HAYS Recruiting experts worldwide

PRELIMINARY RESULTS FOR THE YEAR ENDED 30 JUNE 2019

29 August 2019

SOLID PROFIT GROWTH DESPITE WEAKER MARKET CONDITIONS. STRONG CASHFLOW DRIVES A RECORD £138M IN DIVIDENDS

Year ended 30 June (In £'s million)	2019	2018	Actual growth	LFL growth
Net fees[1]	**1,129.7**	1,072.8	5%	6%
Operating profit (before exceptional items)[2]	**248.8**	243.4	2%	4%
Cash generated by operations[3]	**263.0**	243.5	8%	
Profit before tax (before exceptional items)[2]	**246.3**	238.5	3%	
Profit before tax	**231.2**	238.5	(3%)	
Basic earnings per share (before exceptional items)[2]	**11.92p**	11.44p	4%	
Basic earnings per share	**11.10p**	11.44p	(3%)	
Core dividend per share	**3.97p**	3.81p	4%	
Special dividend per share	**5.43p**	5.00p	9%	
Net cash	**129.7**	122.9	6%	

Note: unless otherwise stated all growth rates discussed in this statement are LFL (like-for-like) year-on-year net fees and profits, representing organic growth of continuing operations at constant currency

- Good 6% fee growth, with operating profit[2] up 4% to £248.8m, 80% of which was generated in International markets. Group Conversion Rate[4] down 70bps to 22.0% as fee growth slowed across the year
- **Australia & New Zealand (ANZ):** 4% net fee growth, with flat operating profit[2] as market conditions slowed in the second half. Record 22,000 Temp and Contracting workers in June 2019
- **Germany:** Record net fees, up 9% despite weakening market conditions. Operating profit[2] up 7% (c.6% adjusted for working days[5]). Fees in Temp & Contracting up 8%, Perm up 16%
- **UK & Ireland (UK&I):** 2% net fee growth, with operating profit[2] up 4% on strong cost control. Signs of reduced business confidence in Q4
- **Rest of World (RoW):** Good net fee growth of 8%, with operating profit[2] up 2% impacted by weaker market conditions in EMEA ex-Germany. Record net fees in 18 countries, including strong growth in Asia and the Americas
- **Strategic developments:** Further investment in consultant productivity tools and back office scalability. We restructured several country operations, mainly in Europe, incurring an exceptional £6.8 million charge[2], which is expected to deliver c.£5 million of annualised pro-rata cost savings. We opened eight new offices globally, and made further significant office expansions in Asia, Europe and the Americas. Year-end Group consultant headcount up 4%, although decreased by 2% since 31 December 2018
- Record closing net cash of £129.7m, with strong 106% conversion of operating profit[2] into operating cash flow[3]
- Proposed increase in full-year core dividend of 4%, in line with earnings, to 3.97p per share and special dividend of £79.7m, up 9% to 5.43p per share. Total full-year dividends of £137.9m (2018: £128.3m)

Commenting on the results Alistair Cox, Chief Executive, said:

"We delivered solid profit[2] growth in 2019, backed up by strong cash generation, despite weakening macroeconomic conditions in many markets. 19 countries delivered all-time records, including Germany, France, Canada, the USA and China, and our International business grew net fees by 7%. We invested in strengthening our leading positions in key markets like Australia and Germany, while also restructuring some of our European businesses to maximise their profitability. Our UK business delivered a solid result, despite ongoing uncertainties.

"We ended the year with record cash, enabling the Board to propose increasing the full year core dividend by 4% and propose the Group's third successive special dividend, of £79.7 million. In the first two years of our five-year plan ending in June 2022, we have already paid or proposed over £265 million in core and special dividends.

"Over the years we have built a highly diversified business to access the world's most exciting markets and sectors. This strategy has driven much of our recent growth and positions us well to capitalise on the significant long-term structural opportunities we see. Looking ahead, despite an increasingly tough global economic backdrop, our market positions, combined with our highly experienced global management teams and strong financial position, means I am confident we will continue to appropriately balance our long-term potential with the more challenging markets we currently face."

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

(2) 2019 operating profit is presented before exceptional costs of £15.1 million, comprising £8.3m relating to the Lloyds Banking Group legal ruling regarding equalisation of guaranteed minimum pensions for men and women in UK defined pension plans, and £6.8 million relating to restructuring charges, primarily in our European businesses. There were no exceptional items in the prior year.

(3) 2019 cash generated by operations excludes the cash impact of exceptional items of £2.9 million paid in the year.

(4) Conversion Rate is the conversion of net fees into operating profit(2).

(5) The estimated working day impact is calculated on our Temp & Contractor businesses only, we make no estimate of the impact on our Perm business. It represents an assumption based on recent trends of revenues / working day in our major Temp and Contractor businesses.

(6) The underlying Temp 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 Group provides major payrolling services.

(7) Represents percentage of Group net fees and operating profit(2).

Enquiries

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Results presentation & webcast

The results presentation will take place at the offices of UBS at 5 Broadgate, London, EC2M 2QS at 9:00am on 29 August 2019. This will also be available as a live webcast on our website, www.haysplc.com/investors/results-centre. A recording of the webcast will be posted on our website as soon as practicable.

A copy of this press release and presentation materials will also be made available on our website, www.haysplc.com/investors/results-centre.

Reporting calendar

Trading update for the quarter ending 30 September 2019	15 October 2019
Trading update for the quarter ending 31 December 2019	16 January 2020
Half-Year Report for the six months ending 31 December 2019	20 February 2020
Trading update for the quarter ending 31 March 2020	16 April 2020

Hays Group Overview

As at 30 June 2019, Hays had c.11,500 employees in 265 offices in 33 countries. In many of our global markets, the vast majority of professional and skilled recruitment is still done in-house, with minimal outsourcing to recruitment agencies, which presents substantial long-term structural growth opportunities. This has been a key driver of the diversification and internationalisation of the Group, with the International business representing c.77% of the Group's net fees, compared with 25% in 2005.

Our c.7,800 consultants work in a broad range of sectors, with no sector specialism representing more than 23% of Group net fees at 30 June 2019. While Accountancy & Finance, Construction & Property and IT represent 51% of Group net fees, our expertise across 20 professional and skilled recruitment specialisms gives us opportunities to rapidly develop newer markets by replicating these long-established, existing areas of expertise.

In addition to this international and sectoral diversification, the Group's net fees are generated 57% from temporary and 43% permanent placement markets, and this balance gives our business model relative resilience. This well-diversified business model continues to be a key driver of the Group's financial performance.

Introduction & market backdrop

During the year to 30 June 2019 (FY19), macroeconomic conditions became increasingly difficult in many of our markets. Candidate confidence generally remained strong, however we saw clear signs of reduced business confidence, and faced increasingly tough growth comparatives as the year progressed.

Our net fee exit rate for the year ended 30 June 2018 was 14%, and we began FY19 with strong momentum across our International businesses. Growth then slowed sequentially each quarter, particularly in the second half of the year, with net fees in our fourth quarter up 1% on a working day-adjusted basis(5).

Against this backdrop, we have delivered a solid financial performance for the year. We selectively invested to capitalise on growth opportunities in our key markets, particularly in the first half of the year. To maximise the Group's financial performance and cash generation, in the second half of the year we increased our focus on driving consultant productivity, and overall cost control.

Net fees increased by 6% on a like-for-like basis (5% on an actual basis), with our Temp business, 57% of Group net fees, up 6% and Perm up 7%. Operating profit(2) was £248.8 million, up 4% on a like-for-like basis (2% on an actual basis), and we converted 106% of operating profit(2) into operating cash flow(3) and ended the year with record net cash of £129.7 million. Our conversion rate(4), which remains industry-leading, decreased by 70bps to 22.0% (2018: 22.7%) as net fee growth slowed through the year.

The Board proposes to increase the final core dividend by 4% to 2.86p per share, resulting in an increase to the full-year core dividend to 3.97p per share, up 4% on prior year and covered 3.0x by pre-exceptional earnings(2). Additionally, the strong cash position, and our highly cash generative business model, enables the Board to propose a further special dividend of 5.43p per share, in line with our dividend policy.

Foreign exchange

Overall, net currency movements versus Sterling negatively impacted results in the year, reducing net fees by £8.8 million, and operating profit by £3.4 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 £4.1 million respectively per annum, and operating profit 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 2019 averaged AUD 1.8105 and closed at AUD 1.8087. As at 27 August 2019 the rate stood at AUD 1.8156. The rate of exchange between the Euro and Sterling over the year ended 30 June 2019 averaged €1.1351 and closed at €1.1169. As at 27 August 2019 the rate stood at €1.1062.

The impact of these movements in foreign exchange rates means that if we retranslate the Group's full-year operating profit(2) of £248.8 million at current exchange rates, the actual reported result would increase by c.£5 million to c.£254 million.

Strong growth in International Temp and Perm

Net fees in Temp, which includes our Contracting business and represented 57% of Group net fees, increased by 6%. This comprised a volume increase of 6% and an hours / mix gain of 3%, partially offset by underlying Temp margins(6) down 50bps at 15.4% (2018: 15.9%). This was mainly due to a reduction in ANZ and UK&I Temp margins.

Net fees in Perm increased by 7%, with volumes up 4% and our average Perm net fee up 3%. Regionally, ANZ perm fees decreased by 4%, Germany grew by 16%, UK&I was flat and RoW grew by 11%.

Movements in consultant headcount

Consultant headcount ended June 2019 at 7,782, up 4% year-on-year. ANZ increased by 1% year-on-year, Germany by 6%, the UK&I by 2% and RoW by 6%. Within RoW, China and the USA grew by 10% and 8% respectively. Group consultant headcount was decreased by 2% versus December 2018 as we aligned headcount to slower fee growth in the second half.

Consultant headcount	30 June 2019	30 June 2018	Net change	% change
Australia & New Zealand	**1,008**	1,000	8	1%
Germany	**1,801**	1,700	101	6%
United Kingdom & Ireland	**1,960**	1,917	43	2%
Rest of World	**3,013**	2,847	166	6%
Group total	**7,782**	7,464	318	4%

Office network changes & global specialism roll-out

We continued to build scale and critical mass across our existing platform of 33 countries, although our rate of investment eased in the second half of the year as net fee growth slowed. In the USA, we made further good progress in growing our Construction & Property specialism and invested in our developing Accountancy & Finance practice. We also continued to invest in scaling our IT Contracting business globally, including excellent progress in ANZ, EMEA, UK&I and Canada. IT now represents c.23% of overall Group net fees, up from c.17% five years ago.

We opened two new offices in Germany (Erfurt and Wiesbaden), two in Australia (Ballarat and Bunbury) and five in RoW (Brno in Czech Republic, Bucharest in Romania, Utrecht in the Netherlands, La Rochelle in France and Herentals in Belgium). We also completed major office expansions in Asia, Europe and the Americas.

Office network	30 June 2019	Net opened/ (closed)	30 June 2018
Australia & New Zealand	**41**	2	39
Germany	**24**	2	22
United Kingdom & Ireland	**96**	(1)	97
Rest of World	**104**	5	99
Group	**265**	8	257

Investing in technology, responding to change and enhancing intellectual property

We strongly believe that equipping our consultants with an effective range of technology tools improves their productivity. This helps find the ideal candidate for our clients' roles more quickly and effectively than the competition, or in-house HR solutions. To build these tools we have invested substantially over many years in our own resources. We have developed cutting-edge systems and fostered market-leading relationships with major platforms in the technology world including Google, LinkedIn, SEEK, Xing and Stack Overflow. These investments are increasingly paying off, driving engagement with prospective candidates and clients and allowing us to efficiently process c.11 million job applications per year. They also enable our consultants to perform complex searches of our global OneTouch database in seconds.

Technology is also essential to the successful delivery of our 'Find & Engage' marketing recruitment model. In a world where speed of response and the quality of relationships are key to success, our tools, combined with the world class expertise of our consultants, are generating a real competitive advantage. They are also improving our financial performance and help to grow our market share and leadership.

Recent initiatives include the incorporation of Google's job search fully into our system architecture. This is the engine powering our candidate searches globally, delivering excellent results. Also, we have rolled-out Salesforce Marketing Cloud across all our major countries, improving our "Find & Engage" lead-generation programmes. Our innovative "HaysHub" app is now live in many of our Education clients, again yielding very good engagement.

We have further incorporated real-time data insights and approachability signals into both our 'SalesPlanner' business development tool, and our 'TalentManager' candidate-management system. These give us insightful information which helps us predict client demands ahead of time and improve consultant productivity.

Australia & New Zealand (18%[7] net fees, 27%[7] operating profits)

Solid performance despite weaker market conditions in the second half, particularly in Construction & Property, and tough comparatives

Year ended 30 June (In £'s million)	2019	2018	Growth Actual	Growth LFL
Net fees[1]	**198.5**	199.4	0%	4%
Operating profit[2]	**66.4**	69.1	(4%)	0%
Conversion rate[4]	**33.5%**	34.7%		
Period-end consultant headcount	**1,008**	1,000	1%	

In Australia & New Zealand (ANZ), net fees increased by 4% to £198.5 million and operating profit[2] was flat on a like-for like basis, at £66.4 million. This represented a conversion rate[4] of 33.5% (2018: 34.7%), as net fee growth slowed through the year, although trading remains near record levels. The difference between actual and like-for-like growth rates was primarily the result of the depreciation in the average rate of exchange of the Australian Dollar versus Sterling during the year, which decreased net fees by £7.7 million and operating profit by £2.8 million.

Temp net fees, which represented 68% of ANZ net fees in the year, grew by 7%. The number of Temp and Contracting workers reached a new record in the year in June, at over 22,000 per week. Net fees in Perm decreased 4%.

Australia delivered good net fee growth of 5%, led by the public sector, which represented 36% of Australian net fees, up 7%. Growth in private sector net fees was 4%.

Our largest regions of New South Wales and Victoria, which together accounted for 57% of Australia net fees, were up 7% and 5% respectively. Queensland and ACT also delivered a good performance, with net fees up 7% and 6% respectively, although Western Australia was weaker, declining by 4%.

At the Australian specialism level, IT grew by an excellent 21%, and Resources & Mining was strong, up 15%. Construction & Property and Accountancy & Finance, our two largest specialisms, were down 7% and 5% respectively, although Office Support grew by 6%.

New Zealand (5% of ANZ net fees) had a difficult year and was down 17%. We made management changes and our business sequentially stabilised in the second half of the year.

Consultant headcount in ANZ increased by 1% year-on-year to 1,008, with Australia up 1% and New Zealand down by 3%. During the year we opened two new offices in Australia, in Ballarat and Bunbury.

Germany (27%[7] net fees, 36%[7] operating profits)

Good performance despite significant reduction in business confidence, and tough comparatives

Year ended 30 June (In £'s million)	2019	2018	Growth Actual	Growth LFL
Net fees[1]	**299.8**	276.0	9%	9%
Operating profit[2]	**91.3**	86.0	6%	7%
Conversion rate[4]	**30.5%**	31.2%		
Period-end consultant headcount	**1,801**	1,700	6%	

Our largest market of Germany delivered good net fee growth of 9% to a record £299.8 million, with operating profit[2] up by 7% to £91.3 million. Our quarterly fee growth rates slowed as the year progressed, versus tough comparatives and increasing signs of client cost control and slower decision-making. This was particularly evident in the Manufacturing and Automotive sectors.

Modest Sterling strength versus the Euro led to a year-on-year decrease in net fees of £1.5 million and operating profits of £0.5 million. There was one additional trading day versus prior year, which we estimate had a 0.4% positive impact on net fees and a c.1% positive impact on operating profit[2]. Therefore, adjusted for working days, underlying net fee growth remained c.9%[5] and operating profit grew by c.6%[5].

Our Temp and Contracting business, which represented 84% of Germany fees, delivered good growth of 8%. Within this, our largest business of Contracting increased by 3%, while Temp growth was strong at 19%. Our Perm business, 16% of our Germany fees, delivered strong growth of 16%.

IT, our largest specialism at 41% of Germany net fees, grew by 9%. Engineering, which represented 28% of net fees, increased by 6%. We saw strong growth of 17% and 16% respectively in our Sales & Marketing and Accountancy & Finance specialisms, and Legal net fees grew by an excellent 44%.

Consultant headcount increased 6% year-on-year to 1,801, although we reduced headcount by 1% in the second half of the year. We opened two new offices in Wiesbaden and Erfurt, and completed significant expansions in Cologne, Mannheim and Dresden. We also completed our front office IT operational upgrade and made good progress in our back-office system projects.

The impact of lower net fee growth in the second half of the year, together with the investments noted above, meant our conversion rate[4] declined 70bps to 30.5% (2018: 31.2%).

United Kingdom & Ireland (23%[7] net fees, 20%[7] operating profits)

Solid performance, with profit[2] up 4%, driven by good cost control, despite ongoing uncertainties

Year ended 30 June (In £'s million)	2019	2018	Growth Actual	Growth LFL
Net fees[1]	**263.8**	258.2	2%	2%
Operating profit[2]	**48.9**	47.0	4%	4%
Conversion rate[4]	**18.5%**	18.2%		
Period-end consultant headcount	**1,960**	1,917	2%	

In the United Kingdom & Ireland net fees increased by 2% to £263.8 million, with operating profit[2] up 4% to £48.9 million, driven by good cost control, increasing the conversion rate[4] to 18.5% (2018: 18.2%). After a solid first half, fee growth in the UK was understandably more subdued in the fourth quarter and was impacted by increased economic uncertainty, which reduced client confidence.

Temp, which represented 57% of division net fees, grew by 4%, with our Perm business flat year-on-year. There was strong net fee growth of 11% in the public sector although the private sector, which represents 73% of net fees, was tougher and fell 1%.

All regions traded broadly in line with the overall UK business, with the exception of the South West & Wales, up 14%, Northern Ireland up 7%, Scotland down 9% and Yorkshire & the North down 4%. Our largest region of London, c.32% of UK&I net fees, grew by 2%. Ireland delivered solid net fee growth of 4%.

At the specialism level, IT net fees grew by a strong 11%. Growth in Accountancy & Finance, our largest UK&I business, was 3%, while our second-largest, Construction & Property, increased by 1%. Office Support grew by 4%, although Education continued to be tough and decreased by 10%.

Consultant headcount in the year increased by 2% to 1,960, although decreased by 1% on an average basis year-on-year.

Rest of World (32%(7) net fees, 17%(7) operating profits)

Strong net fee growth in Asia and the Americas, partially offset by weaker European markets

Year ended 30 June (In £'s million)	2019	2018	Growth Actual	Growth LFL
Net fees(1)	**367.6**	339.2	8%	8%
Operating profit(2)	**42.2**	41.3	2%	2%
Conversion rate(4)	**11.5%**	12.2%		
Period-end consultant headcount	**3,013**	2,847	6%	

Our Rest of World division, which comprises 28 countries, delivered good net fee growth of 8% to £367.6 million, despite a tough growth comparative. A deceleration in fee growth through the year, especially in Europe ex-Germany, restricted operating profit(2) growth to 2%, at £42.2 million. This represented a decrease in conversion rate(4) of 70bps to 11.5% (2018: 12.2%). Currency impacts in the year were minimal, with modest Sterling weakness against the US Dollar broadly offset by strength against the Euro. This resulted in an increase in net fees of £0.5 million, but a slight decrease in operating profit of £0.1 million.

18 countries delivered all-time record net fees. Perm net fees, which represented 70% of RoW, increased by 11%, while Temp net fees rose 2%.

EMEA ex-Germany delivered good overall net fee growth of 6%, with ten countries generating record net fees in the year, including Spain, Italy and Poland. Operating profit(2) decreased by 4% as weaker macroeconomic conditions impacted client confidence, particularly in France, Belgium and the Netherlands. France, our largest RoW market, increased net fees by 4% however profit decreased 7% as net fee growth slowed sharply through the year. The Netherlands and Belgium also saw tougher market conditions, with net fees down 5% and 6% respectively. Southern Europe performed better, with net fees in Spain up 14%, and Italy and Portugal both excellent at 20% and 30% respectively.

The **Americas** grew net fees by a strong 10%, including five of our six countries with all-time records. Canada was a stand-out performer, with net fees up 18%, with the USA up 7% and Chile up an excellent 25%. We continued to invest in the region, particularly in the USA and Latin America, where headcount rose by 8% and 15% respectively. Despite these investments, operating profit(2) in the Americas grew by £1.8 million.

Asia delivered another strong performance, with net fees up 15%. Three of our six businesses in the region delivered record net fee performances. China delivered excellent growth of 22%, including 32% growth in Hong Kong SAR. Singapore was also excellent, up 20%. Japan, our second largest Asian market, grew by 4%, despite a weak third quarter where net fees fell by 5%. Japan's weakness in the third quarter, combined with Asian office expansions and investment in headcount, impacted overall Asia operating profit, which grew by 3% year-on-year.

Consultant headcount in the division increased 6% year-on-year to 3,013. Within this, headcount in EMEA ex-Germany grew by 5% year-on-year (although has decreased by 5% since 31 December 2018), Asia grew by 10% and the Americas by 4%. During the year we opened five new offices in RoW.

Current trading

Good conditions in Asia; Australian markets stable. Germany and the UK tougher, with increasing signs of reduced business confidence

In the first half of our financial year ending 30 June 2020, we will continue to overlap tough net fee growth comparatives versus the prior year.

While we will continue to selectively invest to capitalise on opportunities to reinforce our market leadership, we expect Group headcount growth in Q1 FY20 to be modestly up sequentially, including the impact of our normal seasonal graduate intake. Our increase will be below Q1 FY19, and lower than our normal rate.

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. If we re-translate the Group's full-year operating profit(2) of £248.8 million at current exchange rates, the actual reported result would increase by c.£5 million to c.£254 million.

Australia & New Zealand

Market activity in Australia continues to be broadly stable sequentially, at high overall levels, albeit slightly below FY19. IT markets remain strong, although Construction & Property remains tough.

Germany

In Germany, economic conditions and market activity levels are weakening, with reduced business confidence and slower client investment decisions, particularly in the Engineering and Automotive sectors.

United Kingdom & Ireland

Market activity has recently softened, with signs that continued economic uncertainty is impacting business confidence in the private sector.

RoW

Conditions remain good across Asia, but are more mixed in the Americas. EMEA ex-Germany is broadly stable.

FINANCIAL REVIEW

Summary Income Statement

Year ended 30 June (In £'s million)	2019	2018	Growth Actual	Growth LFL
Turnover	**6,070.5**	5,753.3	6%	7%
Net fees[1]				
Temporary	**649.3**	619.2	5%	6%
Permanent	**480.4**	453.6	6%	7%
Total	**1,129.7**	1,072.8	5%	6%
Operating profit (before exceptional items) [2]	**248.8**	243.4	2%	4%
Conversion rate[3]	**22.0%**	22.7%		
Underlying temporary margin [4]	**15.4%**	15.9%		
Temporary fees as % of total	**57%**	58%		
Period-end consultant headcount	**7,782**	7,464	4%	

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

(2) 2019 operating profit is presented before exceptional costs of £15.1 million, comprising £8.3m relating to the Lloyds Banking Group legal ruling regarding equalisation of guaranteed minimum pensions for men and women in UK defined pension plans, and £6.8 million relating to restructuring charges, primarily in our European businesses. There were no exceptional items in the prior year.

(3) Conversion Rate is the conversion of net fees into operating profit[2].

(4) The underlying Temp 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 Group provides major payrolling services.

Turnover for the year to 30 June 2019 (FY19) was up 7% on a like-for-like basis (6% on an actual basis). Operating costs excluding exceptional items were 7% higher than prior year, primarily due to 6% growth in average Group headcount, a rise in commission payments in line with the increase in net fees, and £5 million higher Group property costs. This was partially offset by lower senior management incentive payments of c.£10 million, and £2 million in cost savings related to the exceptional restructuring charges during FY19.

In the year to 30 June 2020 (FY20), given the investment we have already made in new offices and expansions we expect an incremental c.£5 million of additional Property cost, and also an additional c.£5 million in depreciation charges (pre-IFRS 16 impacts), primarily relating to IT investments and new office fit-out. Partially offsetting these costs, we expect to benefit from a further incremental c.£3 million of cost savings related to the FY19 restructuring.

Operating profit[2] increased by 4% on a like-for-like basis (2% on an actual basis). Exchange rate movements reduced net fees by £8.8 million and reduced operating profit by £3.4 million.

The Group's conversion rate[3] decreased by 70bps to 22.0% (2018: 22.7%). Our International divisions saw modest negative profit leverage, particularly in Europe where markets slowed sharply in Q1 FY19 and continued to decelerate throughout the year. The UK&I division saw modest positive profit leverage during the year, driven by good cost control.

Consultant headcount at the end of June 2019 was 7,782, up 4% year-on-year, down 2% versus December 2018. Our headcount investment was higher in the first half of the year, meaning average headcount growth was 6% in the full year. We entered FY19 with double-digit fee growth momentum and had added appropriate headcount to grow in such positive conditions. It became apparent towards the end of Q1 FY19 that growth had slowed, particularly in Europe and Australia, and we acted swiftly to reduce hiring. By 30 September 2019 (Q1 FY20), we expect our headcount to be broadly flat versus prior year.

Our International business increased consultant headcount by 5% year-on-year, including year-on-year increases of 10% in China, 6% in Germany and 8% in the USA. Consultant headcount in UK&I grew by 2% year-on-year, although average UK&I headcount in FY19 decreased by 1%, as we continued to focus on driving consultant productivity.

IFRS 16

IFRS 16 Leases will become effective for the Group from 1 July 2019, the start of FY20. The Group has elected to apply the modified retrospective approach whereby the right of use asset at the date of initial application is measured at an amount equal to the lease liability with no restatement to prior years. We estimate that the Group's assets and liabilities will increase by c.£240 to c.£245 million and operating lease rental charges for those leases accounted for under IFRS 16, which are almost entirely property-related, are replaced by depreciation and finance costs.

We estimate that the overall impact of adopting IFRS 16 in FY20 will result in a decrease in the Group underlying profit before tax by c.£3 million, i.e. not material to overall Group profits levels, and have no impact on cash. This comprises a benefit to Group operating profit of c.£2 million, offset at the profit before tax level by an additional c.£5 million of non-cash finance charges, discussed further below.

Net finance charge

The net finance charge for the year was £2.5 million (2018: £4.9 million). The average interest rate on gross debt during the period was 2.0% (2018: 2.0%), generating net bank interest payable including amortisation of arrangement fees of £1.7 million (2018: £1.6 million). The net interest charge on defined benefit pension scheme obligations was £0.5 million (2018: £2.1 million). The Pension Protection Fund levy was £0.2 million (2018: £0.3 million).

We expect the net finance charge for FY20 to be around £10 million. The increase versus FY19 is primarily due to c.£5 million of non-cash IFRS16 interest charges as we report IFRS 16 for the first time, as noted above, and c.£2.5 million of non-cash increase in IAS19 pension charge, given a lower defined benefit Group pension scheme surplus of £19.7 million (2018: £75.9 million), and the reduced discount rate.

Taxation

Taxation for the year on profit before exceptional items was £72.7 million (2018: £72.7 million), representing an effective tax rate of 29.5% (2018: 30.5%). The tax charge on total profits including exceptional items was £69.5m, representing an effective tax rate of 30.1%. The effective tax rate reflects the Group's geographical mix of profits and the impact of items considered to be non-taxable or non-deductible for tax purposes, with the decrease year-on-year primarily due to changes in these factors and the availability of tax losses to shelter income. The Group's effective tax rate for FY20 will be driven by these factors and we currently expect the rate to be broadly unchanged from the FY19 pre-exceptional rate of 29.5%.

Earnings per share

Basic earnings per share before exceptional items increased by 4% to 11.92 pence (2018: 11.44 pence), reflecting the Group's higher operating profit(2), lower net finance charge and lower effective tax rate. Basic earnings per share after exceptional items decreased by 3% to 11.10 pence (2018: 11.44 pence).

Cash flow and balance sheet

Underlying cash performance was strong with 106% conversion of operating profit(2) into operating cash flow(3) (2018: 100%). This was a result of continued strong working capital management throughout the year and benefitted from the lower rate of growth in our Temp and Contracting businesses in the second half of the year, which are relatively working capital intensive. Trade debtor days were unchanged at 39 days (2018: 39 days).

Capital expenditure was £33.0 million (2018: £25.0 million), with the increase primarily due to investments in front and back office operational systems, particularly in Germany and the USA, cyber security and property. We expect capital expenditure to be c.£30 million for FY20.

Dividends paid in the year totalled £129.1 million and pension deficit contributions were £15.7 million. Net interest paid was £2.7 million, including an arrangement fee on our new debt facility, and corporation tax payments were £75.5 million.

We ended the year with a record net cash position of £129.7 million.

Retirement benefits

The Group's pension position under IAS19 at 30 June 2019 has resulted in a surplus of £19.7 million, compared to a surplus of £75.9 million at 30 June 2018. The decrease in surplus of £56.2 million was primarily due to changes in financial assumptions (a decrease in the discount rate and an increase in the inflation rate) partially offset by an increase in asset values.

In respect of IFRIC 14, the Schemes 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 £15.7 million of cash to the defined benefit scheme (2018: £15.3 million), in line with the agreed deficit recovery plan. The 2018 triennial valuation quantified the actuarial deficit at £43.6 million on a Technical Provisions (TP) basis and the recovery plan comprises an annual payment of £15.3 million from July 2018, with a fixed 3% uplift per year, over a period of just under six years. The scheme was closed to new entrants in 2001 and to future accrual in June 2012.

As previously announced, 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 (excluding GMP equalisation adjustments where applicable) 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. The impact of this transaction is reflected in the IAS 19 valuation as at 30 June 2019. 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, with the ultimate aim of a complete buyout.

Exceptional charge

During the year, the Group incurred an exceptional charge of £15.1 million in relation to the following items.

As mentioned in our Half-year results, following the landmark legal judgment against Lloyds Banking Group in October 2018, ruling on the equalisation of guaranteed minimum pensions (GMP) for men and women in UK defined pension plans, we have recognised an exceptional charge of £8.3 million. This represented c.1.2% of the Schemes liabilities. This charge is a non-cash item.

During the second half of the year, management performed a comprehensive operational cost review exercise, principally across the European country operations. The exercise led to the restructuring of a number of senior management positions. The restructuring costs represents the first significant restructuring of senior level management across the Group since 2011, and therefore the costs incurred of £6.8 million have been recognised as an exceptional item. The cash impact from the restructuring exceptional cost as at the balance sheet date was £2.9 million with a further £3.9 million cash outflow expected during FY20. During the year, we benefitted from £2 million in cost savings related to the exceptional restructuring charges, with a further c.£3 million anticipated in FY20.

Capital structure and dividend

The Board's consistent 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 within a range of 2.0x to 3.0x full-year earnings(2), and to match increases in full-year earnings growth with core dividend growth. Assuming a positive economic 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 considering the financial performance of the Group, this year the Board proposes to increase the final core dividend by 4% to 2.86p per share resulting in an increase to the full year dividend to 3.97p per share, up 4% on prior year. As such, the full-year dividend will be covered 3.0x by pre-exceptional earnings(2). Additionally, in line with the above policy on uses of excess cash and our highly cash generative business model, the Board recommends the payment of a special dividend of £79.7 million, equivalent to 5.43p per share, up 9% on prior year.

In the first two years of our five-year plan ending in June 2022, we have either paid or proposed over £265 million in core and special dividends.

The final dividend and the special dividend will be paid, subject to shareholder approval, on 15 November 2019 to shareholders on the register on 4 October 2019.

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. On 8 November 2018, the Group extended the maturity of the facility until November 2023, with an option to extend to 2025, subject to lender agreement. This 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 30 June 2019: 189:1) and its leverage ratio (net debt to EBITDA) to be no greater than 2.5:1 (as at 30 June 2019 the Group held a net cash position). Under the terms of the renewed agreement, the Group has the option to calculate the financial covenants on a basis that exclude the impact of IFRS 16. The interest rate of the facility is on a ratchet mechanism with a margin payable over LIBOR in the range 0.70% to 1.50%.

The Group's UK-based Treasury function manages the Group's currency and interest rate 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; and the investment of surplus funds. 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 enhances liquidity by utilising 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 deposits. 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 that have an acceptable credit profile and limits its exposure to each institution accordingly.

Board changes

Andrew Martin was appointed Non-Executive Chairman of the Board on an interim basis on 23 July 2018, and confirmed in the role on a permanent basis with effect from 28 August 2018.

Victoria Jarman stood down as Non-Executive Director at the Company's Annual General Meeting in November 2018, after serving on the Board for seven years. At that time, Peter Williams succeeded Victoria as Chair of the Company's Audit Committee.

On 19 February 2019, Peter Williams was appointed to the role of Senior Independent Director of the Company, a vacancy created on Andrew Martin's appointment as Chairman, and MT Rainey was appointed as designated Non-Executive Director for engagement with the Company's workforce, in line with the provisions of the UK Corporate Governance Code (July 2018).

On 17 June 2019, Cheryl Millington was appointed as a Non-Executive Director of the Company.

Principal risks facing the business

Hays plc operates an embedded risk management framework, which is monitored and reviewed by the Board. There are a number of potential risks and uncertainties that could have a material impact on the Group's financial performance and position. These include risks relating to the cyclical nature of our business, business model, talent recruitment and retention, compliance, reliance on technology, cyber security, data protection and contracts. These risks and our mitigating actions remain as set out in the 2018 Annual Report.

As noted in our Half Year Report on 21 February 2019, legal proceedings commenced against a number of recruitment agencies in Australia, including Hays, in relation to the employment status of certain workers engaged on a casual (temporary) basis in the coal mining sector. There have been no material developments since that date.

Cautionary statement

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

This announcement contains inside information.
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CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE

(In £s million)	Note	2019 Before exceptional items	2019 Exceptional items (note 4)	**2019**	2018
Turnover		6,070.5	-	**6,070.5**	5,753.3
Net fees [(1)]	3	1,129.7	-	**1,129.7**	1,072.8
Operating profit	3	248.8	(15.1)	**233.7**	243.4
Net finance charge	6	(2.5)	-	**(2.5)**	(4.9)
Profit before tax		246.3	(15.1)	**231.2**	238.5
Tax	7	(72.7)	3.2	**(69.5)**	(72.7)
Profit after tax		173.6	(11.9)	**161.7**	165.8
Profit attributable to equity holders of the parent company		173.6	(11.9)	**161.7**	165.8
Earnings per share (pence)					
- Basic	9	11.92p	(0.82p)	**11.10p**	11.44p
- Diluted	9	11.77p	(0.80p)	**10.97p**	11.30p

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE

(In £s million)	**2019**	2018
Profit for the year	**161.7**	165.8
Items that will not be reclassified subsequently to profit or loss:		
Actuarial remeasurement of defined benefit pension schemes	**(63.1)**	62.9
Tax relating to components of other comprehensive income	**12.3**	(11.9)
	(50.8)	51.0
Items that may be reclassified subsequently to profit or loss:		
Currency translation adjustments	**7.6**	(5.1)
Tax relating to components of other comprehensive income	**(0.7)**	-
Other comprehensive income for the year net of tax	**(43.9)**	45.9
Total comprehensive income for the year	**117.8**	211.7
Attributable to equity shareholders of the parent company	**117.8**	211.7

CONSOLIDATED BALANCE SHEET

AT 30 JUNE

(In £s million)	Note	**2019**	2018
Non-current assets			
Goodwill		**227.2**	223.2
Other intangible assets		**38.4**	23.8
Property, plant and equipment		**33.0**	29.3
Deferred tax assets		**24.0**	23.2
Retirement benefit surplus	10	**19.7**	75.9
		342.3	375.4
Current assets			
Trade and other receivables		**1,030.9**	1,010.4
Cash and cash equivalents		**129.7**	122.9
		1,160.6	1,133.3
Total assets		**1,502.9**	1,508.7
Current liabilities			
Trade and other payables		**(761.7)**	(758.0)
Current tax liabilities		**(23.0)**	(25.4)
Derivative financial instruments		**(0.1)**	(0.1)
Provisions	11	**(1.1)**	(1.2)
		(785.9)	(784.7)
Non-current liabilities			
Deferred tax liabilities		**(8.4)**	(17.3)
Provisions	11	**(7.1)**	(6.2)
		(15.5)	(23.5)
Total liabilities		**(801.4)**	(808.2)
Net assets		**701.5**	700.5
Equity			
Called up share capital		**14.7**	14.7
Share premium		**369.6**	369.6
Capital redemption reserve		**2.7**	2.7
Retained earnings		**206.7**	213.0
Cumulative translation reserve		**86.3**	78.7
Equity reserve		**21.5**	21.8
Total equity		**701.5**	700.5

The Consolidated Financial Statements of Hays plc, registered number 2150950, were approved by the Board of Directors and authorised for issue on 28 August 2019.

Signed on behalf of the Board of Directors

A R COX **P VENABLES**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

(In £s million)	Called up share capital	Share premium	Capital redemption reserve	Retained earnings	Cumulative translation reserve	Equity reserve	Total equity
At 1 July 2018	14.7	369.6	2.7	213.0	78.7	21.8	700.5
Currency translation adjustments	-	-	-	-	7.6	-	7.6
Remeasurement of defined benefit pension schemes	-	-	-	(63.1)	-	-	(63.1)
Tax relating to components of other comprehensive income	-	-	-	11.6	-	-	11.6
Net expense recognised in other comprehensive income	-	-	-	(51.5)	7.6	-	(43.9)
Profit for the year	-	-	-	161.7	-	-	161.7
Total comprehensive income for the year	-	-	-	110.2	7.6	-	117.8
Dividends paid	-	-	-	(129.1)	-	-	(129.1)
Share-based payments	-	-	-	12.0	-	(0.3)	11.7
Tax on share-based payment transactions	-	-	-	0.6	-	-	0.6
At 30 June 2019	**14.7**	**369.6**	**2.7**	**206.7**	**86.3**	**21.5**	**701.5**

FOR THE YEAR ENDED 30 JUNE 2018

(In £s million)	Called up share capital	Share premium	Capital redemption reserve	Retained earnings	Cumulative translation reserve	Equity reserve	Total equity
At 1 July 2017	14.7	369.6	2.7	94.1	83.8	21.5	586.4
Currency translation adjustments	-	-	-	-	(5.1)	-	(5.1)
Remeasurement of defined benefit pension schemes	-	-	-	62.9	-	-	62.9
Tax relating to components of other comprehensive income	-	-	-	(11.9)	-	-	(11.9)
Net income recognised in other comprehensive income	-	-	-	51.0	(5.1)	-	45.9
Profit for the year	-	-	-	165.8	-	-	165.8
Total comprehensive income for the year	-	-	-	216.8	(5.1)	-	211.7
Dividends paid	-	-	-	(109.7)	-	-	(109.7)
Share-based payments	-	-	-	11.9	-	0.3	12.2
Tax on share-based payment transactions	-	-	-	(0.1)	-	-	(0.1)
At 30 June 2018	14.7	369.6	2.7	213.0	78.7	21.8	700.5

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE

(In £s million)	Note	2019	2018
Operating profit		**233.7**	243.4
Adjustments for:			
Exceptional items [1]	4	**12.2**	-
Depreciation of property, plant and equipment		**10.0**	9.2
Amortisation of intangible assets		**5.2**	6.3
Loss/(profit) on disposal of business assets		**0.2**	(0.6)
Net movements in provisions		**0.8**	(1.4)
Share-based payments		**11.2**	12.4
		39.6	25.9
Operating cash flow before movement in working capital		**273.3**	269.3
Movement in working capital:			
Increase in receivables		**(9.1)**	(107.9)
(Decrease)/increase in payables		**(4.1)**	82.1
Movement in working capital		**(13.2)**	(25.8)
Cash generated by operations		**260.1**	243.5
Pension scheme deficit funding		**(15.7)**	(15.3)
Income taxes paid		**(75.5)**	(65.7)
Net cash inflow from operating activities		**168.9**	162.5
Investing activities			
Purchase of property, plant and equipment		**(13.5)**	(15.1)
Proceeds from sales of business assets		**-**	1.5
Purchase of own shares		**(0.1)**	-
Purchase of intangible assets		**(19.5)**	(11.4)
Cash paid in respect of Veredus acquisition made in previous years		**-**	(13.7)
Interest received		**0.7**	0.6
Net cash used in investing activities		**(32.4)**	(38.1)
Financing activities			
Interest paid		**(3.4)**	(2.6)
Equity dividends paid		**(129.1)**	(109.7)
Proceeds from exercise of share options		**1.9**	1.3
Decrease in bank loans and overdrafts		**-**	(0.4)
Net cash used in financing activities		**(130.6)**	(111.4)
Net increase in cash and cash equivalents		**5.9**	13.0
Cash and cash equivalents at beginning of year		**122.9**	112.0
Effect of foreign exchange rate movements		**0.9**	(2.1)
Cash and cash equivalents at end of year		**129.7**	122.9

[1] The adjustment to the Cash Flow Statement in the year to 30 June 2019 of £12.2 million relates to the non-cash GMP Equalisation charge of £8.3 million and restructuring costs of £3.9 million expected to be paid out during the year to 30 June 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 STATEMENT UNDER S435 - PUBLICATION OF NON-STATUTORY ACCOUNTS

The financial information set out in this preliminary announcement does not constitute statutory accounts for the years ended 30 June 2019 or 2018, for the purpose of the Companies Act 2006, but is derived from those accounts. The statutory accounts for 2018 have been delivered to the Registrar of Companies and those for 2019 will be delivered following the Company's Annual General Meeting. The Group’s Auditor has reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

2 BASIS OF PREPARATION

Whilst the financial information included in this preliminary announcement has been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted for use in the European Union and as issued by the International Accounting Standards Board, this announcement does not itself contain sufficient information to comply with IFRS. The accounting policies applied in preparing this financial information are consistent with the Group’s financial statements for the year ended June 2018 with the exception of the following new accounting standards and amendments which were mandatory for accounting periods beginning on or after 1 January 2018, none of which had any material impact on the Group’s results or financial position.

- IFRS 2 (amendments) Share-based Payments (effective 1 January 2018)
- IFRS 9 Financial Instruments (effective 1 January 2018)
- IFRS 15 Revenue from Contracts and Customers (effective 1 January 2018)
- IFRS 15 (amendments) Revenue from Contracts and Customers (effective 1 January 2018)
- Annual Improvements to IFRSs 2016 (effective 1 January 2018)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective 1 January 2018)

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and financial position, including its cash flows and liquidity position are described in this preliminary results announcement for the year ended 30 June 2019. The directors have formed the judgment that there is reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. As a result the directors continue to adopt the going concern basis in the preparation of the financial statements.

3 SEGMENTAL INFORMATION

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker to allocate resources to the segment and to assess their performance.

As a result, the Group segments the business into four regions, Australia & New Zealand, Germany, United Kingdom & Ireland and Rest of World. There is no material difference between the segmentation of the Group's turnover by geographic origin and destination.

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

The Group's Management Board, which is regarded as the chief operating decision maker, uses net fees by segment as its measure of revenue in internal reports, rather than use turnover. This is because net fees exclude the remuneration of temporary workers, and payments to other recruitment agencies where the Group acts as principal, which are not considered relevant in allocating resources to segments. The Group's Management Board considers net fees for the purpose of making decisions about allocating resources. The Group does not report items below operating profit by segment in its internal management reporting. The reconciliation of turnover to net fees can be found in note 5.

3 SEGMENTAL INFORMATION continued

(In £s million)	**2019**	2018
Net fees		
Australia & New Zealand	**198.5**	199.4
Germany	**299.8**	276.0
United Kingdom & Ireland	**263.8**	258.2
Rest of World	**367.6**	339.2
	1,129.7	1,072.8

(In £s million)	2019 Before exceptional items	2019 Exceptional items	**2019**	2018
Operating profit				
Australia & New Zealand	66.4	(0.3)	**66.1**	69.1
Germany	91.3	(2.1)	**89.2**	86.0
United Kingdom & Ireland	48.9	(9.0)	**39.9**	47.0
Rest of World	42.2	(3.7)	**38.5**	41.3
	248.8	(15.1)	**233.7**	243.4

There were no exceptional items in the prior year.

4 EXCEPTIONAL ITEMS

During the year, the Group incurred an exceptional charge of £15.1 million (2018: £nil) in relation to the following items.

Following the landmark legal judgment against Lloyds Banking Group in October 2018, ruling on the equalisation of guaranteed minimum pensions (GMP) for men and women in UK defined pension plans, the Group have recognised an exceptional charge of £8.3 million. This represented circa. 1.17% of the Schemes liabilities. This charge is a non-cash item.

During the second half of the year, management performed a comprehensive operational cost review exercise, principally across the European country operations. The exercise led to the restructuring of a number of senior management positions. The restructuring costs represents the first significant restructuring of senior level management across the Group since 2011, and therefore the costs incurred of £6.8 million have been recognised as an exceptional item. The cash impact from the restructuring exceptional cost as at the balance sheet date was £2.9 million with a further £3.9 million cash outflow expected during the financial year to 30 June 2020.

The exceptional charge generated a tax credit of £3.2 million. There were no exceptional items in the prior year.

5 OPERATING PROFIT

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

(In £s million)	**2019**	2018
Turnover	**6,070.5**	5,753.3
Remuneration of temporary workers	**(4,661.4)**	(4,425.2)
Remuneration of other recruitment agencies	**(279.4)**	(255.3)
Net fees	**1,129.7**	1,072.8

Operating profit is stated after charging the following items to net fees of £1,129.7 million (2018: £1,072.8 million):

(In £s million)	2019 Before exceptional items	2019 Exceptional items	**2019**	2018
Staff costs	677.5	14.8	**692.3**	635.2
Depreciation of property, plant and equipment	10.0	-	**10.0**	9.2
Amortisation of intangible assets	5.2	-	**5.2**	6.3
Operating lease rentals payable	49.8	-	**49.8**	45.3
Impairment loss on trade receivables	3.9	-	**3.9**	3.6
Auditor's remuneration				
- for statutory audit services	1.4	-	**1.4**	1.2
- for other services	0.1	-	**0.1**	0.5
Other external charges	133.0	0.3	**133.3**	128.1
	880.9	15.1	**896.0**	829.4

There were no exceptional items in the prior year.

6 NET FINANCE CHARGE

(In £s million)	**2019**	2018
Interest received on bank deposits	**0.7**	0.6
Interest payable on bank loans and overdrafts	**(2.4)**	(2.2)
Other interest payable	**(0.1)**	(0.3)
Interest unwind on acquisition liability	**-**	(0.6)
Pension Protection Fund levy	**(0.2)**	(0.3)
Net interest on pension obligations	**(0.5)**	(2.1)
Net finance charge	**(2.5)**	(4.9)

7 TAX

The income tax expense for the year can be reconciled to the accounting profit as follows:

(In £s million)	2019 Before exceptional items	2019 Exceptional items	**2019**	2018
Profit before tax	246.3	(15.1)	**231.2**	238.5
Income tax expense calculated at 19.0% (2018: 19.0%)	(46.8)	2.9	**(43.9)**	(45.3)
Net effect of items that are non-taxable/(non-deductible) in determining taxable profit	(4.0)	-	**(4.0)**	(5.8)
Effect of unused tax losses not recognised for deferred tax assets	(1.5)	-	**(1.5)**	(1.6)
Effect of tax losses not recognised for deferred tax utilised in the year	1.0	-	**1.0**	1.4
Effect of tax losses now recognised for deferred tax	0.6	-	**0.6**	-
Effect of other timing differences not recognised for deferred tax assets	(0.6)	-	**(0.6)**	(0.2)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(21.9)	0.3	**(21.6)**	(21.8)
Effect of share-based payment charges and share options	(0.5)	-	**(0.5)**	(0.4)
	(73.7)	3.2	**(70.5)**	(73.7)
Adjustments recognised in the current year in relation to the current tax of prior years	1.1	-	**1.1**	0.7
Adjustments to deferred tax in relation to prior years	(0.1)	-	**(0.1)**	0.3
Income tax expense recognised in the Consolidated Income Statement	(72.7)	3.2	**(69.5)**	(72.7)
Effective tax rate for the year	29.5%	21.2%	**30.1%**	30.5%

The tax rate used for the 2019 reconciliations above is the corporate tax rate of 19.0% (2018: 19.0%) payable by corporate entities in the United Kingdom on taxable profits under tax law in that jurisdiction.

There were no exceptional items in the prior year.

8 DIVIDENDS

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

	2019 pence per share	**2019 £s million**	2018 pence per share	2018 £s million
Previous year final dividend	**2.75**	**40.0**	2.26	32.7
Previous year special dividend	**5.00**	**72.9**	4.25	61.6
Current year interim dividend	**1.11**	**16.2**	1.06	15.4
	8.86	**129.1**	7.57	109.7

The following dividends have been paid/proposed by the Group in respect of the accounting year presented:

	2019 pence per share	**2019 £s million**	2018 pence per share	2018 £s million
Interim dividend (paid)	**1.11**	**16.2**	1.06	15.4
Final dividend (proposed)	**2.86**	**42.0**	2.75	40.0
Special dividend (proposed)	**5.43**	**79.7**	5.00	72.9
	9.40	**137.9**	8.81	128.3

The final dividend for 2019 of 2.86 pence per share (£42.0 million) along with a special dividend of 5.43 pence per share (£79.7 million) will be proposed at the Annual General Meeting on 13 November 2019 and has not been included as a liability as at 30 June 2019. If approved, the final and special dividend will be paid on 15 November 2019 to shareholders on the register at the close of business on 4 October 2019.

9 EARNINGS PER SHARE

For the year ended 30 June 2019	**Earnings (£s million)**	**Weighted average number of shares (million)**	**Per share amount (pence)**
Before exceptional items:			
Basic earnings per share	**173.6**	**1,456.2**	**11.92**
Dilution effect of share options	**-**	**18.3**	**(0.15)**
Diluted earnings per share	**173.6**	**1,474.5**	**11.77**
After exceptional items:			
Basic earnings per share	**161.7**	**1,456.2**	**11.10**
Dilution effect of share options	**-**	**18.3**	**(0.13)**
Diluted earnings per share	**161.7**	**1,474.5**	**10.97**

For the year ended 30 June 2018	Earnings (£s million)	Weighted average number of shares (million)	Per share amount (pence)
Basic earnings per share	165.8	1,448.6	11.44
Dilution effect of share options	-	18.3	(0.14)
Diluted earnings per share	165.8	1,466.9	11.30

The weighted average number of shares in issue for both years exclude shares held in treasury.

Reconciliation of earnings for the year ended 30 June 2019.

(In £s million)	**Earnings**
Earnings before exceptional items	**173.6**
Exceptional items (note 4)	**(15.1)**
Tax credit on exceptional items (note 7)	**3.2**
Total earnings	**161.7**

There were no exceptional items in the prior year.

10 RETIREMENT BENEFIT SURPLUS/OBLIGATIONS

(In £s million)	**2019**	2018
Surplus/(deficit) in the scheme brought forward	**75.9**	(0.2)
Past service cost - GMP Equalisation cost	**(8.3)**	-
Administration costs	**(2.7)**	(2.3)
Employer contributions (towards funded and unfunded schemes)	**15.7**	15.3
Net interest credit	**2.2**	0.2
Remeasurement of the net defined benefit liability	**(63.1)**	62.9
Surplus in the scheme carried forward	**19.7**	75.9

11 PROVISIONS

(In £s million)	Current	Non-current	Total
At 1 July 2018	1.2	6.2	7.4
Additions	-	0.9	0.9
Utilised	(0.1)	-	(0.1)
At 30 June 2019	**1.1**	**7.1**	**8.2**

Provisions primarily comprise potential exposures arising from business operations overseas.

12 LIKE-FOR-LIKE RESULTS

Like-for-like results represent organic growth of operations at constant currency. For the year ended 30 June 2019 these are calculated as follows:

(In £'s million)	Year to 30 June 2018	Foreign exchange impact	30 June 2018 at constant currency	Organic growth	**Year to 30 June 2019**
Net Fees					
Australia & New Zealand	199.4	(7.7)	191.7	6.8	**198.5**
Germany	276.0	(1.5)	274.5	25.3	**299.8**
United Kingdom & Ireland	258.2	(0.1)	258.1	5.7	**263.8**
Rest of World	339.2	0.5	339.7	27.9	**367.6**
Group net fees	1,072.8	(8.8)	1,064.0	65.7	**1,129.7**
Operating Profit before exceptional items					
Australia & New Zealand	69.1	(2.8)	66.3	0.1	**66.4**
Germany	86.0	(0.5)	85.5	5.8	**91.3**
United Kingdom & Ireland	47.0	-	47.0	1.9	**48.9**
Rest of World	41.3	(0.1)	41.2	1.0	**42.2**
Operating Profit before exceptional items	243.4	(3.4)	240.0	8.8	**248.8**

There were no exceptional items in the year to 30 June 2018.

13 LIKE-FOR-LIKE QUARTERLY RESULTS ANALYSIS BY DIVISION

Net fee growth/(decline) versus same period last year:

	Q1 2019	**Q2 2019**	**Q3 2019**	**Q4 2019**	**FY 2019**
Australia & New Zealand	7%	8%	3%	(3%)	**4%**
Germany	13%	15%	6%	2%	**9%**
UK & Ireland	3%	3%	3%	(2%)	**2%**
Rest of World	14%	10%	9%	2%	**8%**
Group	9%	9%	6%	0%	**6%**

14 DISAGGREGATION OF NET FEES

IFRS 15 requires entities to disaggregate revenue recognised from contracts with customers into relevant categories that depict how the nature, amount and cash flows are affected by economic factors. As a result, we consider the following information to be relevant:

	Australia & New Zealand	**Germany**	**United Kingdom & Ireland**	**Rest of World**	**Group**
Temporary placements	68%	84%	57%	30%	**57%**
Permanent placements	32%	16%	43%	70%	**43%**
Private sector	66%	90%	73%	99%	**85%**
Public sector	34%	10%	27%	1%	**15%**
Accountancy & Finance	12%	15%	22%	13%	**15%**
IT & Engineering	12%	69%	10%	28%	**32%**
Construction & Property	23%	5%	20%	10%	**13%**
Office Support	13%	0%	12%	6%	**7%**
Other	40%	11%	36%	43%	**33%**
Total	100%	100%	100%	100%	**100%**