HAYS Recruiting experts worldwide

# PRELIMINARY RESULTS FOR THE YEAR ENDED 30 JUNE 2015

**27 August 2015**

# OPERATING LEVERAGE DRIVES EXCELLENT 25%[(1)] PROFIT GROWTH FROM 9%[(1)] NET FEE GROWTH

| Year ended 30 June (In £'s million) | **2015** | 2014 | Actual growth | LFL[(1)] growth |
|---|---|---|---|---|
| Net fees | **764.2** | 724.9 | 5% | 9% |
| Operating profit | **164.1** | 140.3 | 17% | 25% |
| Cash generated by operations | **189.8** | 175.6 | 8% | |
| Profit before tax | **156.1** | 132.3 | 18% | |
| Basic earnings per share | **7.44p** | 6.13p | 21% | |
| Conversion Rate | **21.5%** | 19.4% | 210bps | |
| Dividend per share | **2.76p** | 2.63p | 5% | |

## Highlights

- 17% headline growth in operating profit despite a £9.6m foreign exchange headwind
- Sector leading conversion rate up 210bps to 21.5%, back above 20% for the first time since 2009
- Excellent like-for-like profit growth of £33.1m from like-for-like net fee growth of £65.1m, a 51% drop-through
- Further strong, broad-based net fee growth in UK & Ireland
  - Net fees up 11%[(1)], or £26.5m[(1)], generating £19.6m[(1)] operating profit improvement; a 74% drop-through
- Asia Pacific net fees up 8%[(1)], driven by return to growth in Australia and continued strength in Asia
  - Australia net fees up 7%[(1)], led by strong Perm growth
  - Strong 13%[(1)] net fee growth in Asia, driving record profit performance
- Continental Europe & Rest of World good net fee growth of 9%[(1)] and excellent operating profit growth of 18%[(1)]
  - Good growth in key businesses with net fees in Germany up 6%[(1)]; France and Canada both up 10%[(1)]
  - 16 countries delivered net fee growth of 10%[(1)] or more, including Belgium, Spain, Switzerland and US
- Consultant headcount up 9%[(4)], as we invested on a targeted basis to support growth opportunities
- Strong cash performance, with 116% conversion of operating profit into operating cash flow, and net debt reduced by £32m to £31m despite the £36m spend in relation to the acquisition of Veredus in the US
- Strong growth in EPS of 21%, reflecting strong operating profit performance and lower effective tax rate
- Full year dividend increased 5%, in line with our strategy to build full year cover towards 3.0x earnings

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

"This is another strong financial performance as we delivered excellent 25%[(1)] operating profit growth and further increased our sector leading conversion rate. All three divisions delivered good growth and we are on schedule to deliver our five-year aspiration to broadly double the Group's operating profits by 2018, despite the material negative impact of foreign exchange movements.

In the UK we delivered excellent profit leverage and strong fee growth across all regions. Our Australia business returned to growth, driven by Perm, though the mining-focused regions remained tough. In Germany, our trading performance was good and around the rest of the Group, we continued to deliver good broad-based growth as 21 countries delivered net fee growth of 10%[(1)] or more.

We have made further significant strategic and operational progress this year, building on the existing strength of our business globally. We acquired Veredus in the US, giving us a significant platform from which to build a large business in the world's biggest recruitment market, and continued the rollout of our contractor model.

We enter our new year in a position of strength, with unrivalled breadth, scale and balance around the world and the best people and technology tools in our industry. We see many clear opportunities to grow further and are focused on capturing these while simultaneously driving profits and cash generation along the way. That combination of delivering short-term results and investing to capitalise on long-term opportunity is unique in our industry today."

(1) LFL (like-for-like) growth represents organic growth of continuing operations at constant currency.

(2) 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 Company provides major payrolling services.

(3) Exchange rate as at 25 August 2015: £1 / €1.3627; £1 / AUD2.2019.

(4) Excludes the impact of the Veredus acquisition.

## Enquiries

| | | |
|---|---|---|
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## Results presentation & webcast

The results presentation will take place at the offices of UBS at 1 Finsbury Avenue, London, EC2M 2PP at 9:00am on 27 August 2015 and will also be available as a live webcast on our website, www.hays.com/investors/results-centre. A recording of the webcast will be available on our website from 1:00pm on 27 August 2015.

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

## Reporting calendar

| | |
|---|---|
| Interim Management Statement for quarter ending 30 September 2015 | 8 October 2015 |
| Trading Update for quarter ending 31 December 2015 | 13 January 2016 |
| Interim Results for six months ending 31 December 2015 | 24 February 2016 |
| Interim Management Statement for quarter ending 31 March 2016 | 14 April 2016 |
| Trading Update for quarter ending 30 June 2016 | 14 July 2016 |

## Hays Group Overview

Hays has 9,023 employees in 240 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 rapid diversification and internationalisation of the Group, with the International business representing 64% of the Group's net fees as at 30 June 2015, compared with just over 25% 10 years ago.

Our 5,969 consultants work in a broad range of sectors with no sector specialism representing more than 18% of Group net fees. While Accountancy & Finance, Construction & Property and IT represent 50% of Group net fees, our expertise across 20 professional and skilled recruitment specialisms gives us opportunities to rapidly develop newer markets by replicating these long-established, existing areas of expertise.

In addition to this international and sectoral diversification, the Group's net fees are generated 58% from temporary and 42% 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

We have delivered a strong Group financial performance for the year. Net fees increased by 9% on a like-for-like basis[(1)] and 5% on a headline basis. Operating profit increased by 25% on a like-for-like basis[(1)] and 17% on a headline basis and we converted 116% of operating profit into operating cash flow. The Group's conversion rate improved by a further 210bps to 21.5%, back above 20% for the first time since 2009. In the year, we delivered excellent profit leverage with net fee growth of £65.1 million[(1)] and profit growth of £33.1 million[(1)], a 51% drop-through. Going forward, we reiterate our guidance that, given current rates of net fee growth, we expect drop-through of between 40% and 50%[(1)].

Taking into account this financial performance and as we build core dividend cover towards 3x earnings, the Board proposes to increase the final dividend by 5% to 1.89p, resulting in an increase to the full year dividend to 2.76p, also up 5% on prior year. As such, the full year dividend will be covered 2.7x by earnings.

# Foreign exchange

Currency movements versus sterling represented a significant headwind for the reported performance in the year. Over the course of the year to June 2015, the total combined operating profit impact of exchange movements was £9.6 million negative.

Exchange rate movements remain a material sensitivity and by way of illustration, each 1 cent movement in annual exchange rates of the Australian dollar and Euro impacts net fees by £0.6 million and £1.7 million respectively per annum; and operating profits by £0.2 million and £0.6 million respectively per annum.

The rate of exchange between the Australian dollar and sterling over the year ended 30 June 2015 averaged AUD1.8894 and closed at AUD2.0397. As at 25 August 2015 the rate stood at AUD2.2019. The rate of exchange between the Euro and sterling over the year ended 30 June 2015 averaged €1.3144 and closed at €1.4112. As at 25 August 2015 the rate stood at €1.3627. If we retranslate the Group's full year operating profit of £164.1 million at these current exchange rates[(3)], it reduces by c.£12 million to c.£152 million.

# Strong Perm performance and good consistent Temp growth

Net fees in the Perm business increased by 13%[(1)] as volumes increased 10%, driven by improved client and candidate confidence in several key markets, most notably the UK, Australia and several European countries. This was supported by an increase in the average fee per placement of 3%, as we saw a general increase in wage inflation, especially where candidate shortages became apparent.

Net fees in the Temp business, which represented 58% of Group net fees, increased by 7%[(1)]. Volumes were up 7%, mix/hours worked was down 2% and underlying Temp margins[(2)] were up 30 basis points to 16.9% (2014: 16.6%).

# Progress on the acquisition of Veredus Corp. in the US

In December 2014, we completed the acquisition of Veredus Corp. (Veredus), a pure play IT staffing company headquartered in Florida for an initial consideration of approximately £36 million, comprising £30 million with respect to the initial acquisition, and £6 million in relation to a tax equalisation payment. At the time of acquisition, Veredus had 134 consultants in 10 offices focused in the South East and the Mid-West of the US.

The integration is proceeding well, and the business delivered record temp levels and perm fees in June. For the period since acquisition to June 2015, Veredus delivered net fees of £10.0 million and operating profit was break even, with a good trading performance offset by the amortisation of the legacy Veredus brand, and one off costs related to the transaction and post-acquisition development of the business. Our OneTouch global database system was successfully installed across the business in June and the branding integration process is well progressed. We have started the rollout of a Construction & Property specialism alongside the core IT business in specifically targeted markets, and invested to build consultant headcount within the business, which was 148 at the end of June, up 10% since acquisition.

## Progress towards our 2018 aspirations

In November 2013, based on a clear assumption regarding the macro-economic backdrop, we outlined our aspiration to broadly double the Group's operating profit to £250 million by June 2018, and materially diversify where we generate those profits. Two years into this five-year plan, we are on schedule to deliver on these aspirations.

Since June 2013, we have increased operating profits from £125 million to £164 million, representing excellent organic profit growth of £57 million, partially offset by £18 million of foreign exchange headwinds. If we were to retranslate our 2018 operating profit aspiration of £250 million at current prevailing spot rates of exchange, it would be some £30 million lower. Despite this, and notwithstanding the lack of forward visibility inherent in our business, we remain confident of delivering our operating profit aspiration of £250 million in 2018.

## Movements in consultant headcount

Throughout the year we invested to drive growth where markets were strong and opportunities for growth were clear, including those which are recovering from a period of more challenging conditions, such as Australia and parts of Europe. Investment was also made into those immature markets such as Asia and certain Latin American businesses, where we are seeking to build a leading position.

Overall Group consultant headcount, excluding Veredus, ended June at 5,821, up 4% versus December 2014 and up 9% year-on-year. In Asia Pacific, consultant headcount was up 13% year-on-year. In the UK & Ireland consultant headcount was up 2% whilst in our Continental Europe & Rest of World (RoW) division we increased consultant headcount by 13%(4).

| Consultant headcount | 30 June 2015 | Net change | 30 June 2014 |
|---|---|---|---|
| Asia Pacific | **1,195** | 140 | 1,055 |
| Continental Europe & RoW(4) | **2,423** | 278 | 2,145 |
| United Kingdom & Ireland | **2,203** | 46 | 2,157 |
| Group excluding Veredus | **5,821** | 464 | 5,357 |
| Veredus | **148** | 148 | - |
| Group total | **5,969** | 612 | 5,357 |

## Office network changes & global specialism roll-out

Our focus through the year remained on building scale and critical mass across our existing platform of 33 countries. We continued to make further good progress in rolling out our IT Contracting business into markets such as Canada and France. In Continental Europe & RoW we opened a new office in Edmonton (Canada) and closed offices in Brno (Czech Republic), Curitiba (Brazil) and Rotterdam (Netherlands). The closures in the UK and Asia Pacific (which were both in Australia) were as a result of mergers of multiple offices into single, larger locations.

| Office network | 30 June 2015 | Acquisition of Veredus | Net opened/ (closed) | 30 June 2014 |
|---|---|---|---|---|
| Asia Pacific | **45** | - | (2) | 47 |
| Continental Europe & RoW | **96** | 10 | (2) | 88 |
| United Kingdom & Ireland | **99** | - | (3) | 102 |
| Group | **240** | 10 | (7) | 237 |

# Asia Pacific

## Australia back in growth, led by perm; strong performance in Asia

| Year ended 30 June (In £'s million) | 2015 | 2014 | Growth Actual | Growth LFL[1] |
|---|---|---|---|---|
| Net fees | **178.5** | 173.9 | 3% | 8% |
| Operating profit | **49.7** | 49.7 | 0% | 7% |
| Conversion rate | **27.8%** | 28.6% | | |
| Period end consultant headcount | **1,195** | 1,055 | 13% | |

In Asia Pacific, net fees increased by 3% (8% on a like-for-like basis[1]) to £178.5 million and operating profit was flat (up 7% on a like-for-like basis[1]) at £49.7 million, representing a conversion rate of 27.8% (2014: 28.6%). The difference between actual growth and like-for-like growth rates is primarily the result of the material depreciation in the rate of exchange between the Australian Dollar and Japanese Yen versus Sterling during the year, which reduced net fees in the division by £9.2 million and operating profits by £3.1 million.

In Australia & New Zealand net fees were up 7%[1] and operating profit was up 5%[1]. Growth was driven by the permanent recruitment business, where we delivered strong net fee growth of 17%[1], as candidate confidence improved in several key markets. Temp net fees grew by 2%[1]. Our public sector business was up 15%[1], as we saw a return to activity levels more in line with historical norms in that market after a subdued period, and our private sector business was up 4%[1]. In Australia we delivered good net fee growth of 7%[1]. In New South Wales and Victoria, which represented 52% of Australian net fees, net fees were up 15%[1] and 5%[1] respectively. Queensland was up 3%[1], although Western Australia was down 12%[1] as reduced activity in the Resources & Mining sector continued to significantly impact trading across the state. The remaining smaller states delivered excellent growth, notably Australian Capital Territory, which is predominantly a public sector business and grew by 53%[1]. We saw good net fee growth of 9%[1] in New Zealand.

In Asia, which accounted for 22% of the division's net fees, we delivered strong net fee growth of 13%[1] and operating profits increased by 22%[1] to £5.5 million. All countries in the region delivered record net fees. In Japan, net fees increased by 15%[1] and market conditions were good throughout the year. Net fees in China grew 17%[1], Hong Kong 10%[1], Malaysia 52%[1] and Singapore 1%[1].

Consultant headcount in the Asia Pacific division increased by 13% year-on-year. Consultant headcount in Australia & New Zealand increased by 10% as we invested to take advantage of the initial stages of recovery we have seen in that market. In Asia we ended the year with over 420 consultants, increasing headcount by 20% as we invested to drive growth, capitalise on supportive market conditions across the region and build strong, leading positions in newer, less mature markets.

# Continental Europe & Rest of World

## Good trading performance in Germany; excellent operating profit increase in the rest of the division

| Year ended 30 June (In £'s million) | 2015 | 2014 | Growth Actual | Growth LFL[1] |
|---|---|---|---|---|
| Net fees | **313.8** | 305.0 | 3% | 9% |
| Operating profit | **68.7** | 64.4 | 7% | 18% |
| Conversion rate | **21.9%** | 21.1% | | |
| Period end consultant headcount[4] | **2,423** | 2,145 | 13% | |

In Continental Europe & RoW, we delivered net fee growth of 3% (9% on a like-for-like basis[1]) to £313.8 million, driving operating profit growth of 7% (18% on a like-for-like basis[1]) to £68.7 million. The difference between actual and like-for-like growth rates is primarily the result of the material depreciation in the rate of exchange between the Euro versus Sterling, which reduced net fees by £26.0 million and operating profit by £6.4 million. The conversion rate of the division increased to 21.9% (2014: 21.1%) driven by good net fee growth and strong drop-through of incremental net fees into operating profit, notably across several continental European markets.

Germany, which represented 50% of the division's net fees, delivered good net fee growth of 6%[1]. We saw growth across Contracting and Temp, which together grew by 6%[1], and Perm which also grew by 6%[1]. We saw strong growth in our newer specialisms, which now represent 27% of net fees in Germany, particularly Accountancy & Finance, Sales & Marketing and Healthcare which all grew by more than 10%[1]. Net fees in IT, which represents 41% of the Germany business, grew by 7%[1] whilst net fees in Engineering increased by 2%[1].

Across the rest of the division, net fees were up 12%[1] and operating profit increased by £7.1 million[1], a 44%[1] drop-through of incremental net fees into operating profit. France, our second largest country in the division, delivered strong net fee growth of 10%[1], and operating profit growth of 48%[1] against a subdued market backdrop.

In North America, Canada delivered strong net fee growth of 10%[1] and our business in the US, excluding the Veredus acquisition, continued to perform well and increased net fees by 34%[1]. In Latin America, Chile, Colombia and Mexico all grew rapidly, although Brazil remained challenging and net fees were down 13%[1].

Within the division, 16 countries delivered net fee growth of 10%[1] or more and 14 countries delivered record net fee performances, including Germany, Belgium, Canada, Poland and Switzerland.

Consultant headcount in the division increased by 13%[4] year-on-year. In Germany consultant headcount increased 14%, primarily in the second half, as we invested into the areas of our business which are focused on small and medium sized clients. In France, consultant headcount increased 10% as we invested to support the growth and strong performance of that business, and we also invested in markets which demonstrated clear growth opportunities, many of which, such as Spain where consultant headcount was up 23%, showed sustained recovery after having been challenging for some time.

# United Kingdom & Ireland

## Strong, broad-based fee growth across all regions and most specialisms; with further excellent operating profit leverage

| Year ended 30 June (In £'s million) | 2015 | 2014 | Growth Actual | Growth LFL[1] |
|---|---|---|---|---|
| Net fees | **271.9** | 246.0 | 11% | 11% |
| Operating profit | **45.7** | 26.2 | 74% | 75% |
| Conversion rate | **16.8%** | 10.7% | | |
| Period end consultant headcount | **2,203** | 2,157 | 2% | |

The UK & Ireland delivered strong net fee growth of 11%[1] to £271.9 million and generated material improvement of operating profit to £45.7 million (2014: £26.2 million), representing a conversion rate of 16.8% (2014: 10.7%). Our Temp business delivered good growth of 7%[1], whilst our Perm business delivered strong growth of 16%[1] as candidate confidence remained strong.

Activity levels were strong and broad-based, with all regions and most specialisms delivering net fee growth. We saw stand out performances from North West, Midlands, East, London (ex-City) and South of England, each of which grew by more than 15%. In Ireland our business delivered net fee growth of 1%[1].

At the specialism level, IT delivered excellent growth of 22%[1], Construction & Property performed strongly and was up 14%[1], whilst net fees in our largest specialism of Accountancy & Finance grew by 13%[1], within which our Senior Finance business grew by 12%[1].

Our private sector business, which represented 71% of the division's net fees, delivered strong net fee growth of 11%[1] and our public sector business also delivered strong net fee growth of 11%[1], driven by particularly good performances in Education and IT.

The improvement in profitability in the UK & Ireland business was driven by strong net fee growth of 11%[1]. Over the year, average consultant headcount numbers increased 8% and consultant productivity increased 3%, which, along with the ongoing benefits from our largely automated back office platform drove an improved conversion rate. These factors combined generated the excellent 74%[1] drop-through of incremental net fee growth into operating profit. Our UK & Ireland business remains strongly placed to take full advantage of the current supportive market conditions. Going forward we anticipate a drop-through of incremental net fees into operating profit of c.60%[1].

Consultant headcount in the division was up 2% year-on-year, as we paused investment in the run up to the General Election in May following the significant investment we made in the first half of the year, and focused on improvements in consultant productivity.

# Current trading

## Good overall growth with supportive conditions in the vast majority of our markets

We continue to see good overall net fee growth. We see many clear opportunities to grow further and we will continue to invest in a targeted way to capitalise on these opportunities.

Movements in the rates of exchange of the Group's key currencies, notably the Australian Dollar and the Euro, remain a material sensitivity to our reported financial performance, and have had an additional negative impact of £1 million since the Q4 Trading Update in July.

### Asia Pacific

We continue to see good levels of growth in Australia overall, albeit against subdued market confidence. Growth in New South Wales and Victoria was strong, but conditions remain tough in Western Australia. We continue to see strong growth in our Perm business, but limited growth in our Temp business. Growth remains strong in the public sector and solid in private sector. In Asia overall growth remains strong.

Based on the prevailing conditions across the division and after significant investment in FY15, we expect headcount to increase modestly in the first half of the year.

### Continental Europe & RoW

In CERoW, growth remains good overall. In Germany we continue to see good growth and in the rest of the division, conditions in most markets are good and in many markets are strong.

Overall we expect headcount in the division to increase on a selective basis in the first half of the year.

### United Kingdom & Ireland

In the UK&I, we continue to see good overall net fee growth, albeit we have not seen a post-election acceleration in activity levels. Growth remains broad based across all regions and most specialisms, and is good in Perm and Temp and in the public and private sector.

Overall we expect to increase headcount in the division on a selective basis in the first half of the year.

# FINANCIAL REVIEW

## Summary Income Statement

| Year ended 30 June (In £'s million) | 2015 | 2014 | Growth Actual | Growth LFL[(1)] |
|---|---|---|---|---|
| Turnover | **3,842.8** | 3,678.5 | 4% | 9% |
| Net fees | | | | |
| Temporary | **443.1** | 429.9 | 3% | 7% |
| Permanent | **321.1** | 295.0 | 9% | 13% |
| Total | **764.2** | 724.9 | 5% | 9% |
| Operating profit from continuing operations | **164.1** | 140.3 | 17% | 25% |
| Conversion rate | **21.5%** | 19.4% | | |
| Underlying temporary margin [(2)] | **16.9%** | 16.6% | | |
| Temporary fees as % of total | **58%** | 59% | | |
| Period end consultant headcount[(4)] | **5,821** | 5,357 | 9% | |

(1) LFL (like-for-like) growth represents organic growth of continuing operations at constant currency.

(2) 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 Company provides major payrolling services.

(3) Exchange rate as at 25 August 2015: £1 / €1.3627; £1 / AUD2.2019.

(4) Excludes the impact of the Veredus acquisition.

Turnover for the year to 30 June 2015 was up 4% (9% on a like-for-like basis[(1)]) and net fees increased by 5% (9% on a like-for-like basis[(1)]). Operating profit increased by 17% (25% on a like-for-like basis[(1)]). Exchange rate movements decreased net fees and operating profit by £35.8 million and £9.6 million respectively, primarily as a result of a material depreciation in the rate of exchange of the major currencies to which the Group has exposure versus Sterling, most notably the Australian dollar and the Euro which remain significant sensitivities for the Group.

Operating costs were 3% higher than prior year (6% higher on a like-for-like basis[(1)]), primarily due to a rise in commission payments in line with net fees and costs associated with the 9%[(4)] increase in Group consultant headcount. Tight control was maintained on the overhead cost base across the Group.

The Group's conversion rate, which is the proportion of net fees converted into operating profit, improved by 210 basis points to 21.5% (2014: 19.4%) as a result of this net fee growth, the on-going benefit of our largely automated back office platform and our continued strong control of operating costs.

Consultant headcount at the end of June 2015 was 5,821[(4)], up 9% year-on-year and also up 4% versus December 2014, as we invested on a targeted basis to support growth opportunities. In our UK & Ireland business consultant headcount was up 2% year-on-year. In our International business, we increased consultant headcount by 13%[(4)] year-on-year.

## Net finance charge

The net finance charge for the year was £8.0 million (2014: £8.0 million). The average interest rate on gross debt during the period was 2.5% (2014: 2.8%), generating net bank interest payable including amortisation of arrangement fees of £4.1 million (2014: £5.0 million) with the reduction primarily due to the lower levels of average net debt compared to the prior year. The net interest charge on defined benefit pension scheme obligations was £3.0 million (2014: £2.6 million) and the Pension Protection Fund levy was £0.5 million (2014: £0.4 million). The unwind of the discount applied to the future Veredus acquisition liability is recorded within interest, and was £0.4 million. We expect the net finance charge for the year ending 30 June 2016 to be around £7.5 million.

## Taxation

Taxation for the year was £50.7 million (2014: £46.3 million), representing an effective tax rate of 32.5% (2014: 35.0%). The effective tax rate reflects the Group's geographical mix of profits, with the reduction in the rate due to the material improvement of profitability in the UK and the reduction in the number of countries generating tax losses. We expect the Group's effective tax rate to be 31.0% for the year to June 2016.

## Earnings per share

Basic earnings per share increased by 21% to 7.44 pence (2014: 6.13 pence), reflecting the Group's higher operating profit and lower effective tax rate.

## Cash flow and balance sheet

Cash flow in the year was strong with 116% conversion of operating profit into operating cash flow (2014: 125%); a result of good working capital management throughout the year and the favourable day upon which the year-end fell.

Net capital expenditure was £11.9 million (2014: £11.7 million). The acquisition cost related to Veredus was approximately £36 million, as explained in the earlier section. We expect capital expenditure to be around £13 million for the year to June 2016.

Dividends paid in the year totalled £37.9 million and pension deficit contributions were £14.0 million. Net interest paid, including debt arrangement fees, was £5.2 million and the cash tax payment was £43.6 million.

Net debt reduced from £62.7 million at the start of the year to £30.7 million at the end of the year. We expect to move into a net cash position in the year to June 2016.

## Retirement benefits

The Group's pension liability under IAS19 at 30 June 2015 of £58.7 million increased by £14.8 million compared to 30 June 2014 primarily due to a significant decrease in the discount rate, which was only partially offset by company contributions, a decrease in the inflation rate and an increase in asset values.

During the year the Company contributed £14.0 million of cash to the defined benefit scheme (2014: £13.5 million) in line with the agreed deficit recovery plan. The 2012 triennial valuation quantified the actuarial deficit at c.£150 million and the recovery plan comprises an annual payment of £12.8 million from July 2012 with a fixed 3% uplift per year, over a period of just under 10 years. The scheme was closed to future accrual in June 2012 and the result of the next valuation, which will be based on data as of June 2015, is expected in early 2016.

## Capital structure and dividend

The Board's priorities for free cash flow are to fund the Group's investment and development, maintain a strong balance sheet and deliver a sustainable core dividend at a level which is both affordable and appropriate.

Taking into account the financial performance of the Group this year and as we build core dividend cover towards 3x earnings, the Board proposes to increase the final core dividend by 5% to 1.89p, resulting in an increase to the full year dividend to 2.76p, also up 5% on prior year. As such, the full year dividend will be covered 2.7x by earnings.

The Board remains committed to this sustainable and progressive dividend policy and will continue to review the core dividend level in line with our stated dividend cover policy. Additionally, we reiterate our policy regarding the uses of excess free cash flow as follows. Once we have built a net cash position in the region of £50 million and assuming a positive outlook, it is our intention that any excess free cash flow generated over-and-above this net cash position, that is not needed for the priorities outlined above, will then be distributed to shareholders via special dividends, or other appropriate methods, to supplement the core dividend.

The final dividend will be paid, subject to shareholder approval, on 13 November 2015 to shareholders on the register on 9 October 2015.

## Treasury management

The Group's operations are financed by retained earnings and bank borrowings. The Group completed the refinancing of its five-year unsecured revolving credit facility in April 2015. The new arrangement includes a reduction in the core debt facility from £300 million to £210 million and an extension in maturity to April 2020. The financial covenants remain unchanged and require the Group's interest cover ratio to be at least 4:1 (June 2015: 46:1) and its leverage ratio (net debt to EBITDA) to be no greater than 2.5:1 (June 2015: 0.2:1). The interest rate of the facility is based on a ratchet mechanism with a margin payable over LIBOR in the range of 0.90% to 1.55%.

All borrowings are raised by the Group's UK-based treasury department, which manages the Group's treasury risk in accordance with policies set by the Board. The Group's treasury department does not engage in speculative transactions and does not operate as a profit centre.

The Board considers it appropriate to use certain derivative financial instruments to reduce its exposure to interest rate movements under its floating rate revolving credit facility. The Group holds two interest rate swaps which exchange a fixed payment for floating rate receipt on a total debt value of £10 million and have maturities of up to one year. The Group does not hold or use derivative financial instruments for speculative purposes.

Counterparty risk primarily arises from the investment of any surplus funds. The Group restricts transactions to banks and money market funds that have an acceptable credit profile and limits exposure to each institution.

## Board changes

At our forthcoming Annual General Meeting Richard Smelt will retire as a non-executive Director. Richard was appointed to the Board in November 2007 and his 30-year career in Human Resources, coupled with his business experience and insight, has enabled him to make a valued contribution to the Company and the Board throughout his tenure. He takes with him the Group's best wishes for the future.

## 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, data governance, contracts and foreign exchange. These risks and our mitigating actions remain as set out in the 2014 Annual Report.

# Cautionary statement

This Preliminary Results report (the "Report") has been prepared in accordance with the Disclosure Rules 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.

# CONSOLIDATED INCOME STATEMENT

## FOR THE YEAR ENDED 30 JUNE

| (In £s million) | Note | 2015 | 2014 |
|---|---|---|---|
| **Turnover** | | | |
| Continuing operations | | **3,842.8** | 3,678.5 |
| **Net fees** [(1)] | | | |
| Continuing operations | 3 | **764.2** | 724.9 |
| **Operating profit from continuing operations** | 3 | **164.1** | 140.3 |
| Finance income | 5 | **0.5** | 0.5 |
| Finance cost | 5 | **(8.5)** | (8.5) |
| **Profit before tax** | | **156.1** | 132.3 |
| Tax | 6 | **(50.7)** | (46.3) |
| **Profit from continuing operations after tax** | | **105.4** | 86.0 |
| **Profit from discontinued operations** | | **0.2** | 4.9 |
| **Profit attributable to equity holders of the parent Company** | | **105.6** | 90.9 |
| Earnings per share from continuing operations | | | |
| - Basic | 8 | **7.44p** | 6.13p |
| - Diluted | 8 | **7.31p** | 6.00p |
| Earnings per share from continuing and discontinued operations | | | |
| - Basic | 8 | **7.46p** | 6.47p |
| - Diluted | 8 | **7.33p** | 6.34p |

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 30 JUNE

| (In £s million) | 2015 | 2014 |
|---|---|---|
| Profit for the year | **105.6** | 90.9 |
| **Items that will not be reclassified subsequently to profit or loss:** | | |
| Actuarial remeasurement of defined benefit pension schemes | **(25.8)** | (21.8) |
| Tax relating to components of other comprehensive income | **6.3** | 1.2 |
| | **(19.5)** | (20.6) |
| **Items that may be reclassified subsequently to profit or loss:** | | |
| Currency translation adjustments | **(31.3)** | (21.4) |
| Mark to market valuation of derivative financial instruments | **0.1** | 0.4 |
| Other comprehensive income for the year net of tax | **(50.7)** | (41.6) |
| Total comprehensive income for the year | **54.9** | 49.3 |
| Attributable to equity shareholders of the parent Company | **54.9** | 49.3 |

# CONSOLIDATED BALANCE SHEET

## AT 30 JUNE

| (In £s million) | Note | 2015 | 2014 |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | | **198.4** | 170.6 |
| Other intangible assets | | **29.8** | 36.5 |
| Property, plant and equipment | | **15.6** | 17.6 |
| Deferred tax assets | | **36.4** | 35.1 |
| | | **280.2** | 259.8 |
| **Current assets** | | | |
| Trade and other receivables | | **600.5** | 579.3 |
| Cash and cash equivalents | | **69.8** | 48.0 |
| | | **670.3** | 627.3 |
| **Total assets** | | **950.5** | 887.1 |
| **Current liabilities** | | | |
| Trade and other payables | | **(478.7)** | (457.7) |
| Current tax liabilities | | **(19.5)** | (18.6) |
| Bank loans and overdrafts | | **(0.5)** | (0.7) |
| Provisions | 10 | **(3.0)** | (3.4) |
| Derivative financial instruments | | **-** | (0.1) |
| | | **(501.7)** | (480.5) |
| **Non-current liabilities** | | | |
| Bank loans | | **(100.0)** | (110.0) |
| Acquisition liabilities | | **(8.6)** | - |
| Retirement benefit obligations | 9 | **(58.7)** | (43.9) |
| Provisions | 10 | **(11.9)** | (12.0) |
| | | **(179.2)** | (165.9) |
| **Total liabilities** | | **(680.9)** | (646.4) |
| **Net assets** | | **269.6** | 240.7 |
| **Equity** | | | |
| Called up share capital | | **14.7** | 14.7 |
| Share premium | | **369.6** | 369.6 |
| Capital redemption reserve | | **2.7** | 2.7 |
| Retained earnings | | **(138.2)** | (197.7) |
| Cumulative translation reserve | | **2.1** | 33.4 |
| Other reserves | | **18.7** | 18.0 |
| **Total shareholders' equity** | | **269.6** | 240.7 |

The Consolidated Financial Statements of Hays plc, registered number 2150950, were approved by the Board of Directors and authorised for issue on 27 August 2015.

Signed on behalf of the Board of Directors

**A R COX** **P VENABLES**

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 30 JUNE 2015

| (In £s million) | Share capital | Share premium account | Capital redemption reserve | Retained earnings | Cumulative translation reserve | Other reserves | Total |
|---|---|---|---|---|---|---|---|
| At 1 July 2014 | 14.7 | 369.6 | 2.7 | (197.7) | 33.4 | 18.0 | 240.7 |
| Currency translation adjustments | - | - | - | - | (31.3) | - | (31.3) |
| Mark to market valuation of derivative financial instruments | - | - | - | - | - | 0.1 | 0.1 |
| Remeasurement of defined benefit pension schemes | - | - | - | (25.8) | - | - | (25.8) |
| Tax relating to components of other comprehensive income | - | - | - | 6.3 | - | - | 6.3 |
| Net expense recognised in other comprehensive income | - | - | - | (19.5) | (31.3) | 0.1 | (50.7) |
| Profit for the year | - | - | - | 105.6 | - | - | 105.6 |
| Total comprehensive income for the year | - | - | - | 86.1 | (31.3) | 0.1 | 54.9 |
| Dividends paid | - | - | - | (37.9) | - | - | (37.9) |
| Share-based payments | - | - | - | 10.5 | - | 0.4 | 10.9 |
| Tax on share-based payment transactions | - | - | - | 0.8 | - | - | 0.8 |
| Other share movements | - | - | - | - | - | 0.2 | 0.2 |
| **At 30 June 2015** | **14.7** | **369.6** | **2.7** | **(138.2)** | **2.1** | **18.7** | **269.6** |

## FOR THE YEAR ENDED 30 JUNE 2014

| (In £s million) | Share capital | Share premium account | Capital redemption reserve | Retained earnings | Cumulative translation reserve | Other reserves | Total |
|---|---|---|---|---|---|---|---|
| At 1 July 2013 | 14.7 | 369.6 | 2.7 | (244.3) | 54.8 | 18.9 | 216.4 |
| Currency translation adjustments | - | - | - | - | (21.4) | - | (21.4) |
| Mark to market valuation of derivative financial instruments | - | - | - | - | - | 0.4 | 0.4 |
| Remeasurement of defined benefit pension schemes | - | - | - | (21.8) | - | - | (21.8) |
| Tax relating to components of other comprehensive income | - | - | - | 1.2 | - | - | 1.2 |
| Net expense recognised in other comprehensive income | - | - | - | (20.6) | (21.4) | 0.4 | (41.6) |
| Profit for the year | - | - | - | 90.9 | - | - | 90.9 |
| Total comprehensive income for the year | - | - | - | 70.3 | (21.4) | 0.4 | 49.3 |
| Dividends paid | - | - | - | (35.1) | - | - | (35.1) |
| Share-based payments | - | - | - | 10.1 | - | (1.7) | 8.4 |
| Tax on share-based payment transactions | - | - | - | 1.3 | - | - | 1.3 |
| Other share movements | - | - | - | - | - | 0.4 | 0.4 |
| At 30 June 2014 | 14.7 | 369.6 | 2.7 | (197.7) | 33.4 | 18.0 | 240.7 |

# CONSOLIDATED CASH FLOW STATEMENT

## FOR THE YEAR ENDED 30 JUNE

| (In £s million) | Note | 2015 | 2014 |
|---|---|---|---|
| **Operating profit from continuing operations** | | **164.1** | 140.3 |
| Adjustments for: | | | |
| Exceptional items | | **(0.1)** | (0.2) |
| Depreciation of property, plant and equipment | | **8.7** | 9.2 |
| Amortisation of intangible fixed assets | | **13.7** | 12.9 |
| Loss on disposal of property, plant and equipment | | **-** | 0.5 |
| Net movements in provisions and other items | | **(0.4)** | (2.0) |
| Share-based payments | | **10.8** | 8.7 |
| | | **32.7** | 29.1 |
| **Operating cash flow before movement in working capital** | | **196.8** | 169.4 |
| Movement in working capital: | | | |
| Increase in receivables | | **(53.0)** | (32.6) |
| Increase in payables | | **45.9** | 38.6 |
| | | **(7.1)** | 6.0 |
| **Cash generated by operations** | | **189.7** | 175.4 |
| Pension scheme deficit funding | | **(14.0)** | (13.5) |
| Income taxes paid | | **(43.6)** | (59.3) |
| **Net cash inflow from operating activities** | | **132.1** | 102.6 |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | | **(7.8)** | (5.7) |
| Proceeds from sales of business and related assets | | **0.2** | 0.1 |
| Purchase of intangible assets | | **(4.3)** | (6.1) |
| Acquisition of subsidiaries | | **(35.7)** | - |
| Cash paid in respect of acquisitions made in previous years | | **(1.6)** | (0.3) |
| Interest received | | **0.5** | 0.5 |
| **Net cash used in investing activities** | | **(48.7)** | (11.5) |
| **Financing activities** | | | |
| Interest paid | | **(5.7)** | (8.4) |
| Equity dividends paid | | **(37.9)** | (35.1) |
| Proceeds from exercise of share options | | **1.8** | 0.6 |
| Decrease in bank loans and overdrafts | | **(10.2)** | (34.5) |
| **Net cash used in financing activities** | | **(52.0)** | (77.4) |
| **Net increase** | | **31.4** | 13.7 |
| **Cash and cash equivalents at beginning of year** | 11 | **48.0** | 40.0 |
| Effect of foreign exchange rate movements | | **(9.6)** | (5.7) |
| **Cash and cash equivalents at end of year** | 11 | **69.8** | 48.0 |

# 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 2015 or 2014, for the purpose of the Companies Act 2006, but is derived from those accounts. The statutory accounts for 2014 have been delivered to the Registrar of Companies and those for 2015 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 2014 with the exception of the following new accounting standards and amendments which were mandatory for accounting periods beginning on or after 1 January 2014, none of which had any material impact on the Group's results or financial position.

- IFRS 10 Consolidated Financial Statements (EU adoption from 1 January 2014)
- IFRS 11 Joint Arrangements (EU adoption from 1 January 2014)
- IFRS 12 Disclosure of Interests in Other Entities (EU adoption from 1 January 2014)
- IFRS 10, IFRS 12 and IAS 27 (amendments) Investment Entities (effective 1 January 2014)
- IAS 27 (revised) Separate Financial Statements (EU adoption from 1 January 2014)
- IAS 28 (revised) Investments in Associates and Joint Ventures (EU adoption from 1 January 2014)
- IAS 32 (amendment) Presentation – Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014)
- IAS 36 (amendment) Recoverable Amount Disclosures for Non-Financial Assets (effective 1 January 2014)
- IFRIC 21 (interpretation) Levies (effective 1 January 2014)

### Going Concern

The Group's business activities, together with the factors likely to effect 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 2015. The directors have formed the judgement that there is reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. As a result the directors continue to adopt the going concern basis in the preparation of the financial statements.

## 3 SEGMENTAL INFORMATION

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

The Group's Management Board, which is regarded as the chief operating decision maker, uses net fees by segment as its measure of revenue in internal reports, rather than use turnover. This is because net fees exclude the remuneration of temporary workers, and payments to other recruitment agencies where the Group acts as principal, which are not considered relevant in allocating resources to segments. The Group's Management Board considers net fees for the purpose of making decisions about allocating resources. The Group does not report items below operating profit by segment in its internal management reporting. The reconciliation of turnover to net fees can be found in note 4.

| (In £s million) | **2015** | 2014 |
|---|---|---|
| **Net fees from continuing operations** | | |
| Asia Pacific | **178.5** | 173.9 |
| Continental Europe & Rest of World | **313.8** | 305.0 |
| United Kingdom & Ireland | **271.9** | 246.0 |
| | **764.2** | 724.9 |

## 3 SEGMENTAL INFORMATION continued

| (In £s million) | 2015 | 2014 |
|---|---|---|
| **Operating profit from continuing operations** | | |
| Asia Pacific | **49.7** | 49.7 |
| Continental Europe & Rest of World | **68.7** | 64.4 |
| United Kingdom & Ireland | **45.7** | 26.2 |
| | **164.1** | 140.3 |

## 4 OPERATING PROFIT FROM CONTINUING OPERATIONS

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

| (In £s million) | 2015 | 2014 |
|---|---|---|
| Turnover | **3,842.8** | 3,678.5 |
| Remuneration of temporary workers | **(2,941.5)** | (2,805.8) |
| Remuneration of other recruitment agencies | **(137.1)** | (147.8) |
| Net fees | **764.2** | 724.9 |

Operating profit is stated after charging the following items to net fees of £764.2 million (2014: £724.9 million):

| (In £s million) | 2015 | 2014 |
|---|---|---|
| Staff costs | **440.6** | 424.4 |
| Depreciation of property, plant and equipment | **8.7** | 9.2 |
| Amortisation of intangible assets | **13.7** | 12.9 |
| Operating lease rentals payable | **30.8** | 31.2 |
| Impairment loss on trade receivables | **2.5** | 3.4 |
| Auditor remuneration | | |
| - for statutory audit services | **0.9** | 0.9 |
| - for other services | **0.4** | 0.3 |
| Other external charges | **102.5** | 102.3 |
| | **600.1** | 584.6 |

## 5 FINANCE INCOME AND FINANCE COST

### Finance income

| (In £s million) | 2015 | 2014 |
|---|---|---|
| Interest on bank deposits | **0.5** | 0.5 |

### Finance cost

| (In £s million) | 2015 | 2014 |
|---|---|---|
| Interest payable on bank loans and overdrafts | **(4.6)** | (5.5) |
| Interest unwind on acquisition liability | **(0.4)** | - |
| Pension Protection Fund levy | **(0.5)** | (0.4) |
| Net interest on pension obligations | **(3.0)** | (2.6) |
| | **(8.5)** | (8.5) |
| Net finance cost | **(8.0)** | (8.0) |

## 6 INCOME TAXES RELATING TO CONTINUING OPERATIONS

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

| (In £s million) | **2015** | 2014 |
|---|---|---|
| Profit before tax from continuing operations | **156.1** | 132.3 |
| Income tax expense calculated at 20.75% (2014: 22.50%) | **(32.4)** | (29.8) |
| Net effect of items that are non-taxable/(non-deductible) in determining taxable profit | **(3.7)** | 1.3 |
| Effect of unused tax losses not recognised as deferred tax assets | **-** | (1.5) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | **(13.8)** | (11.6) |
| Effect on deferred tax balances due to the changes in income tax rates | **(0.8)** | (1.8) |
| Effect of share-based payment charges and share options | **0.5** | (0.1) |
| | **(50.2)** | (43.5) |
| Adjustments recognised in the current year in relation to the current tax of prior years | **(0.2)** | (2.8) |
| Adjustments to deferred tax in relation to prior years | **(0.3)** | - |
| Income tax expense recognised in the Consolidated Income Statement relating to continuing operations | **(50.7)** | (46.3) |
| Effective tax rate for the year on continuing operations | **32.5%** | 35.0% |

The tax rate used for the 2015 and 2014 reconciliations above is the corporate tax rate of 20.75% (2014: 22.50%) payable by corporate entities in the United Kingdom on taxable profits under tax law in that jurisdiction.

## 7 DIVIDENDS

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

| | **2015 pence per share** | **2015 £s million** | 2014 pence per share | 2014 £s million |
|---|---|---|---|---|
| Previous year final dividend | **1.80** | **25.6** | 1.67 | 23.5 |
| Current year interim dividend | **0.87** | **12.3** | 0.83 | 11.6 |
| | | **37.9** | | 35.1 |

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

| | **2015 pence per share** | **2015 £s million** | 2014 pence per share | 2014 £s million |
|---|---|---|---|---|
| Interim dividend (paid) | **0.87** | **12.3** | 0.83 | 11.6 |
| Final dividend (proposed) | **1.89** | **27.0** | 1.80 | 25.6 |
| | **2.76** | **39.3** | 2.63 | 37.2 |

The final dividend for 2015 of 1.89 pence per share (£27.0 million) will be proposed at the Annual General Meeting on 11 November 2015 and has not been included as a liability as at 30 June 2015. If approved, the final dividend will be paid on 13 November 2015 to shareholders on the register at the close of business on 9 October 2015.

## 8 EARNINGS PER SHARE

| For the year ended 30 June 2015 | Earnings (£s million) | Weighted average number of shares (million) | Per share amount (pence) |
|---|---|---|---|
| **Continuing operations:** | | | |
| Basic earnings per share from continuing operations | **105.4** | **1,416.4** | **7.44** |
| Dilution effect of share options | **-** | **24.5** | **(0.13)** |
| Diluted earnings per share from continuing operations | **105.4** | **1,440.9** | **7.31** |
| **Discontinued operations:** | | | |
| Basic earnings per share from discontinued operations | **0.2** | **1,416.4** | **0.01** |
| Dilution effect of share options | **-** | **24.5** | **-** |
| Diluted earnings per share from discontinued operations | **0.2** | **1,440.9** | **0.01** |
| **Continuing and discontinued operations:** | | | |
| Basic earnings per share from continuing and discontinued operations | **105.6** | **1,416.4** | **7.46** |
| Dilution effect of share options | **-** | **24.5** | **(0.13)** |
| Diluted earnings per share from continuing and discontinued operations | **105.6** | **1,440.9** | **7.33** |

| For the year ended 30 June 2014 | Earnings (£s million) | Weighted average number of shares (million) | Per share amount (pence) |
|---|---|---|---|
| **Continuing operations:** | | | |
| Basic earnings per share from continuing operations | 86.0 | 1,403.9 | 6.13 |
| Dilution effect of share options | - | 30.0 | (0.13) |
| Diluted earnings per share from continuing operations | 86.0 | 1,433.9 | 6.00 |
| **Discontinued operations:** | | | |
| Basic earnings per share from discontinued operations | 4.9 | 1,403.9 | 0.35 |
| Dilution effect of share options | - | 30.0 | (0.01) |
| Diluted earnings per share from discontinued operations | 4.9 | 1,433.9 | 0.34 |
| **Continuing and discontinued operations:** | | | |
| Basic earnings per share from continuing and discontinued operations | 90.9 | 1,403.9 | 6.47 |
| Dilution effect of share options | - | 30.0 | (0.13) |
| Diluted earnings per share from continuing and discontinued operations | 90.9 | 1,433.9 | 6.34 |

The weighted average number of shares in issue for both years exclude shares held in treasury and shares held by the Hays plc Employee Share Trust.

## 9 RETIREMENT BENEFIT OBLIGATIONS

| (In £s million) | **2015** | 2014 |
|---|---|---|
| Deficit in the scheme brought forward | **(43.9)** | (33.0) |
| Current service cost | **(1.3)** | (1.3) |
| Employer contributions | **14.0** | 13.5 |
| Net interest expense | **(1.7)** | (1.3) |
| Remeasurement of the net defined benefit liability | **(25.8)** | (21.8) |
| Deficit in the scheme carried forward | **(58.7)** | (43.9) |

## 10 PROVISIONS

| (In £s million) | Property | Other | Total |
|---|---|---|---|
| At 1 July 2014 | 5.3 | 10.1 | 15.4 |
| Exchange adjustments | - | (0.1) | (0.1) |
| Charged to income statement | - | 2.2 | 2.2 |
| Credited to income statement | (2.2) | - | (2.2) |
| Utilised | (0.2) | (0.2) | (0.4) |
| **At 30 June 2015** | **2.9** | **12.0** | **14.9** |

| (In £s million) | **2015** | 2014 |
|---|---|---|
| Current | **3.0** | 3.4 |
| Non-current | **11.9** | 12.0 |
| | **14.9** | 15.4 |

Property provisions are for rents and other related amounts payable on certain leased properties for periods in which they are not anticipated to be in use by the Group. The leases expire in periods up to 2015 and the amounts will be paid over this period.

Other provisions mainly relate to potential warranty claim liabilities arising as a result of the business disposals that were concluded in 2004, and deferred employee benefit provisions. Of these provisions, £3.0 million is expected to be paid in the next 12 months and it is not possible to estimate the timing of the payments for the other items.

## 11 MOVEMENT IN NET DEBT

| (In £s million) | 1 July 2014 | Cash flow | Exchange movement | **30 June 2015** |
|---|---|---|---|---|
| Cash and cash equivalents | 48.0 | 31.4 | (9.6) | **69.8** |
| Bank loans and overdrafts | (110.7) | 10.2 | - | **(100.5)** |
| Net debt | (62.7) | 41.6 | (9.6) | **(30.7)** |

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

The Group completed the refinancing of its five-year unsecured revolving credit facility on 23 April 2015. The new arrangement includes a reduction in the core debt facility from £300 million to £210 million and an extension in maturity to April 2020. The financial covenants remain unchanged and require the Group's interest cover ratio to be at least 4:1 and its leverage ratio (net debt to EBITDA) to be no greater than 2.5:1. The interest rate of the facility is based on a ratchet mechanism with a margin payable over LIBOR in the range of 0.90% to 1.55%.

At 30 June 2015, £110 million of the committed facility was undrawn.

## 12 ACQUISITION OF SUBSIDIARY

On 4 December 2014 the Group acquired 80% of Veredus Corp., a pure-play IT staffing company based in Florida USA for a total cash consideration of £36.1 million comprising an initial cash payment of £30.3 million on acquisition and a tax equalisation payment of £5.8 million in March 2015. The transaction has been accounted for using the acquisition method of accounting, and to reflect the substance of the transaction using the principles of IFRS10, has been accounted for as if 100% of the equity had been acquired. Net assets acquired after fair value adjustments, were £10.0 million.

| (In £s million) | Book value | Fair value adjustment | Fair value |
|---|---|---|---|
| Net assets acquired | | | |
| Intangible assets | 0.1 | 2.9 | **3.0** |
| Property, plant and equipment | 0.1 | - | **0.1** |
| Trade and other receivables | 7.2 | (0.7) | **6.5** |
| Cash and cash equivalents | 0.4 | - | **0.4** |
| | 7.8 | 2.2 | **10.0** |
| Goodwill | | | **34.3** |
| Total consideration | | | **44.3** |
| Satisfied by: | | | |
| Cash paid in year | | | **36.1** |
| Deferred consideration | | | **8.2** |
| | | | **44.3** |
| Net cash outflow arising on acquisition | | | |
| Cash consideration | | | **36.1** |
| Cash and cash equivalents acquired | | | **(0.4)** |
| | | | **35.7** |

The deferred consideration is subject to a put/call arrangement which provides Hays with an option to acquire the remaining 20% of the equity from the shareholders (who have an equivalent right to sell the remaining 20% of the equity). The option is first available for exercise in March 2018 at a pre-determined multiple of earnings, and is subject to a cap. The maximum potential amount of all future payments that the Group could be required to make under the contingent consideration arrangement is £27.6 million. Fair value adjustments to the net assets acquired relate mainly to the recognition of an intangible asset in respect of the acquired Veredus brand.

The acquired business contributed £33.8 million turnover, £10.0 million net fees and £0.3 million operating profit to the Group results before tax for the period between the date of acquisition and the balance sheet date. This was in line with expectations with a good trading performance offset by the amortisation of the legacy brand, one off costs related to the transaction, and post-acquisition development of the business.

If the acquisition had been completed on the first day of the financial year, Group turnover for the year would have increased by £25.9 million, net fees would have increased by £8.1 million and operating profit by £2.2 million.

## 13 LIKE-FOR-LIKE RESULTS

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

For the year ended 30 June 2015 these are calculated as follows:

(In £s million)

| | |
|---|---|
| Net fees for the year ended 30 June 2014 | 724.9 |
| Foreign exchange impact | (35.8) |
| Net fees for the year ended 30 June 2014 at constant currency | 689.1 |
| Net fee increase resulting from acquisition | 10.0 |
| Net fee increase resulting from organic growth | 65.1 |
| **Net fees for the year ended 30 June 2015** | **764.2** |
| Profit from operations for the year ended 30 June 2014 | 140.3 |
| Foreign exchange impact | (9.6) |
| Profit from operations for the year ended 30 June 2014 at constant currency | 130.7 |
| Profit from operations increase resulting from acquisition | 0.3 |
| Profit from operations increase resulting from organic growth | 33.1 |
| **Profit from operations for the year ended 30 June 2015** | **164.1** |

## 14 LIKE-FOR-LIKE RESULTS H1 vs. H2 ANALYSIS BY DIVISION

| Net fee growth vs. same period last year | **Q1 2015** | **Q2 2015** | **H1 2015** | **Q3 2015** | **Q4 2015** | **H2 2015** | **FY 2015** |
|---|---|---|---|---|---|---|---|
| Asia Pacific | 6% | 11% | **8%** | 9% | 8% | **9%** | **8%** |
| Continental Europe & Rest of World | 8% | 9% | **9%** | 8% | 9% | **9%** | **9%** |
| United Kingdom & Ireland | 13% | 14% | **13%** | 8% | 9% | **9%** | **11%** |
| Group | 9% | 11% | **10%** | 8% | 9% | **9%** | **9%** |

H1 2015 is the period from 1 July 2014 to 31 December 2014. H2 2015 is the period from 1 January 2015 to 30 June 2015.