

PRELIMINARY RESULTS FOR THE YEAR ENDED 30 JUNE 2020

27 August 2020

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DESPITE A VERY TOUGH YEAR, WITH H2 HEAVILY IMPACTED BY COVID-19, OUR FINANCIAL STRENGTH UNDERPINS OUR STRATEGY

Year ended 30 June (In £'s million)	2020	2019	Actual growth	LFL growth
Net fees ⁽¹⁾	996.2	1,129.7	(12)%	(11)%
Operating profit (before exceptional items) ⁽²⁾	135.0	248.8	(46)%	(45)%
Cash generated by operations ⁽³⁾	247.4	263.0	(6)%	
Profit before tax (before exceptional items) ⁽²⁾	126.2	246.3	(49)%	
Profit before tax	86.3	231.2	(63)%	
Basic earnings per share (before exceptional items) ⁽²⁾	5.28p	11.92p	(56)%	
Basic earnings per share	3.14p	11.10p	(72)%	
Core dividend per share	-	3.97p	-	
Net cash, adjusted for tax payment deferrals	366.2	129.7	182%	

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.

- Group fees fell by 11% in FY20. Growth slowed through H1, with fees down 2%. H2 was heavily impacted by Covid-19, with Q4 down 34%. Operating profit⁽²⁾ fell by 45% to £135.0 million, all delivered in the 9 months to the end of March, with Q4 trading broadly breakeven. Complete business continuity maintained throughout the pandemic
- While conditions remain tough, May-July fees were stable, and we are seeing modest signs of improvement in Perm. Temp markets are stable overall. c.80% of offices have now reopened
- **Australia & New Zealand:** fees down 11%; operating profit⁽²⁾ down 25%. After a subdued H1, fees in H2 were significantly impacted by Covid-19. Temp (71% of fees) relatively resilient, down 6%, and Perm down 20%
- **Germany:** fees down 13%; operating profit⁽²⁾ down 41%. Tough H1 conditions, which significantly deteriorated in H2 as the pandemic hit. Contracting (58% of fees) and Perm (17% of fees) fell 9% & 8% respectively. Temp significantly tougher and fell by 24%, impacted by under-utilisation of employed Temp workers through the pandemic
- **UK & Ireland:** fees down 14%; operating profit⁽²⁾ down 66%. H1 affected by pre-election uncertainties and H2 highly impacted by Covid-19. Private sector fees down 19%, with the Public sector down 3%
- **Rest of World:** fees down 8%; operating profit⁽²⁾ down 60%, due to the relatively higher fixed costs in these smaller countries. After flat H1 fees, EMEA fell sharply, including Q4 down 32%. The Americas produced good 7% fee growth in H1, however decreased by 30% in Q4. Asia fees grew by 4% in H1, but Q4 declined by 28%
- **Costs & restructuring:** H1 costs increased by 2%, or £10.7 million. We took appropriate action when the pandemic hit and reduced our pre-Covid cost base by c.20%, or c.£15 million per period⁽⁴⁾. Several country operations were restructured in Q3 & Q4, resulting in exceptional operating costs of £19.6 million, expected to deliver c.£15 million of annualised savings. Year-end Group headcount declined by 9% YoY
- **Strong cash performance:** net cash of £366.2 million excluding short-term deferral of tax payments. Excellent 183% conversion of operating profit⁽²⁾ into operating cash flow⁽³⁾, benefitting from strong credit control and a c.£100 million partial unwind of Temp debtors. Our c.£196 million equity raise in April added significant financial strength

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

“The pandemic severely impacted all our markets globally. Our priority was protecting our colleagues and supporting our clients and candidates as they adjusted overnight to new realities. Facing conditions far harsher than I have known, our business rose to the challenge and I am immensely proud of the commitment and innovation of all our people. Overall, we have protected our business, while taking actions to appropriately reduce costs. Conditions in all regions were very tough, yet the business we have purposefully built showed its strength, with Temp outperforming Perm, relative resilience in technical sectors like IT & Life Sciences, and also growth in large Corporate Accounts.

“Although many uncertainties remain, Group fees have been stable since May and we see modest signs of improvement in Perm. With our strongest ever balance sheet, leading market positions and highly experienced management teams around the world, we are focused on leveraging these advantages to continue growing market share and investing in organic opportunities to accelerate our return to growth, while keeping a tight control on costs. I would like to sincerely thank our colleagues, shareholders and other stakeholders, whose deep commitment and support means we face our future with confidence.”

- (1) Net Fees comprise turnover less remuneration of temporary workers and other recruitment agencies.
- (2) FY20 operating profit is presented before exceptional costs of £39.9 million, comprising £20.3m relating to the partial impairment of goodwill in the US business, and £19.6 million relating to restructuring charges, primarily in our German business. There were £15.1 million of exceptional items in the prior year, comprising £8.3 million 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 Europe.
- (3) FY20 cash generated by operations from the cashflow statement of £412.1 million has been adjusted for the cash impact of lease payments of £46.4 million and £118.3 million of payment deferrals of payroll tax and VAT.
- (4) Due to the cycle of our internal Group reporting, the Group's annual cost base equates to c.12.5x our cost base per period. This is consistent with prior years.
- (5) Conversion rate is the conversion of net fees into operating profit⁽²⁾.
- (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 payroll services.
- (7) Represents percentage of Group net fees and operating profit⁽²⁾.

Enquiries

Hays plc

Paul Venables	Group Finance Director	+ 44 (0) 20 3978 2520
David Phillips	Head of Investor Relations	+ 44 (0) 20 3978 3173

Finsbury

Guy Lamming	hays@finsbury.com
Anjali Unnikrishnan	

Results presentation & webcast

The results presentation will be audio webcast at 9:00am on 27 August 2020, accessible via our website, www.haysplc.com/investors/results-centre, and via +44 (0) 2071 928000, quoting ID 4850349. A recording 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 2020	15 October 2020
Trading update for the quarter ending 31 December 2020	14 January 2021
Half-Year Report for the six months ending 31 December 2020	18 February 2021
Trading update for the quarter ending 31 March 2021	15 April 2021

Hays Group Overview

As at 30 June 2020, Hays had c.10,400 employees in 266 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 in FY20, compared with 25% in 2005.

Our 6,900 consultants work in a broad range of sectors covering 20 professional and skilled recruitment specialisms, and during FY20 our three largest specialisms of IT (25% of Group net fees), Accountancy & Finance (15%) and Construction & Property (12%) together represented 52% of Group net fees.

In addition to our international and sectoral diversification, in FY20 the Group's net fees were generated 59% from temporary and 41% from 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

Trading review & net fees

The macroeconomic backdrop deteriorated through the first half of the year, impacted by weaker conditions in many of our main markets and a slowdown in activity in Germany, especially in the Automotive sector. Additionally, specific events (the UK General Election, bushfires in Australia and general strikes in France) further negatively impacted fees in our second quarter. In the second half, our markets were severely impacted by the unprecedented effects of the Covid-19 pandemic. The severity of each country's lockdown arrangements directly influenced our fee performance, with Australia and the USA less impacted than most European markets.

Net fees decreased by 11% on a like-for-like basis, or £126.9 million (down 12% on an actual basis). Our Temp business, 59% of Group net fees, fell by 9% and Perm by 15%. The fall in net fees after the pandemic hit was similar in magnitude to our experience in the Global Financial Crisis (GFC), however occurred in only six weeks versus eight months in the GFC as fees fell by 34% in Q4 FY20.

Our number one priority was and remains the safety of our colleagues, clients and candidates. Our business switched to remote working virtually overnight. Great credit is due to our technology teams worldwide who ensured all our colleagues retained complete operational functionality.

As at 30 June, c.85% of our non-UK offices and 59% of our total offices were open and operating under a hybrid model of home and office working. As at 25 August, the Group percentage had increased to c.80%, with the increase due to more UK offices reopening.

FY20 costs & operating profit

Considering these headwinds, we delivered a creditable performance. We acted quickly to manage our cost base, while protecting our core business operations and productive capacity. Operating costs were reduced by £15.8 million (£19.7 million on an actual basis). In the first half, costs increased by £10.7 million, as we invested in strategic growth areas like IT and incurred incremental property costs and some payroll inflation. As the pandemic emerged, we took appropriate cost control action. Overall, our cost base was reduced by c.20%, or c.£15 million per period⁽⁴⁾, between February and June 2020, as we actively reduced our variable and discretionary costs, and year-end Group headcount decreased by 9% versus the prior year. In addition, at 30 June 2020, 18% of Group employees were either in job support schemes, short-time working arrangements or had voluntarily reduced their pay, including senior management. In the year our cost base benefitted by c.£8 million from job support schemes globally. Given the difficult environment, the Executive Directors agreed that no FY20 bonuses will be paid to them, or members of the Management Board.

Primarily as a result of the sharp reduction in fees since February, operating profit⁽²⁾ decreased by 45% to £135.0 million (down 46% on an actual basis). Our conversion rate⁽⁵⁾ decreased by 840bps to 13.6% (2019: 22.0%), and we traded at a broadly break-even level through the fourth quarter, including the c.£8 million of cost contributions from job support schemes noted above. We converted an excellent 183% of operating profit⁽²⁾ into operating cash flow⁽³⁾. Year-end net cash, excluding short-term deferrals of tax payments of £118.3 million, was £366.2 million.

Outlook and 'Return to Growth' plans

We anticipate our cost base per period⁽⁴⁾ increasing by c.£5 million to c.£63 million by August 2020, versus c.£58 million in June 2020. We will incur more normal levels of operating and employee costs as government job support schemes end, we begin to return to more normal working practices and reverse voluntary pay reductions. We expect Group headcount at the end of Q1 FY21 will be down versus 30 June 2020.

Trading stabilised faster and at a higher level of fees than we expected at the time of our c.£196 million equity raise. Coupled with an outstanding performance from our credit control teams in reducing our debtor days to 36 days (2019: 39 days), and a c.£100 million unwind of our Temp debtor book, we have the strongest balance sheet in our history. This has allowed us to protect our core operations, and to initiate a strategic 'Return to Growth' programme in our fourth quarter.

We have identified over 20 accelerated headcount investment projects in attractive structural growth markets across each of our divisions, including IT and large Corporate Accounts, in Australia, Germany, the USA, UK, Asia and France. We expect to invest c.£15 million of incremental operating expenditure in these projects in FY21, of which c.£5 million will be in the first half, and c.£1 million is included in the c.£63 million August cost base noted above. In addition, we expect to invest c.£7 million in capex to support these projects, which is included in our Group capex guidance of c.£25 million.

We are confident that these investment projects, driven by our highly experienced management teams across the world, will accelerate fee growth when end markets stabilise and begin to recover. These investments will also position Hays to take greater market share as clients seek financially strong partners.

Hays Talent Solutions, our large Corporate Accounts business continues to make good progress. We saw notable wins in the fourth quarter, including nine new clients, plus five existing clients expanding to new geographies. In addition, we currently have a similar value of projects currently at preferred bidder or negotiation stage, and activity in our early stage bid pipeline has increased through July and August. We are confident that we are well-placed to gain share as clients consolidate their suppliers.

Given macroeconomic uncertainty caused by the pandemic, and the fact we traded only at a broadly breakeven level of profitability in Q4, the Board is not proposing a final dividend for FY20. However, our business model remains highly cash generative and we remain acutely aware of the importance of dividends to shareholders and will look to return to paying dividends as soon as is appropriate. We also have a track record of returning capital, with c.£374 million in core and special dividends paid in respect of FY17 to FY19. When conditions improve, the Board will consider how best to reinstate our capital returns policy.

Equity placing

On 2 April 2020, we conducted a non-pre-emptive placing of new ordinary shares of the Company, raising net proceeds of c.£196 million. This ensures we have a strong balance sheet and provides the Group with a significant liquidity buffer, meaning we are well-positioned for whatever the future holds. It also allows us to protect our core business operations and productive capacity, to pursue organic growth opportunities such as our 'Return to Growth' initiatives and build on our leading market positions by taking share with new and existing blue-chip clients as they 'fly to quality'. The placing was strongly supported by our major shareholders and we are very grateful for their support.

Foreign exchange

Overall, net currency movements versus Sterling negatively impacted results in the year, reducing net fees by £6.6 million, and operating profit by £2.7 million⁽²⁾.

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 £0.9 million and £3.5 million respectively per annum, and operating profit by £0.3 million and £0.7 million respectively per annum.

The rate of exchange between the Australian Dollar and Sterling over the year ended 30 June 2020 averaged AUD 1.8799 and closed at AUD 1.7970. As at 25 August 2020 the rate stood at AUD 1.8298. The rate of exchange between the Euro and Sterling over the year ended 30 June 2020 averaged €1.1402 and closed at €1.1044. As at 25 August 2020 the rate stood at €1.1115.

The impact of these movements in exchange rates means that if we retranslate the Group's FY20 operating profit⁽²⁾ of £135.0 million at current exchange rates, the actual reported result would increase by c.£4 million to c.£139 million.

Temp fees more resilient than Perm

Net fees in Temp, which includes our Contracting business and represented 59% of Group net fees, decreased by 9%. This comprised a volume decrease of 6% and a decrease in underlying Temp margins⁽⁶⁾ of 70bps to 14.7% (2019: 15.4%), partially offset by an hours / mix gain of 2%. The Temp margin decrease was in part due to under-utilisation of employed Temps in Germany during the pandemic, plus a reduction in underlying ANZ and Germany Temp margins. Partially offsetting this, we saw a 2% increase in salary mix, mainly driven by relative strength in our IT specialism globally, which has a higher average salary than the Group as a whole.

Net fees in Perm decreased by 15%, with volumes down 18% and our average Perm net fee up 3%. Regionally, ANZ perm fees decreased by 20%, Germany fell by 8%, UK&I was down 22% and RoW fell by 12%.

Movements in consultant headcount

Group consultant headcount at 30 June 2020 stood at 6,900, down 11% year-on-year and down 12% in the second half. Group headcount declined by 9%. At year-end, c.18% of Group employees were either in job support schemes, short-time working arrangements or had voluntarily reduced their pay, including senior management.

Consultant headcount	30 June 2020	30 June 2019	Net change	% change
Australia & New Zealand	811	1,008	(197)	(20)%
Germany	1,560	1,801	(241)	(13)%
United Kingdom & Ireland	1,840	1,960	(120)	(6)%
Rest of World	2,689	3,013	(324)	(11)%
Group Consultant headcount	6,900	7,782	(882)	(11)%

Office network changes & global specialism roll-out

We added a net one new office in the year, taking our global network to 266 offices. We continued to invest in our IT Contracting business globally, which now represents c.25% of overall Group net fees, up from c.15% in FY11. Prior to the pandemic we were making excellent progress in expanding our US Construction & Property specialism and remain highly confident in our prospects here in the medium term.

Office network	30 June 2020	Net opened/ (closed)	30 June 2019
Australia & New Zealand	42	1	41
Germany	25	1	24
United Kingdom & Ireland	95	(1)	96
Rest of World	104	-	104
Group	266	1	265

Purpose, Equality and our Communities

Our purpose is to benefit society by helping people succeed and enabling organisations to thrive, creating opportunities and improving lives. Becoming lifelong partners to millions of people and thousands of organisations also helps make our business sustainable. During FY20, we focused our charitable activities on projects which support our purpose. One example is End Youth Homelessness, where our staff raised over £70,000 to help 80 young people in to employment, education and training. During the year we also launched '#HaysHelps', which supports our employees to volunteer, with one day of paid leave per year.

Our key company value is that we should always focus on doing the right thing. As part of this, in FY20 Hays endorsed two United Nations Sustainable Development Goals. These call upon businesses to advance sustainable development through the investments they make, the solutions they develop and the practices they adopt. We have initially chosen to focus on the Decent Work and Economic Growth and Gender Equality goals. As a business which exists to help people further their careers and fulfil their potential, the goal of Decent Work already sits very close to Hays's purpose. Over the last four years we have placed over 1 million people worldwide in their next job. We are proud of this as it helps the individual, their employer and society in general.

As part of our Group strategy, and reinforcing our Decent Work and Economic Growth commitment, in Q4 FY20 we launched Hays Thrive, our free-to-use online Training & Wellbeing platform. Hays Thrive was launched during lockdown, with over 50,000 user accounts set up. Hays Thrive is designed to help candidates upskill and to help employees deal with very difficult times, so it is well-timed for the pandemic.

We believe responsible companies should have Equality, Diversity & Inclusion (ED&I) at their heart. We have many successful regional programmes in place which drive and promote these themes and in FY20 we created an ED&I Council within Hays to globalise our efforts.

Hays is an asset-light services business and we have a very limited supply chain which creates adverse environmental impacts. Our carbon usage is relatively low. However, given the momentum in virtual working which has developed through the pandemic, we are seeking to reduce our levels of travel in the future. Additionally, we are looking across our business at how we can reduce our carbon usage over the medium and long term.

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. Never has this been truer than during the pandemic, where we transitioned to remote working almost overnight, ensuring complete operational continuity. Our technology stack helps our consultants find the ideal candidate for our clients' roles more quickly and effectively than in-house HR teams and our competition. We have invested substantially over many years to build our own tools and resources and have constructed proprietary systems and fostered market-leading relationships with major tech platforms allowing seamless integration of the best technology in the world.

These investments are increasingly paying off, driving engagement with prospective candidates and clients and allowing us to process and present to our consultants c.11.5 million CVs within minutes of the candidates engaging with our platforms and channels giving us significant time to market advantages. They also enable our consultants to perform complex searches from our global 'OneTouch' database in seconds. Technology is 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, these 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. Driving consultant productivity remains central to our IT strategy.

FY20 initiatives include the highly successful launch of Hays Thrive, noted above. The speed and success of its launch demonstrates the agility of our IT and marketing teams to develop and launch products using our highly flexible technology stack. Our innovative 'HaysHub' app continued its growth and is actively used by over 4,300 of our UK Education candidates, and by c.2,000 schools. We have now launched 'HaysHub' into our UK Social Care and Construction & Property specialisms, and also in Australia. We further developed our "Find & Engage" strategy by creating a single real-time consultant dashboard to deliver all candidate and client leads straight to the consultant desk best placed to service that customer ensuring we are first to help their needs and are confident this will provide further consultant efficiencies.

Australia & New Zealand (17%⁽⁷⁾ net fees, 36%⁽⁷⁾ operating profits)

Subdued business confidence in H1, with lockdown significantly impacting H2. Relative resilience in Temp, with tough Perm markets

Year ended 30 June (In £'s million)	2020	2019	Growth	
			Actual	LFL
Net fees ⁽¹⁾	170.5	198.5	(14)%	(11)%
Operating profit ⁽²⁾	48.2	66.4	(27)%	(25)%
Conversion rate ⁽⁵⁾	28.3%	33.5%		
Year-end consultant headcount	811	1,008	(20)%	

In Australia & New Zealand (ANZ), net fees decreased by 11% to £170.5 million and operating profit⁽²⁾ fell 25% to £48.2 million. This represented a conversion rate⁽⁵⁾ of 28.3% (2019: 33.5%). 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 £7.2 million and operating profit by £2.5 million.

Net fees fell by 4% in the first half, as business confidence remained subdued, particularly in the Private sector. Activity levels in December were also heavily impacted by the tragic bushfires. Fees in our second half fell by 18%, including Q4 down 28%, significantly impacted by the pandemic and related effects of lockdown.

Temp net fees, which represented 71% of ANZ net fees in the year, declined by 6%. Net fees in Perm decreased 20%. Australia net fees fell by 11%, with the Private sector, which represented 63% of Australian net fees, most impacted by the pandemic and down 14%. Public sector fees declined by 8%.

Our largest regions of New South Wales and Victoria, which together accounted for 55% of Australia net fees, fell by 17% and 15% respectively. Queensland, ACT and Western Australia were more resilient, with net fees down 9%, 4% and 2% respectively.

At the Australian specialism level, Accountancy & Finance and Construction & Property, our largest specialism, were both negatively impacted by the pandemic and declined 23% and 20% respectively, while Office Support was also difficult, down 24%. IT held up well, with flat fees, and our large Corporate Accounts business grew by an excellent 34% and benefitted from several large client wins throughout the year and during the pandemic.

Fees in New Zealand (5% of ANZ net fees) declined by 3%.

Consultant headcount in ANZ decreased by 20% YoY to 811. During the year we opened one new office in the region, in Bendigo, Australia.

Germany (26%⁽⁷⁾ net fees, 39%⁽⁷⁾ operating profits⁽²⁾)

Tough market conditions, which deteriorated as the pandemic hit. Temp significantly impacted by under-utilisation of workers during lockdown

Year ended 30 June (In £'s million)	2020	2019	Growth	
			Actual	LFL
Net fees ⁽¹⁾	259.8	299.8	(13)%	(13)%
Operating profit ⁽²⁾	53.2	91.3	(42)%	(41)%
Conversion rate ⁽⁵⁾	20.5%	30.5%		
Year-end consultant headcount	1,560	1,801	(13)%	

Net fees in our largest market of Germany declined by 13% to £259.8 million, with operating profit⁽²⁾ down by 41% to £53.2 million. This represented a conversion rate⁽⁵⁾ of 20.5% (2019: 30.5%). Modest Sterling strength versus the Euro led to a decrease in net fees of £1.3 million and operating profits of £0.4 million.

Growth slowed materially through H1, where fees fell by 5% amid broad signs of reduced business confidence and increased levels of client cost control. This was particularly evident in our larger clients, notably in the Automotive sector, although there were also signs that weakness has spread to large Financial and Services sector clients. In response, in January 2020 we undertook a restructure of our Germany operations to provide greater focus and alignment to the mid-sized enterprises known as the Mittelstand, together with a dedicated large Corporate Accounts division, at a cost of £12.6 million, which has been included as an exceptional cost. We anticipate this restructuring delivering annualised cost savings in Germany of c.£10 million, of which c.£2 million was achieved in FY20. In H2, the pandemic and effects of lockdown led to a further sharp fee slowdown, down 22%, including Q4 down 33%.

Contracting, 58% of Germany fees and which operates primarily in the IT sector, was relatively resilient and declined by 9% in the year, including Q4 down 12%. Our Contracting business operates a freelance model, with the clear majority of assignments continuing to work remotely through lockdown.

Our Temp business, 25% of Germany fees and where we employ temporary workers as required under German law, was significantly weaker and declined by 24%, including Q4 down 72%. A large proportion of this decline was due to the under-utilisation of employed Temps due to the widespread client closures of their Manufacturing sites during lockdown. As a result, the net reduction in billable hours in Q4 impacted net fees by £6.8 million (net of £2.2 million received from the German short-time working scheme) and fees were further reduced by £4.1 million of non-exceptional costs as we took the decision to release c.420 Temps, given significantly reduced levels of demand from our clients and the tough market outlook.

Perm, 17% of Germany fees and which continues to have excellent long-term structural outsourcing potential, was relatively resilient, down 8%.

IT, which represented 42% of fees, fell by 10%. Engineering, 25% of fees, decreased by 22%. We saw good 6% growth in Sales & Marketing, while Accountancy & Finance and Life Sciences declined 8% and 4% respectively.

Consultant headcount decreased 13% YoY to 1,560, including an 11% decline in H2. We opened two new offices in Bremen and Karlsruhe and merged two offices in Frankfurt.

United Kingdom & Ireland (23%⁽⁷⁾ net fees, 12%⁽⁷⁾ operating profits⁽²⁾)

H1 impacted by pre-election and Brexit uncertainties. H2 deteriorated significantly due the pandemic and the length of the lockdown

Year ended 30 June (In £'s million)	2020	2019	Growth	
			Actual	LFL
Net fees ⁽¹⁾	225.6	263.8	(14)%	(14)%
Operating profit ⁽²⁾	16.6	48.9	(66)%	(66)%
Conversion rate ⁽⁵⁾	7.4%	18.5%		
Year-end consultant headcount	1,840	1,960	(6)%	

In the United Kingdom & Ireland net fees declined by 14% to £225.6 million, with operating profit⁽²⁾ down 66% to £16.6 million, including a £2.4 million loss in the second-half. This represented a conversion rate⁽⁵⁾ of 7.4% (2019: 18.5%).

Net fees fell by 4% in the first half. Trading was significantly impacted by continued uncertainties and reduced client and candidate confidence, particularly in the Private sector, prior to the General Election. Fees in our second half fell 25%, including our fourth quarter down 42%, heavily impacted by the pandemic and related effects of lockdown.

Our largest business of Temp, 61% of fees, fell by 9% and was more resilient than Perm, which declined 22%. The Public sector, 31% of fees, fell by 3%, and significantly outperformed the Private sector, down 19%.

All UK regions traded broadly in line with the overall UK business, except the East, down 27% and the North West, down 19%. London, our largest region at c.34% of UK&I fees, was slightly more resilient, with fees down 10%. Ireland declined by 26%.

At the specialism level, most were materially impacted by lockdown. Accountancy & Finance, Construction & Property and Office Support decreased by 19%, 20% and 24% respectively, while after an improving first half, Education fell by 17% as schools closed. On a more positive note, IT fees grew by a solid 4%. Fees in Hays Talent Solutions, our large Corporate Accounts business, declined by 11%.

Consultant headcount at 30 June decreased by 6% YoY to 1,840. This headcount included those employees in the UK furlough scheme.

Rest of World (34%⁽⁷⁾ net fees, 13%⁽⁷⁾ operating profits⁽²⁾)

Relative resilience in the USA, Switzerland and Japan. Parts of Western Europe much tougher in H2 given severe lockdown restrictions

Year ended 30 June (In £'s million)	2020	2019	Growth	
			Actual	LFL
Net fees ⁽¹⁾	340.3	367.6	(7)%	(8)%
Operating profit ⁽²⁾	17.0	42.2	(60)%	(60)%
Conversion rate ⁽⁵⁾	5.0%	11.5%		
Year-end consultant headcount	2,689	3,013	(11)%	

Net fees in Rest of World ("RoW"), which is primarily in Perm and comprises 28 countries, declined by 8% to £340.3 million. Operating profit⁽²⁾ fell by 60% to £17.0 million as we protected our business infrastructure in smaller countries. This represented a conversion rate⁽⁵⁾ of 5.0% (2019: 11.5%). Currency impacts in the year were minimal, with modest Sterling strength against the Euro, and weakness versus the Yen and the US Dollar.

Net fees increased by 2% in H1, although slowed through the half and declined by 18% in H2, including Q4 down 31%, severely impacted by the pandemic and related effects of lockdown. Despite the pandemic, we achieved record fee performances in six countries including the USA, Switzerland, Russia and Malaysia. Perm net fees, 66% of RoW, decreased by 12%, while Temp net fees rose 1%.

EMEA ex-Germany net fees declined by 9%, with operating profit⁽²⁾ down 51%. After flat fees in H1, market conditions significantly weakened as Europe experienced stringent lockdowns during the pandemic. Fees in France, our largest RoW market, decreased by 13% including Q4 down 44%, while Spain, Belgium and the Netherlands also saw difficult conditions, with fees down 15%, 14% and 13% respectively. Poland was more resilient, down 6%, as was Italy, down 7%. Switzerland performed well, growing by 5%, while Russia, Austria and Hungary also delivered good growth, up 7%, 8% and 9% respectively.

Asia net fees declined by 9%, with operating profit⁽²⁾ down 50%. Fees in H1 grew by 4%, although conditions deteriorated sharply at the start of H2 as the pandemic emerged in China and have remained difficult due to rolling lockdowns. Overall in the year, Japan, our second largest Asian market, delivered relative resilience, with fees down 2%. Singapore and China were more difficult, with fees down 13% and 17% respectively. However, Malaysia produced an excellent performance with fees up 28%.

The **Americas** fees decreased by 4%, following good H1 growth of 7%. The USA, our second-largest RoW country, delivered record fees and grew by 3%, helped by our high exposure to IT and despite a challenging Q4 with fees down 18%, with Construction & Property weak due to the lockdown. Canada saw tougher conditions and fees declined by 17%, although Mexico and Brazil were relatively resilient, with fees flat and down 6% respectively. Overall in the Americas, we made an operating loss in the year, driven by the overall pace of fee declines and ongoing investment in the USA, especially in H1.

Consultant headcount in the division decreased 11% YoY to 2,689.

Current trading

Tough conditions. Temp markets stable overall, with signs of modest improvement in Perm

Overall, the outlook remains tough across our main markets. Temp markets are stable overall, with signs of modest improvement in Perm.

We have experienced a high degree of correlation between individual countries' trading and the severity of lockdown in that country. Any 'second wave' lockdowns may have short-term negative effects on activity levels, and potentially delay country recoveries.

Our strategic 'Return to Growth' programme has identified accelerated investment projects across each of our divisions in attractive structural growth markets, including IT and large Corporate Accounts. We expect to invest c.£15 million of incremental operating expenditure in these projects in FY21, of which c.£5 million will be in the first half. In addition, we expect to invest c.£7 million in capex to support these projects, which is included in our Group capex guidance of c.£25 million.

We expect Group headcount at the end of Q1 FY21 will be down versus 30 June 2020, due to non-replacement of leavers and a lower than usual graduate intake.

Exchange rate movements, 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 £135.0 million at current exchange rates, the actual reported result would increase by c.£4 million to c.£139 million.

Australia & New Zealand

Our business has been stable since mid-April, and we began to see initial signs of modest improvement in activity in July, particularly in Perm. It is too early to quantify the negative impact on overall business activity and sentiment from the recent lockdown in Victoria, and how long this will last.

Germany

Overall fees are stable. Activity in Contracting is stable, and we have seen a marginally better renewal rate on June-ending assignments than normal. Temps on assignment volumes are broadly stable, however we continue to see some negative impact from under-utilisation of our Temp workers, albeit at an improving level versus Q4 FY20. We expect some Temp under-utilisation to continue across H1 FY21.

United Kingdom & Ireland

Overall our business is stable at low levels, with modest signs of improvement in Perm activity.

RoW

Overall, we are starting to see some modest signs of recovery. Fees in EMEA ex-Germany are broadly stable on a seasonally-adjusted basis, with signs of some modest positive momentum. In Asia and the Americas our businesses are stable.

FINANCIAL REVIEW

Summary Income Statement

Year ended 30 June (In £'s million)	2020	2019	Growth	
			Actual	LFL
Turnover	5,929.5	6,070.5	(2)%	(1)%
Net fees ⁽¹⁾				
Temporary	589.1	649.3	(9)%	(9)%
Permanent	407.1	480.4	(15)%	(15)%
Total	996.2	1,129.7	(12)%	(11)%
Operating profit (before exceptional items) ⁽²⁾	135.0	248.8	(46)%	(45)%
Conversion rate ⁽³⁾	13.6%	22.0%		
Underlying temporary margin ⁽⁴⁾	14.7%	15.4%		
Temporary fees as % of total	59%	57%		
Year-end consultant headcount	6,900	7,782	(11)%	

- (1) Net fees comprise turnover less remuneration of temporary workers and other recruitment agencies.
- (2) 2020 operating profit is presented before exceptional costs of £39.9 million, comprising £20.3m relating to the impairment of goodwill in the US business, and £19.6 million relating to restructuring charges, primarily in our German business. There was £15.1 million of exceptional items in the prior year, comprising £8.3 million 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.
- (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.
- (5) Due to the cycle of our internal Group reporting, the Group's annual cost base equates to c.12.5x our cost base per period. This is consistent with prior years.
- (6) 2020 cash generated by operations from the cashflow statement of £412.1 million has been adjusted for the cash impact of lease payments of £46.4 million and £118.3 million of payment deferrals of payroll tax and VAT.

Turnover for the year to 30 June 2020 (FY20) was down 1% (down 2% on an actual basis), with net fees decreasing by 11% (12% on an actual basis). Our first half net fee performance, down 2%, was materially better than the second half, which was significantly impacted by the pandemic and fees decreased by 21%. The difference between turnover and net fee growth was primarily due to several large client wins, some of which included a high proportion of payroll revenues.

Operating costs were reduced by £15.8 million, or 2%, versus the prior year (£19.7 million on an actual basis). In the first half, costs increased by £10.7 million, as we invested in strategic growth area like IT and incurred incremental property costs and some payroll inflation.

As the pandemic emerged, we acted quickly to manage our cost base, while protecting our core business operations and productive capacity. Our cost base per period⁽⁵⁾ was reduced by 20%, to c.£58 million between February and June 2020. We actively reduced variable and discretionary costs, and year-end Group headcount decreased by 9% versus the prior year. In addition, at 30 June 2020, 18% of Group employees were either in job support schemes, short-time working arrangements or had voluntarily reduced their pay, including senior management. Given the difficult environment, the Executive Directors agreed that no FY20 bonuses will be paid to them, or members of the Management Board.

Operating profit⁽²⁾ decreased by 45% (46% on an actual basis), particularly impacted by the sharp reduction in fees in the second half. The fall in net fees was similar in magnitude to the Global Financial Crisis (GFC), however occurred in only six weeks versus eight months during the GFC. Exchange rate movements reduced net fees by £6.6 million and reduced operating profit⁽²⁾ by £2.7 million.

The Group's conversion rate⁽³⁾ decreased by 840bps to 13.6% (2019: 22.0%). Each of our divisions saw significant negative profit leverage, particularly in the second half as the Covid-19 pandemic impacted.

We anticipate our cost base per period⁽⁵⁾ increasing to c.£63 million in August 2020. We will incur more normal levels of operating and employee costs as government job support schemes end, we begin to return to more normal working practices and reverse voluntary pay reductions. Within the c.£63 million, we anticipate an incremental c.£1 million per period⁽⁵⁾ in our 'Return to Growth' accelerated investment plans in attractive structural growth markets, such as our IT and large Corporate Accounts businesses. We are confident that these investment projects will accelerate fee growth when end markets stabilise and position us to take greater market share.

We expect Group headcount at the end of Q1 FY21 will be down sequentially versus year-end.

IFRS 16

IFRS 16 Leases became effective for the Group on 1 July 2019, and the Group is reporting under this new standard for the first time. The Group has applied the modified retrospective approach whereby the right-of-use asset at the date of initial application was measured at an amount equal to the lease liability, with no restatement to prior years. On adoption, the Group's right-of-use assets increased by £238.1 million, net of £7.7 million IAS 17 adjustments, while lease liabilities increased by £245.8 million. Operating lease rental charges for leases accounted for under IFRS 16, which are almost entirely property-related, were replaced by a £45.5 million depreciation charge and £5.3 million lease interest charge.

Adopting IFRS 16 resulted in a decrease in the Group profit before tax in FY20 of £3.4 million, i.e. not material to overall Group profit levels, and had no impact on cash. This comprised a benefit to Group operating profit of £1.9 million, offset at the profit before tax level by £5.3 million of non-cash lease liabilities interest charge, discussed further below.

Net finance charge

The net finance charge for the year was £8.8 million (2019: £2.5 million). The average interest rate on gross debt during the period was 1.8% (2019: 2.0%), generating net bank interest payable including amortisation of arrangement fees of £1.1 million (2019: £1.7 million). The non-cash interest charge on lease liabilities under IFRS 16 was £5.3 million (2019: N/A) and the non-cash net interest charge on defined benefit pension scheme obligations was £1.9 million (2019: £0.5 million). The Pension Protection Fund levy was £0.2 million (2019: £0.2 million).

We expect the net finance charge for FY21 to be around £8.5 million.

Taxation

Taxation for the year on profit before exceptional items was £46.2 million (2019: £72.7 million), representing an effective tax rate of 36.6% (2019: 29.5%). The tax charge on total profits including exceptional items was £38.8 million, representing an effective tax rate of 45.0% (2019: 30.1%). The increase in the effective tax rate reflects the Group's geographical mix of profits, the impact of trading losses in certain countries, and the write down of the UK deferred tax asset. At this stage it is not possible to forecast the Group's effective tax rate for FY21.

Earnings per share

Basic earnings per share before exceptional items decreased by 56% to 5.28 pence (2019: 11.92 pence), reflecting the Group's lower operating profit⁽²⁾ given the significant negative trading impact of the pandemic, higher net finance charge and higher effective tax rate. Basic earnings per share after exceptional items decreased by 72% to 3.14 pence (2019: 11.10 pence).

Cash flow and balance sheet

Underlying cash performance was strong with 183% conversion of operating profit⁽²⁾ into operating cash flow⁽⁶⁾ (2019: 106%). This was a result of continued strong cash generation, including a c.£100 million cash inflow in the fourth quarter due to the partial unwind of the temp trade debtor book and a very strong performance by our credit control teams globally. Average trade debtor days decreased to 36 days (2019: 39 days).

Capital expenditure was £25.8 million (2019: £33.0 million), with continued investments in cyber security, our front office systems in Germany and automation of our German and North American back office systems. We expect capital expenditure to be c.£25 million for FY21, including c.£7 million to support our 'Return to Growth' projects.

Dividends paid in the year totalled £121.6 million (2019: £129.1 million) and pension contributions were £16.1 million. Net interest paid was £1.4 million, including a £0.2 million arrangement fee on our extended debt facility, and corporation tax payments were £29.8 million (2019: £75.5 million).

We ended the year with the strongest balance sheet in our history, including a net cash position of £366.2 million (or £484.5 million including £118.3 million of short-term deferrals of payroll tax and VAT payments).

Retirement benefits

The Group's pension position under IAS19 at 30 June 2020 has resulted in a surplus of £55.2 million, compared to a surplus of £19.7 million at 30 June 2019. The increase in surplus of £35.5 million was primarily due to increases in scheme asset values and Company contributions, partially offset by a change in financial assumptions driven by a reduction in the discount rate.

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 (2019: £15.3 million), in line with the agreed actuarial 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.

Exceptional charges

During the year, the Group incurred an exceptional charge of £39.9 million (2019: £15.1 million) in relation to the following items.

In January 2020, the Group undertook a restructure of its business operations in Germany to provide a greater focus and alignment to the mid-sized enterprises known as the Mittelstand, together with a dedicated large Corporate Accounts division, at a cost of £12.6 million. Following the subsequent global Covid-19 pandemic, and the immediate reduction in demand for recruitment services, the business operations of several other countries across the Group were restructured, primarily to reduce operating costs. The restructuring exercise led to the redundancy of a number of employees, primarily senior management positions and incurred costs of £7.0 million. The cash impact from the restructuring exceptional charge as at the balance sheet date was £8.1 million, with a further £11.5 million cash outflow expected during FY21.

Additionally, goodwill impairment reviews were performed at the year-end by comparing the carrying value of goodwill with the recoverable amounts of the Group's 'Cash Generating Units' (CGU's), to which goodwill has been allocated. Before impairment testing, the carrying value in respect of the US business, which is part of the Rest of World segment was £43.4 million. The US business had been performing in line with expectations up until the Covid-19 pandemic but as disclosed in previous years, the business had limited headroom on the carrying value of goodwill. The Group's priority is to continue to make investments in the US business in order to accelerate growth in line with the Group's long-term strategy to build a strong presence in the US in order to maximise the long-term growth opportunities available in the market. Because of this ongoing investment, against a difficult market backdrop, Management have revised the cash flow forecast for the US CGU and as a result has reduced its carrying value through the recognition of an exceptional impairment loss against goodwill of £20.3 million. The recoverable amount is considered to be in line with its value-in-use which is considered higher than its fair value less cost of disposal.

Capital structure and dividend

On 2 April 2020, we announced that alongside our c.£196 million equity raise the Board had cancelled our interim dividend. Given the macroeconomic uncertainty caused by the pandemic, and the fact we traded only at a broadly breakeven level of profitability in Q4, the Board is not proposing a final dividend for FY20.

The Group's long-term priorities for free cash flow are to fund investment and development, maintain a strong balance sheet and, when appropriate, pay a sustainable core dividend. We remain acutely aware of the importance of dividends to our shareholders and aim to restore dividend payments as soon as is appropriate.

Our business model remains highly cash generative, and as demonstrated in recent years we have a track record of returning capital to shareholders, with c.£374 million in core and special dividends paid in respect of FY17 to FY19. When conditions improve, the Board will consider how best to reinstate our capital returns policy.

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. Under the terms of the original agreement, the maturity date of November 2023 could be extended subject to lender agreement. Having submitted the extension request, the Group facility now has an amended maturity date of November 2024, with an option to extend for a further year 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 2020: 151:1) and its leverage ratio (net debt to EBITDA) to be no greater than 2.5:1 (as at 30 June 2020 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 0.70% to 1.50%.

During Q4 FY20, we were admitted into the Bank of England's uncommitted Covid Corporate Financing Facility (CCFF). While this provides access to an additional short-term form of financing up to £600 million, based on current forecasts we are highly unlikely to utilise this facility. This is in addition to our revolving credit facility.

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.

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 2019 Annual Report.

The Covid-19 pandemic has had an immediate, significant and materially negative impact on the global economy and our business, with all countries in which Hays operate across the world being impacted. With economies contracting and governments implementing public lockdown measures, even when restrictions are lifted businesses are being subject to government policies in terms of quarantine and social distancing guidelines in-order-to control the transmission of the virus.

As a result, activity levels significantly decreased in both Temporary and Permanent markets. Many of our clients have reduced new investment and some are embarking on redundancy programmes. With more companies at risk of financial distress and bankruptcy, at this stage it is currently not possible to have any certainty of the shape of any economic recovery. Any second wave of Covid-19 cases, which could result in the reimplementing of lockdown measures, may further reduce economic confidence and potentially delay country recoveries.

As noted in our FY19 preliminary results on 29 August 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.

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CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE

(In £s million)	Note	2020 Before exceptional items	2020 Exceptional items (note 4)	2020	2019 Before exceptional items	2019 Exceptional items (note 4)	2019
Turnover	3	5,929.5	-	5,929.5	6,070.5	-	6,070.5
Net fees ⁽¹⁾	3	996.2	-	996.2	1,129.7	-	1,129.7
Administrative expenses ⁽²⁾	5	(861.2)	(39.9)	(901.1)	(880.9)	(15.1)	(896.0)
Operating profit	3	135.0	(39.9)	95.1	248.8	(15.1)	233.7
Net finance charge	6	(8.8)	-	(8.8)	(2.5)	-	(2.5)
Profit before tax		126.2	(39.9)	86.3	246.3	(15.1)	231.2
Tax	7	(46.2)	7.4	(38.8)	(72.7)	3.2	(69.5)
Profit after tax		80.0	(32.5)	47.5	173.6	(11.9)	161.7
Profit attributable to equity holders of the parent company		80.0	(32.5)	47.5	173.6	(11.9)	161.7
Earnings per share (pence)							
- Basic	9	5.28p	(2.14p)	3.14p	11.92p	(0.82p)	11.10p
- Diluted	9	5.23p	(2.13p)	3.10p	11.77p	(0.80p)	10.97p

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

⁽²⁾ Administrative expenses include impairment loss on trade receivables of £10.6 million (2019: £3.9 million).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE

(In £s million)	2020	2019
Profit for the year	47.5	161.7
Items that will not be reclassified subsequently to profit or loss:		
Actuarial remeasurement of defined benefit pension schemes	21.3	(63.1)
Tax relating to components of other comprehensive income	(4.4)	12.3
	16.9	(50.8)
Items that may be reclassified subsequently to profit or loss:		
Currency translation adjustments	5.7	7.6
Tax relating to components of other comprehensive income	-	(0.7)
Other comprehensive income for the year net of tax	22.6	(43.9)
Total comprehensive income for the year	70.1	117.8
Attributable to equity shareholders of the parent company	70.1	117.8

CONSOLIDATED BALANCE SHEET

AT 30 JUNE

(In £s million)	Note	2020	2019
Non-current assets			
Goodwill		209.0	227.2
Other intangible assets		48.9	38.4
Property, plant and equipment		31.4	33.0
Right-of-use assets	10	216.6	-
Deferred tax assets		11.1	24.0
Retirement benefit surplus	11	55.2	19.7
		572.2	342.3
Current assets			
Trade and other receivables		878.8	1,025.3
Corporation tax debtor		4.3	5.6
Cash and cash equivalents		484.5	129.7
Derivative financial instruments		0.1	-
		1,367.7	1,160.6
Total assets		1,939.9	1,502.9
Current liabilities			
Trade and other payables		(800.3)	(761.7)
Lease liabilities	10	(43.8)	-
Current corporation tax liabilities		(24.0)	(23.0)
Derivative financial instruments		-	(0.1)
Provisions	12	(16.8)	(1.1)
		(884.9)	(785.9)
Non-current liabilities			
Deferred tax liabilities		(6.9)	(8.4)
Lease liabilities	10	(184.9)	-
Provisions	12	(9.8)	(7.1)
		(201.6)	(15.5)
Total liabilities		(1,086.5)	(801.4)
Net assets		853.4	701.5
Equity			
Called up share capital		16.8	14.7
Share premium		369.6	369.6
Merger reserve		193.8	-
Capital redemption reserve		2.7	2.7
Retained earnings		161.0	206.7
Cumulative translation reserve		92.0	86.3
Equity reserve		17.5	21.5
Total equity		853.4	701.5

The Consolidated Financial Statements of Hays plc, registered number 2150950, were approved by the Board of Directors and authorised for issue on 26 August 2020.

Signed on behalf of the Board of Directors

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

(In £s million)	Called up share capital	Share premium	Merger reserve ⁽¹⁾	Capital redemption reserve	Retained earnings	Cumulative translation reserve	Equity reserve ⁽²⁾	Total equity
At 1 July 2019	14.7	369.6	-	2.7	206.7	86.3	21.5	701.5
Currency translation adjustments	-	-	-	-	-	5.7	-	5.7
Remeasurement of defined benefit pension schemes	-	-	-	-	21.3	-	-	21.3
Tax relating to components of other comprehensive income	-	-	-	-	(4.4)	-	-	(4.4)
Net income recognised in other comprehensive income	-	-	-	-	16.9	5.7	-	22.6
Profit for the year	-	-	-	-	47.5	-	-	47.5
Total comprehensive income for the year	-	-	-	-	64.4	5.7	-	70.1
New shares issued	2.1	-	193.8	-	-	-	-	195.9
Dividends paid	-	-	-	-	(121.6)	-	-	(121.6)
Share-based payments	-	-	-	-	11.4	-	(4.0)	7.4
Tax on share-based payment transactions	-	-	-	-	0.1	-	-	0.1
At 30 June 2020	16.8	369.6	193.8	2.7	161.0	92.0	17.5	853.4

FOR THE YEAR ENDED 30 JUNE 2019

(In £s million)	Called up share capital	Share premium	Merger reserve ⁽¹⁾	Capital redemption reserve	Retained earnings	Cumulative translation reserve	Equity reserve ⁽²⁾	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

⁽¹⁾ The Merger reserve is generated under section 612 of the Companies Act 2006, as a result of the cash box structure used in the equity placing of new shares issued.

⁽²⁾ 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	2020	2019
Operating profit		95.1	233.7
Adjustments for:			
Exceptional items ⁽¹⁾	4	39.9	15.1
Depreciation of property, plant and equipment		10.9	10.0
Depreciation of right-of-use lease assets ⁽²⁾		45.5	-
Amortisation of intangible assets		6.5	5.2
Loss on disposal of business assets		0.1	0.2
Net movements in provisions (excluding exceptional items)		6.9	0.8
Share-based payments		7.8	11.2
		117.6	42.5
Operating cash flow before movement in working capital		212.7	276.2
Movement in working capital:			
Decrease/(increase) in receivables		157.8	(9.1)
Increase/(decrease) in payables		41.6	(4.1)
Movement in working capital		199.4	(13.2)
Cash generated by operations		412.1	263.0
Cash paid in respect of exceptional items from current and prior year ⁽³⁾		(12.0)	(2.9)
Pension scheme deficit funding		(16.1)	(15.7)
Income taxes paid		(29.8)	(75.5)
Net cash inflow from operating activities		354.2	168.9
Investing activities			
Purchase of property, plant and equipment		(9.4)	(13.5)
Purchase of own shares		(0.2)	(0.1)
Purchase of intangible assets		(16.4)	(19.5)
Interest received		0.6	0.7
Net cash used in investing activities		(25.4)	(32.4)
Financing activities			
Interest paid		(2.0)	(3.4)
Lease liability principal repayment ⁽²⁾		(46.4)	-
Equity dividends paid		(121.6)	(129.1)
Proceeds from issue of new shares net of transaction costs		195.9	-
Proceeds from exercise of share options		0.6	1.9
Net cash from/(used in) financing activities		26.5	(130.6)
Net increase in cash and cash equivalents		355.3	5.9
Cash and cash equivalents at beginning of year		129.7	122.9
Effect of foreign exchange rate movements		(0.5)	0.9
Cash and cash equivalents at end of year		484.5	129.7

⁽¹⁾ The adjustment to the Cash Flow Statement in the prior year to 30 June 2019 of £15.1 million has been re-presented and relates to the non-cash GMP Equalisation charge of £8.3 million and restructuring costs of £6.8 million of which £2.9 million was paid out in the year to 30 June 2019.

⁽²⁾ Following the adoption of IFRS 16 Leases, in order to compare Cash generated by operations for the year to 30 June 2020 of £412.1 million with the prior periods, the lease liability principal payment of £46.4 million reported in Financing activities should be deducted. The Cash generated by operations includes a corresponding £45.5 million depreciation non-cash adjustment relating to the right-of-use assets.

⁽³⁾ Cash paid in respect of exceptional items relates to £8.1 million in the current year and £3.9 million relating to the prior year. Cash paid in respect of exceptional items in the prior year of £2.9 million has been re-presented.

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 2020 or 2019, for the purpose of the Companies Act 2006, but is derived from those accounts. The statutory accounts for 2019 have been delivered to the Registrar of Companies and those for 2020 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 2019 with the exception of the following new accounting standards and amendments which were mandatory for accounting periods beginning on or after 1 January 2019, none of which had any material impact on the Group's results or financial position.

- IFRS 9 (amendments) Financial Instruments (effective 1 January 2019)
- IAS 19 (amendments) Employee Benefits (effective 1 January 2019)
- IAS 28 (amendments) Investments in Associates (effective 1 January 2019)
- IFRS 16 Leases (effective 1 January 2019)
- IFRIC 23 Uncertainty over Income Tax Treatments (effective 1 January 2019)
- Annual Improvements to IFRSs 2017 (effective 1 January 2019)

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 2020. 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.

As in prior years, the Board undertook a strategic business review in the current year which took into account the Group's current financial position and the potential impact of the principal risks set out in the Annual Report.

In addition, and in making this statement, the Board carried out a robust assessment of the principal risks facing the Group, including those that would threaten the Group's business model, future performance and liquidity. While the review has considered all the principal risks identified by the Group, the resilience of the Group to the occurrence of these risks in severe yet plausible scenarios has been evaluated.

Financial position

At 30 June 2020 the Group had a net cash position of £484.5 million, or £366.2 million after deducting tax payments which had been deferred in agreement with local country tax regimes. In addition, the Group has a £210 million revolving credit facility with a suite of banks through to November 2024, with an option to extend to November 2025 subject to lender agreement. This facility is undrawn. In April 2020, the Group raised £196 million net of expenses through an equity placing, which has substantially strengthened the Group's financial position. The Group's operations were significantly impacted by the Covid-19 pandemic and lockdown in the majority of the Group's major markets through its fourth quarter (to 30 June 2020), with net fees down 34% versus prior year and with the Group's operating profit at around break-even through this period. The Group had a strong working capital performance through its fourth quarter with significant management focus on cash collection reducing average trade debtor days in the year to 36 days (2019: 39 days) with the majority of clients continuing to pay to agreed terms. The Group also benefitted from a cash inflow resulting from a reduction in its temp debtor book, as temp placement volumes reduced through the fourth quarter.

Stress testing

The Board approves an annual budget and reviews monthly management reports and quarterly forecasts. The output of the planning and budgeting processes has been used to perform a sensitivity analysis to the Group's cash flow to model the potential effects should principal risks actually occur either individually or in unison.

The sensitivity analysis modelled scenarios in which the Group incurred a sustained loss of business arising from a prolonged global downturn as a result of the Covid-19 pandemic, with a range of recovery scenarios considered. Our "Covid-19 Stress Case" scenario assumes that trading volumes for the year ending June 2021 remain broadly at the levels seen through our fourth quarter of the year ended June 2020, a period when most of our major markets were in lockdown and heavily impacted by the pandemic. After deducting the expected payment of £118.3 million of taxes which had been deferred in the year ended June 2020, the Stress Case scenario forecasts a strong cash position in excess of £300 million throughout the Going Concern period, with the revolving credit facility to remain undrawn with significant headroom against its banking covenants.

Set against these downside trading scenarios, the Board considered key mitigating factors including the geographic and sectoral diversity of the Group, its balanced business model across Temporary, Permanent and Contract recruitment services, and the significant working capital inflows which arise in periods of severe downturn, particularly in the Temporary recruitment business, thus protecting liquidity as was the case during the global financial crisis of 2008/09 and which we again experienced in the year ended 30 June 2020.

In addition, the Group's history of strong cash generation, tight cost control and flexible workforce management provides further protection. The Group also has in place its £210 million revolving credit facility which is currently undrawn. In addition, during the year ended 30 June 2020 the Group was admitted into the Bank of England's uncommitted Covid Corporate Financing Facility (CCFF). While this provides access to an additional short-term form of financing of up to £600 million, based on all stress-test scenarios the Group is highly unlikely to utilise this facility, although it has until March 2021 in which to do so if required.

The Group has sufficient financial resources which, together with internally generated cash flows, will continue to provide sufficient sources of liquidity to fund its current operations, including its contractual and commercial commitments and any proposed dividends. The Group is therefore well-placed to manage its business risks. After making enquiries, the Directors have formed the judgment at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis of accounting in preparing the Consolidated 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 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)	2020	2019
Turnover		
Australia & New Zealand	1,545.6	1,461.5
Germany	1,513.5	1,704.8
United Kingdom & Ireland	1,641.3	1,761.3
Rest of World	1,229.1	1,142.9
	5,929.5	6,070.5

(In £s million)	2020	2019
Net fees		
Australia & New Zealand	170.5	198.5
Germany	259.8	299.8
United Kingdom & Ireland	225.6	263.8
Rest of World	340.3	367.6
	996.2	1,129.7

(In £s million)	2020 Before exceptional items	2020 Exceptional items	2020	2019 Before exceptional items	2019 Exceptional items	2019
Operating profit						
Australia & New Zealand	48.2	-	48.2	66.4	(0.3)	66.1
Germany	53.2	(12.6)	40.6	91.3	(2.1)	89.2
United Kingdom & Ireland	16.6	(2.2)	14.4	48.9	(9.0)	39.9
Rest of World	17.0	(25.1)	(8.1)	42.2	(3.7)	38.5
	135.0	(39.9)	95.1	248.8	(15.1)	233.7

4 EXCEPTIONAL ITEMS

During the year, the Group incurred an exceptional charge of £39.9 million (2019: £15.1 million). The Group has recognised a non-cash exceptional charge of £20.3 million resulting from the partial impairment of the carrying value of goodwill in relation to the US business that was acquired in December 2014. The goodwill impairment charge is a material non-cash item that on the basis of its size and nature is considered to be exceptional.

In January 2020, the Group undertook a restructure of its business operations in Germany in order to provide a greater focus and alignment to the mid-sized enterprises known as the Mittlestand, together with a dedicated large Corporate Accounts division at a cost of £12.6 million. In addition, following the subsequent Covid-19 pandemic, and the immediate reduction in demand for recruitment services, the business operations of several other countries across the Group were restructured, primarily to reduce operating costs. The restructuring exercise led to the redundancy of a number of employees, including senior management positions and incurred costs of £7.0 million. The restructuring charges in Germany and in response to Covid-19 are considered exceptional given the size of the charges incurred and that they resulted in significant restructuring changes to the business operations. The cash impact from the restructuring exceptional charge as at the balance sheet date was £8.1 million, with a further £11.5 million cash outflow expected during the financial year to 30 June 2021. In total the exceptional charge generated a tax credit of £7.4 million (2019: £3.2 million).

In the prior year, following a legal judgment ruling against Lloyds Banking Group in October 2018 on the equalisation of guaranteed minimum pensions (GMP) for men and women in UK defined pension plans, the Group recognised an exceptional (non cash) charge of £8.3 million. In addition, management performed a comprehensive operational cost review exercise, principally across the European country operations. The exercise incurred restructuring costs of £6.8 million.

5 OPERATING PROFIT

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

(In £s million)	2020	2019
Turnover	5,929.5	6,070.5
Remuneration of temporary workers	(4,626.7)	(4,661.4)
Remuneration of other recruitment agencies	(306.6)	(279.4)
Net fees	996.2	1,129.7

Operating profit is stated after charging the following items to net fees of £996.2 million (2019: £1,129.7 million):

(In £s million)	2020 Before exceptional items	2020 Exceptional items	2020	2019 Before exceptional items	2019 Exceptional items	2019
Staff costs	647.8	17.6	665.4	677.5	14.8	692.3
Depreciation of property, plant and equipment	10.9	-	10.9	10.0	-	10.0
Depreciation of right-of-use assets	45.5	-	45.5	-	-	-
Amortisation of intangible assets	6.5	-	6.5	5.2	-	5.2
Impairment loss on goodwill	-	20.3	20.3	-	-	-
Operating lease rentals payable	-	-	-	49.8	-	49.8
Short-term and low-value leases	3.1	-	3.1	-	-	-
Impairment loss on trade receivables	10.6	-	10.6	3.9	-	3.9
Auditor's remuneration						
- for statutory audit services	1.4	-	1.4	1.4	-	1.4
- for other services	0.1	-	0.1	0.1	-	0.1
Other external charges	135.3	2.0	137.3	133.0	0.3	133.3
	861.2	39.9	901.1	880.9	15.1	896.0

Operating profit is stated net of £7.7 million income received from governments globally in respect of job support schemes following the Covid-19 pandemic.

6 NET FINANCE CHARGE

(In £s million)	2020	2019
Interest received on bank deposits	0.6	0.7
Interest payable on bank loans and overdrafts	(1.7)	(2.4)
Other interest payable	(0.3)	(0.1)
Interest on lease liabilities	(5.3)	-
Pension Protection Fund levy	(0.2)	(0.2)
Net interest on pension obligations	(1.9)	(0.5)
Net finance charge	(8.8)	(2.5)

7 TAX

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

(In £s million)	2020 Before exceptional items	2020 Exceptional items	2020	2019 Before exceptional items	2019 Exceptional items	2019
Profit before tax	126.2	(39.9)	86.3	246.3	(15.1)	231.2
Income tax expense calculated at 19.0% (2019: 19.0%)	(24.0)	7.6	(16.4)	(46.8)	2.9	(43.9)
Net effect of items that are non-taxable/(non-deductible) in determining taxable profit	(0.1)	(0.3)	(0.4)	(4.0)	-	(4.0)
Effect of unused tax losses not recognised for deferred tax assets	(1.8)	(0.2)	(2.0)	(1.5)	-	(1.5)
Effect of tax losses not recognised for deferred tax utilised in the year	(0.2)	-	(0.2)	1.0	-	1.0
Effect of tax losses now recognised for deferred tax	1.5	-	1.5	0.6	-	0.6
Effect of other timing differences not recognised for deferred tax assets	(8.4)	(1.4)	(9.8)	(0.6)	-	(0.6)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(13.7)	1.7	(12.0)	(21.9)	0.3	(21.6)
Effect of share-based payment charges and share options	(0.9)	-	(0.9)	(0.5)	-	(0.5)
	(47.6)	7.4	(40.2)	(73.7)	3.2	(70.5)
Adjustments recognised in the current year in relation to the current tax of prior years	1.7	-	1.7	1.1	-	1.1
Adjustments to deferred tax in relation to prior years	(0.3)	-	(0.3)	(0.1)	-	(0.1)
Income tax expense recognised in the Consolidated Income Statement	(46.2)	7.4	(38.8)	(72.7)	3.2	(69.5)
Effective tax rate for the year	36.6%	18.5%	45.0%	29.5%	21.2%	30.1%

The tax rate used for the 2020 reconciliations above is the corporate tax rate of 19.0% (2019: 19.0%) payable by corporate entities in the United Kingdom on taxable profits under tax law in that jurisdiction.

8 DIVIDENDS

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

	2020 pence per share	2020 £s million	2019 pence per share	2019 £s million
Previous year final dividend	2.86	41.9	2.75	40.0
Previous year special dividend	5.43	79.7	5.00	72.9
Current year interim dividend	-	-	1.11	16.2
	8.29	121.6	8.86	129.1

There were no dividends paid by the Group in respect of the year ended 30 June 2020. On 2 April 2020, due to the escalating impact of the Covid-19 pandemic and considering the uncertainties arising on the impact of the Group's earnings, the Company announced the decision to cancel the 1.11 pence per share interim dividend that was proposed on 20 February 2020 and which was due to be paid on 9 April 2020. Given macroeconomic uncertainty and the fact we traded at breakeven profitability in our fourth quarter, the Board is not proposing a final dividend for the current year.

	2020 pence per share	2020 £s million	2019 pence per share	2019 £s million
Interim dividend (paid)	-	-	1.11	16.2
Final dividend (proposed)	-	-	2.86	42.0
Special dividend (proposed)	-	-	5.43	79.7
	-	-	9.40	137.9

9 EARNINGS PER SHARE

For the year ended 30 June 2020	Earnings (£s million)	Weighted average number of shares (million)	Per share amount (pence)
Before exceptional items:			
Basic earnings per share	80.0	1,514.4	5.28
Dilution effect of share options	-	15.7	(0.05)
Diluted earnings per share	80.0	1,530.1	5.23
After exceptional items:			
Basic earnings per share	47.5	1,514.4	3.14
Dilution effect of share options	-	15.7	(0.04)
Diluted earnings per share	47.5	1,530.1	3.10

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

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

Reconciliation of earnings

(In £s million)	2020	2019
Earnings before exceptional items	80.0	173.6
Exceptional items (note 4)	(39.9)	(15.1)
Tax credit on exceptional items (note 7)	7.4	3.2
Total earnings	47.5	161.7

10 LEASE ACCOUNTING UNDER IFRS 16

(In £s million)	Right-of-use assets			Total lease assets	Lease liabilities
	Property	Motor vehicles	Other assets		
As at 1 July 2019	227.3	10.4	0.4	238.1	(245.8)
Foreign exchange	1.0	-	-	1.0	(1.0)
Lease additions	20.2	6.8	-	27.0	(27.0)
Lease disposals	(3.9)	(0.1)	-	(4.0)	4.0
Depreciation of right-of-use lease assets	(39.0)	(6.4)	(0.1)	(45.5)	-
Lease liability principal repayments	-	-	-	-	46.4
Interest on lease liabilities	-	-	-	-	(5.3)
As at 30 June 2020	205.6	10.7	0.3	216.6	(228.7)
Current					(43.8)
Non-current					(184.9)
As at 30 June 2020					(228.7)

IFRS 16 Leases was adopted by the Group on 1 July 2019 and applied the modified retrospective approach whereby the right-of-use asset at the date of initial application was measured at an amount equal to the lease liability with no restatement to prior years. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019. There were no adjustments were recognised in retained earnings as at the transition date.

The Group's leasing activities primarily relate to leased offices and motor vehicles, and under IAS 17 they were previously accounted for as an operating lease. On adoption of IFRS 16 Leases, the Group has recognised a right-of-use asset of £238.1 million, relating primarily to property leases, which has been adjusted by £7.7 million for prepaid lease payments and incentives relating to the relevant leases that were recognised on the balance sheet at 30 June 2019. The opening balance on transition is the present value of the remaining future minimum lease payments, discounted using an incremental borrowing rate at 1 July 2019, including any early termination or extension options only if they were deemed reasonably certain to be adopted. The weighted average incremental borrowing rates applied to the lease liabilities on 1 July 2019 was 2.3%. The Group has applied the following practical expedients within the standard:

- IFRS 16 has been applied to contracts that were previously identified as leases when applying IAS 17 Leases and IFRIC 4 Determining whether an Arrangement Contains a Lease
- Not to capitalise a right-of-use lease asset or lease liability where the lease expires before 30 June 2020
- A lessee may apply a single discount rate to a portfolio of leases with reasonably similar characteristics
- Reliance on an assessment of whether a lease is onerous
- The treatment of initial direct costs
- The use of hindsight in determining the lease terms in the context of extension or termination options

Changes in amounts recognised in the Condensed Consolidated Income Statement

Set out below is the impact of IFRS 16 leases on profit before tax:

(In £s million)	2020
Depreciation of right-of-use lease assets	(45.5)
Operating lease charges	47.4
Impact on operating profit	1.9
Interest on lease liabilities	(5.3)
Impact on profit before tax	(3.4)

The financial impact of IFRS 16 on the Group's profit before tax for the year was not material. Group profit before tax decreased by £3.4 million. Group operating profit increased by £1.9 million due to depreciation charges of £45.5 million under IFRS 16 being lower than under IAS 17 operating lease charges. This was offset by £5.3 million non-cash interest cost in relation to the lease liabilities. The impact on the Group's basic and diluted earnings per share calculations as at 30 June 2020 were both reduced by 0.12 pence respectively. IFRS 16 did not have any impact on the underlying commercial performance of the Group, nor the cash flows generated during the year.

10 LEASE ACCOUNTING UNDER IFRS 16 continued

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease and are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property, motor vehicles and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low-value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Reconciliation between closing IAS 17 lease commitments and IFRS 16 opening lease liability

Set out below is the impact on the changes on adoption between IAS 17 lease commitments and IFRS 16 lease liability.

(In £s million)	Total
Operating lease commitments as disclosed at 30 June 2019	216.0
Discount	(23.2)
Discounted using lessee's IBR rate at date of initial application	192.8
Contracts reassessed as service agreements	(2.9)
Adjustments as a result of a different treatment of an extension and termination options	55.9
Lease liability recognised as at 1 July 2019	245.8

11 RETIREMENT BENEFIT SURPLUS/OBLIGATIONS

(In £s million)	2020	2019
Surplus in the scheme brought forward	19.7	75.9
Past service cost - GMP Equalisation cost	-	(8.3)
Administration costs	(2.5)	(2.7)
Employer contributions (towards funded and unfunded schemes)	16.1	15.7
Net interest credit	0.6	2.2
Remeasurement of the net defined benefit surplus/(liability)	21.3	(63.1)
Surplus in the scheme carried forward	55.2	19.7

12 PROVISIONS

(In £s million)	Restructuring	Other	Total
At 1 July 2019	-	8.2	8.2
Amounts provided during the year	19.6	6.9	26.5
Utilised	(8.1)	-	(8.1)
At 30 June 2020	11.5	15.1	26.6
Current			16.8
Non-current			9.8
At 30 June 2020			26.6

Restructuring provisions are as disclosed in note 4. Other provisions relate to exposures arising from business operations overseas including a redundancy provision of £4.1 million in relation to circa 420 Temp employees in Germany.

13 LIKE-FOR-LIKE RESULTS

Like-for-like results represent organic growth/(decline) of operations at constant currency. For the year ended 30 June 2020 these are calculated as follows:

(In £'s million)	Year to 30 June 2019	Foreign exchange impact	30 June 2019 at constant currency	Organic growth	Year to 30 June 2020
Net fees					
Australia & New Zealand	198.5	(7.2)	191.3	(20.8)	170.5
Germany	299.8	(1.3)	298.5	(38.7)	259.8
United Kingdom & Ireland	263.8	(0.1)	263.7	(38.1)	225.6
Rest of World	367.6	2.0	369.6	(29.3)	340.3
Group net fees	1,129.7	(6.6)	1,123.1	(126.9)	996.2
Operating profit before exceptional items					
Australia & New Zealand	66.4	(2.5)	63.9	(15.7)	48.2
Germany	91.3	(0.4)	90.9	(37.7)	53.2
United Kingdom & Ireland	48.9	-	48.9	(32.3)	16.6
Rest of World	42.2	0.2	42.4	(25.4)	17.0
Operating profit before exceptional items	248.8	(2.7)	246.1	(111.1)	135.0

14 LIKE-FOR-LIKE QUARTERLY RESULTS ANALYSIS BY DIVISION

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

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	FY 2020
Australia & New Zealand	(2%)	(7%)	(7%)	(28%)	(11%)
Germany	0%	(9%)	(10%)	(33%)	(13%)
United Kingdom & Ireland	(4%)	(4%)	(7%)	(42%)	(14%)
Rest of World	4%	1%	(4%)	(31%)	(8%)
Group	0%	(4%)	(7%)	(34%)	(11%)

15 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	71%	83%	61%	34%	59%
Permanent placements	29%	17%	39%	66%	41%
Private sector	65%	88%	69%	99%	83%
Public sector	35%	12%	31%	1%	17%
Accountancy & Finance	10%	15%	21%	13%	15%
IT & Engineering	13%	68%	12%	31%	33%
Construction & Property	21%	5%	18%	10%	12%
Office Support	11%	0%	11%	5%	6%
Other	45%	12%	38%	41%	34%
Total	100%	100%	100%	100%	100%