the Group's interest cover ratio to be at least 4:1 (ratio as at June 2018: 123:1) and its leverage ratio (net debt to EBITDA) to be no greater than 2.5:1 (as at 30 June 2018 the Group held a net cash position). The interest rate of the facility is on a ratchet mechanism with a margin payable over LIBOR in the range 0.90% to 1.55%.

The Group's UK-based treasury function manages the Group's treasury risks in accordance with policies and procedures set by the Board, and is responsible for day-to-day cash management; the arrangement of external borrowing facilities; the investment of surplus funds; and the management of the Group's interest rate and foreign exchange risks. The Treasury function does not engage in speculative transactions and does not operate as a profit centre, and the Group does not hold or use derivative financial instruments for speculative purposes.

The Group's cash management policy is to minimise interest payments by closely managing Group cash balances and external borrowings. Euro-denominated cash positions are managed centrally using a cash concentration arrangement which provides visibility over participating country bank balances on a daily basis. Any Group surplus balance is used to repay any maturing loans under the Group's revolving credit facility or is invested in overnight money market funds. As the Group holds a sterling-denominated debt facility and generates significant foreign currency cash flows, the Board considers it appropriate in certain cases to use derivative financial instruments as part of its day-to-day cash management. The Group does not use derivatives to hedge balance sheet and income statement translation exposure.

The Group is exposed to interest rate risk on floating rate bank loans and overdrafts. It is the Group's policy to limit its exposure to interest rates by selectively hedging interest rate risk using derivative financial instruments. However there were no interest rate swaps held by the Group during the current or prior year.

Counterparty credit risk arises primarily from the investment of surplus funds. Risks are closely monitored using credit ratings assigned to financial institutions by international credit rating agencies. The Group restricts transactions to banks and money market funds that have an acceptable credit profile and limits its exposure to each institution accordingly.

Paul Venables
Group Finance Director
29 August 2018