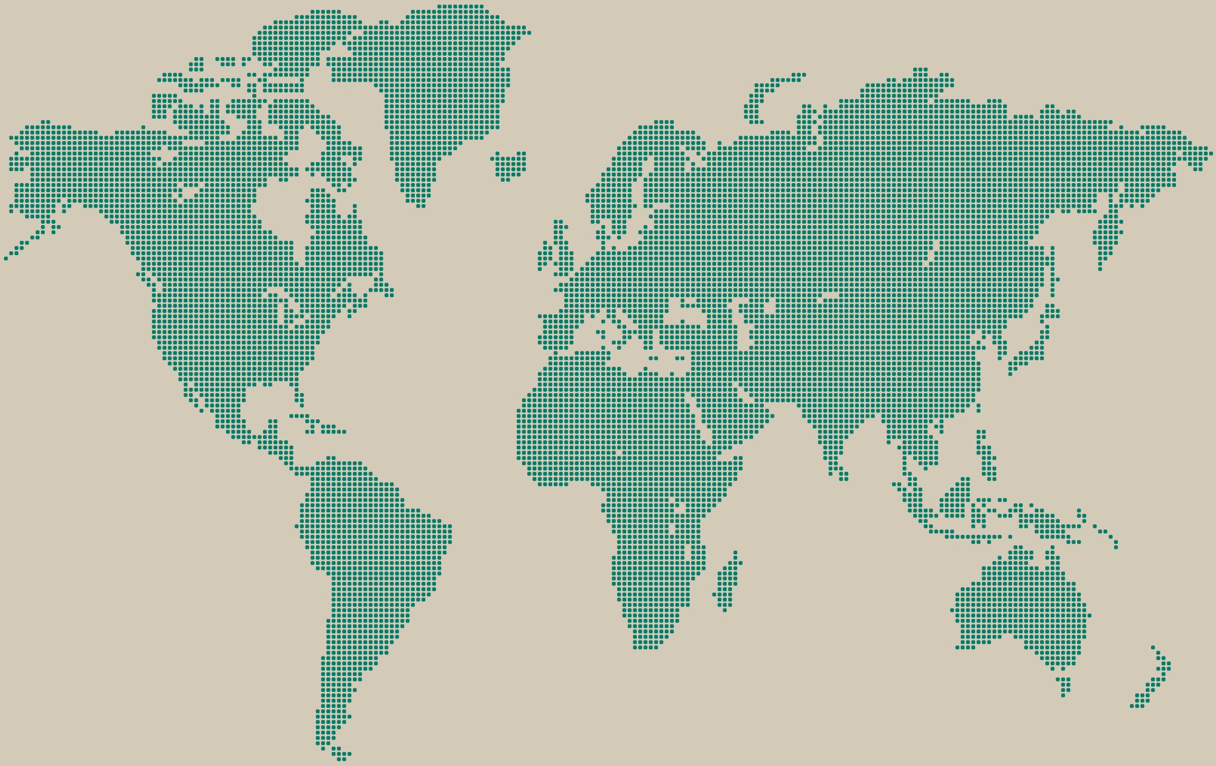


# Annual Report & Accounts 2008

Michael Page
INTERNATIONAL

# Highlights

2008

### Revenue (£m)

| | Revenue (£m) |
|---|---|
| 2008 | 972.8 |
| 2007 | 831.6 |
| 2006 | 649.1 |
| 2005 | 523.8 |
| 2004 | 433.7 |

### Gross Profit (£m)

| | Gross Profit (£m) |
|---|---|
| 2008 | 552.7 |
| 2007 | 478.1 |
| 2006 | 348.8 |
| 2005 | 267.6 |
| 2004 | 210.6 |

### Profit before tax (£m)

| | Profit before tax (£m) |
|---|---|
| 2008 | 140.1 |
| 2007 | 147.4 |
| 2006 | 97.0 |
| 2005 | 66.1 |
| 2004 | 38.9 |

### Basic earnings per share (pence)

| | Basic earnings per share (pence) |
|---|---|
| 2008 | 30.3 |
| 2007 | 31.1 |
| 2006 | 19.6 |
| 2005 | 14.8 |
| 2004 | 9.8 |

### Dividend per share (pence)

| | Dividend per share (pence) |
|---|---|
| 2008 | 8.0 |
| 2007 | 8.0 |
| 2006 | 6.0 |
| 2005 | 5.0 |
| 2004 | 4.0 |

### Headcount at year end

| | Headcount at year end |
|---|---|
| 2008 | 4,943 |
| 2007 | 5,052 |
| 2006 | 3,758 |
| 2005 | 2,926 |
| 2004 | 2,647 |

- Record levels of revenue and gross profit
- Gross profit from permanent placements grew 14%
- Gross profit from temporary placements grew 20%
- Temporary placements gross margins maintained at 24.2%
- 68% of gross profit generated from outside the UK
- EMEA, the Group's largest region, grew gross profit by 32%
- 51% of gross profit generated from non-Finance and Accounting disciplines
- Cash generated from operations up 25% to £185.2m (2007: £148.7m)
- Net cash at the year end of £94.3m (2007: £10.3m)

# Global Profits

2008

“ ”

## RECORD GROSS PROFITS OF £553m, UP 16%.

“Looking at 2008 as a whole, Michael Page delivered a good set of results. However, it was a year of two halves with a strong first half being followed by a progressively weaker second half as the economic environment deteriorated.

“Given the current uncertainty over the economic outlook, it is extremely difficult to predict the performance of our business in the short term. Whilst, as in previous downturns, we will aim to maintain our market presence, we also recognise the need to manage our cost base to reflect current trading. Our strategy of diversifying by both specialist discipline and geography has increased our resilience and our balance sheet has never been stronger. We believe the Group is well positioned to benefit when market conditions improve and we remain confident in the longer term prospects of the Group.”

**Steve Ingham, CEO**

**+16%**

**Gross Profit (£m)**

| | |
|---|---|
| 552.7 | 2008 |
| 478.1 | 2007 |

**-6%**

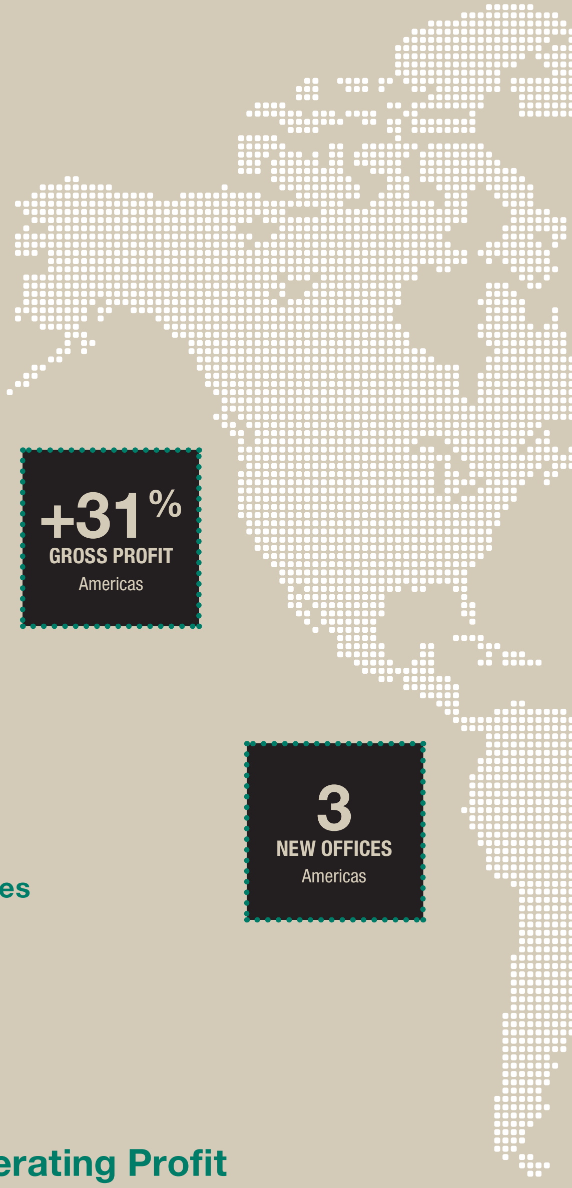
**Operating Profit (£m)**

| | |
|---|---|
| 140.5 | 2008 |
| 149.4 | 2007 |

# At a glance

## PERFORMANCE BY REGION IN 2008

The success of our strategy to diversify the business, both geographically and by discipline, through organic growth has increased our resilience, with approximately 70% of the Group's gross profits generated outside the UK. We have also added three new countries, Turkey, Austria and New Zealand, to the Group during 2008.




### EMEA (CONTINENTAL EUROPE, MIDDLE EAST & AFRICA)

**+32%** gross profit

**Gross Profit**

| | |
|---|---|
| £258.8m | 2008 |
| £196.4m | 2007 |

**Operating Profit**

| | |
|---|---|
| £66.3m | 2008 |
| £63.0m | 2007 |

**81** Offices **14** Disciplines **2,155** Employees

### AMERICAS

**+31%** gross profit

**Gross Profit**

| | |
|---|---|
| £50.5m | 2008 |
| £38.4m | 2007 |

**Operating Profit**

| | |
|---|---|
| £5.3m | 2008 |
| £6.2m | 2007 |

**18** Offices **12** Disciplines **510** Employees

## UNITED KINGDOM

**-5%**
gross profit

### Gross Profit

| | |
|---|---|
| £176.7m | 2008 |
| £186.0m | 2007 |

### Operating Profit

| | |
|---|---|
| £46.6m | 2008 |
| £59.4m | 2007 |

**49** Offices **12** Disciplines **1,640** Employees


## ASIA PACIFIC

**+17%**
gross profit

### Gross Profit

| | |
|---|---|
| £66.8m | 2008 |
| £57.2m | 2007 |

### Operating Profit

| | |
|---|---|
| £22.4m | 2008 |
| £20.8m | 2007 |

**15** Offices **11** Disciplines **638** Employees

# Strategy

## DIVERSIFICATION

Since the last downturn, we have accelerated our strategy of diversification, both by geography and by business discipline. With recruitment being driven by the economic cycle and overall business confidence, our strategy aims to diversify the Group's exposure away from any one geographic area or business sector.

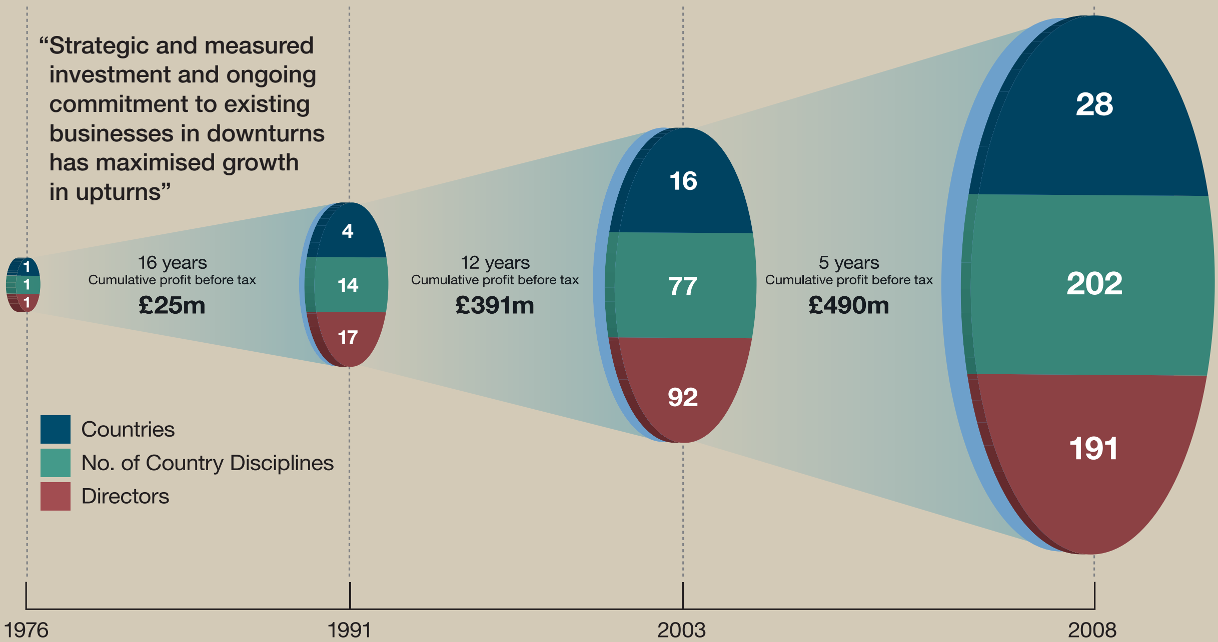
We view each country discipline as an individual business in its own right. In 2000, before the last downturn, we had some 55 of these businesses; today there are 202. The graph on the opposing page shows the gross profit generated by the original 55 businesses back in 2000. On the overlay we show the growth in these original businesses as well as the growth created from the additional 147 new businesses opened since 2000.

Our aim with these charts is to demonstrate the changing shape of the Group since entering into the last downturn, as well as showing the rapid growth we achieve through the organic growth of new businesses.

In 2000, the UK was the largest region representing 50% of Group gross profit and the then six-country EMEA region was only 36%. Today, the EMEA region, now seventeen-countries, represents 47% of the Group, compared with the UK which is 32%. The Americas, just 2% of the Group in 2000, now represents 9% with the number of businesses across Brazil, Mexico, Argentina, Canada and the US, growing from three to thirty-two.

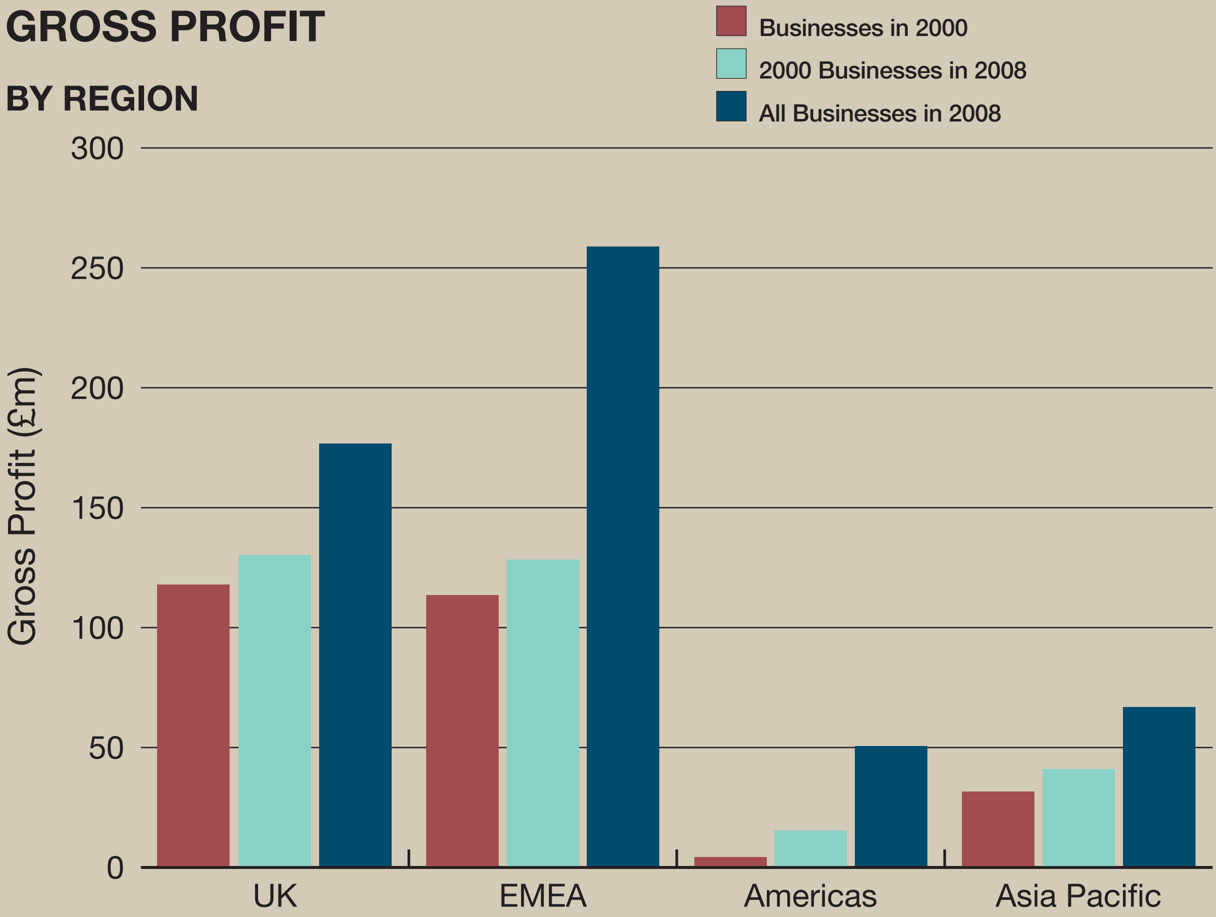
Similarly from a discipline perspective, in 2000 the Finance and Accounting discipline represented 66% of the Group. With the rapid growth of the Engineering, Procurement and Supply Chain and Property and Construction disciplines, which represented only 2% of the Group in 2000, they now represent 15% of the Group and Finance and Accounting 49%.

The chart below represents the profit performance throughout the Group's history. During each economic cycle the Group organically has created a larger business platform from which it grows a greater profit performance. It also illustrates how our commitment to maintaining these businesses in downturns has maximised the growth in upturns.

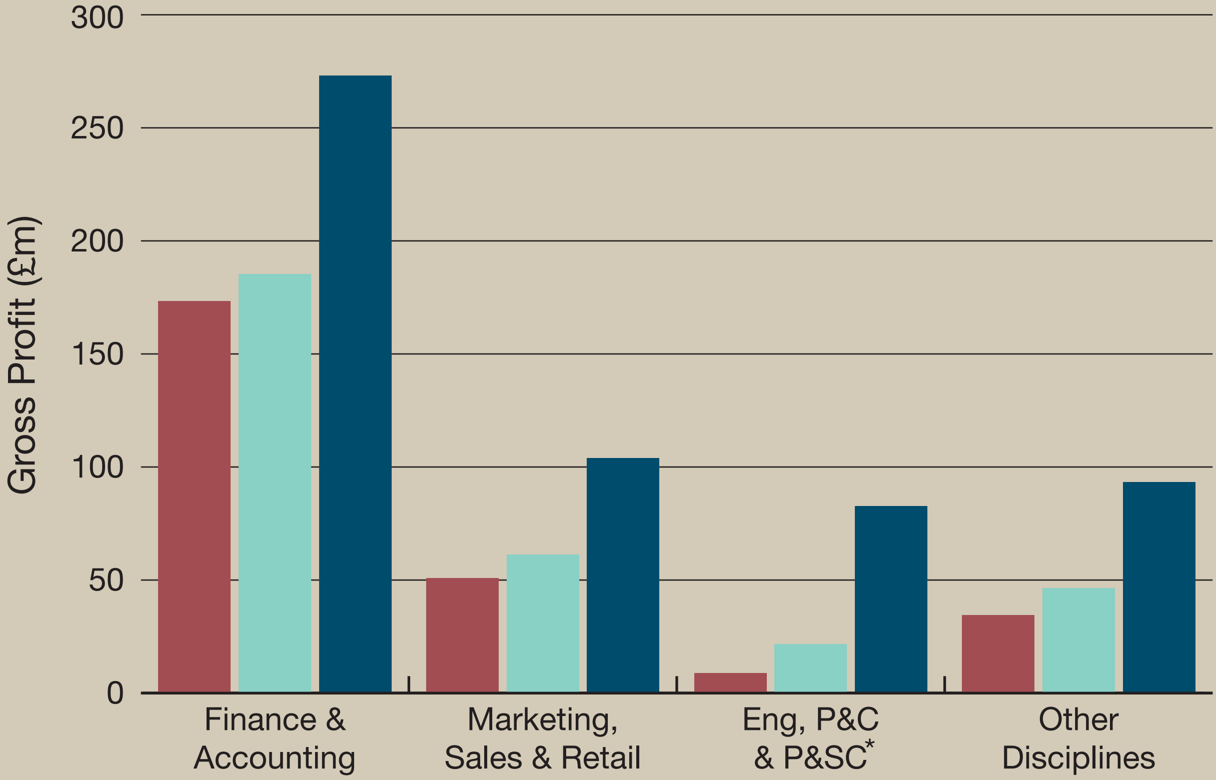


# GROSS PROFIT

## BY REGION




## BY DISCIPLINE




*Engineering, Property & Construction, Procurement & Supply Chain

# Growth

## HOW WE ACHIEVED THESE RESULTS

"

GROWING ENTIRELY ORGANICALLY, RATHER THAN BY MERGERS OR ACQUISITIONS...

### Creating a world-leading consultancy

Michael Page International is a world-leading specialist recruitment consultancy. Growing entirely organically, rather than by mergers or acquisitions, we now have approximately 5,000 people in 163 offices in 28 countries worldwide.

Our specialist areas are Accounting, Tax and Treasury, Banking and Financial Services, Consultancy, Strategy and Change, Engineering & Manufacturing, Healthcare, Human Resources, IT & Technology, Legal, Marketing, Oil & Gas, Procurement & Supply Chain, Property & Construction, Retail & Hospitality, Sales and Secretarial.

Coming from all industry sectors, our clients range from market-leading multi-nationals to small and medium enterprises. In each case, we tailor our services to provide a bespoke offering to meet our clients' needs whether permanent, contract, temporary or interim.

### Focusing on strategies that endure

Recruitment is a cyclical business. To counter this, as much as possible, our strategy is to expand geographically – nationally and internationally – and broaden the disciplines to reduce the dependency on individual businesses or markets. We are always making long-term investment decisions to expand organically, growing existing and new teams, offices, disciplines and countries with a consistent team culture.

We underpin this drive by drawing upon the skills and experiences of proven Michael Page management and ensure we have the best, most experienced, home-grown talent in each key role. Culturally it is imperative that we are entrepreneurial, operate within a strict meritocracy and are team-based, whereby consultants enjoy profit sharing arrangements rather than individual commissions. To achieve this, we place great emphasis on training our people and invest heavily in technology to maximise both performance and delivery.

## Finding solutions that are needed

Our clients are competing in an increasingly fierce war for qualified talent. As a result they rely on Michael Page International to provide creative and innovative solutions to meet their needs.

Whether a carefully targeted online campaign, a database search, or a desire to source candidates internationally, each solution is bespoke to achieve our clients objectives. This consultative approach has been recognised by the level of repeat business Michael Page receives as well as the ever increasing number of clients served.

Quality underpins everything we do. To deliver solutions consistently to such a high standard, we are fully committed to the ongoing training of all of our staff and the continued roll-out of superior systems and processes.

## Putting values that work at the heart of our business

There are five values that we believe contribute to our continued success. These attributes are not only the essence of our brand, but also our employees.

**PRIDE:** We take great pride in what we do. We're proud of the Company we work for and, most of all, proud of the people we work with.

**PASSION:** It's our passion to achieve the very best for our clients and candidates that drives us to outperform and beat the competition.

**RESILIENCE:** We know that successful consultants are not fazed by difficulty, but instead, turn it into an opportunity to demonstrate ability.

**TEAMWORK:** By teaming with each other and with clients we improve the quality of decision-making and increase the likelihood of success.

**FUN:** Though serious about our work, we're extremely sociable and enjoy celebrating our success together.

## Being recognised for setting the standard

A growing number of initiatives and awards are testament to our commitment to delivering quality. We have been voted into the Sunday Times 100 Best Companies to Work For since 2005.

Our growing reputation isn't confined to the UK's shores. Overseas, the Boston Business Journal has voted us one of the "Best Places to Work in Massachusetts", the Hartford Business Journal has voted us one of the "Best Places to Work in Connecticut" and Crain's has ranked us as the 'No.1 Executive Recruiting Firm in New York City'.

While this external recognition is warmly welcomed, we are also keen to celebrate some of our own internal initiatives.

Within our business we vigorously promote a culture of diversity. Our clients rely on us to propose candidates that have a healthy range of attitudes and characteristics that fairly reflects the society we live in. To that end, we have our own internal diversity policy that is communicated to all employees.

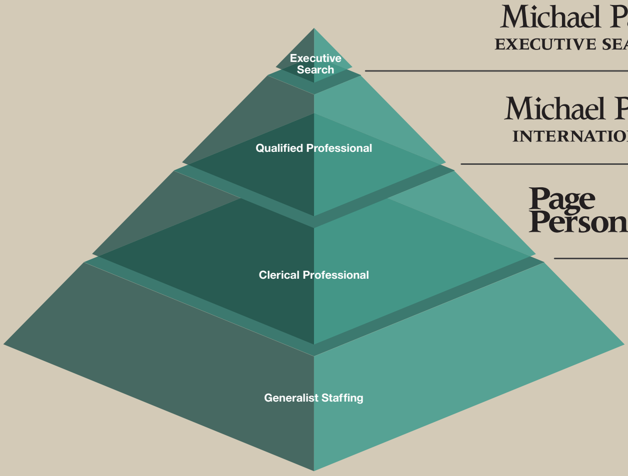
This ensures we offer our clients the best candidates on the basis of their relevant aptitudes, skills and abilities and that those candidates are drawn from diverse backgrounds. We also provide training and focus-groups on diversity, as well as participating in a number of external initiatives such as the Employers Forum on Age, Business in The Community, Global Graduates, Race for Opportunity and The Brokerage (a charity whose aim is to increase the ambition and employability of young people in the 11 inner-city boroughs of London).

# Strategy

## CONSISTENT THROUGH CYCLES

TO ORGANICALLY GROW EXISTING AND NEW TEAMS, OFFICES, DISCIPLINES AND COUNTRIES WITH A CONSISTENT TEAM AND MERITOCRATIC CULTURE


## CLEAR ON BRAND




Michael Page EXECUTIVE SEARCH

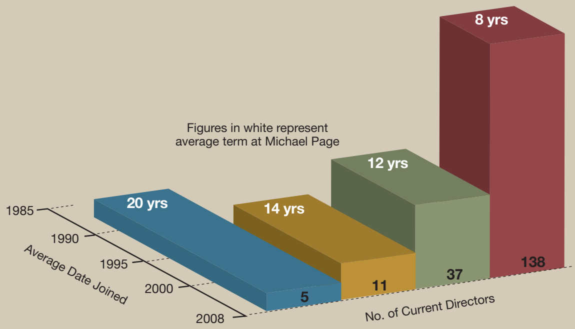
Michael Page INTERNATIONAL — **28** Countries **108** Offices **2,774** Fee Earners

Page Personnel — **10** Countries **81** Offices **880** Fee Earners

- No acquisitions, one IT platform, one culture, one remuneration strategy
- Consistent recruitment, training, development to ensure consistent quality of fee earners
- Consistent brand strategy
- Organic growth, home-grown Directors/MD's run all disciplines/countries
- **Strategic and measured investment in downturns has maximised growth in upturns**

# DEEP IN EXPERIENCE

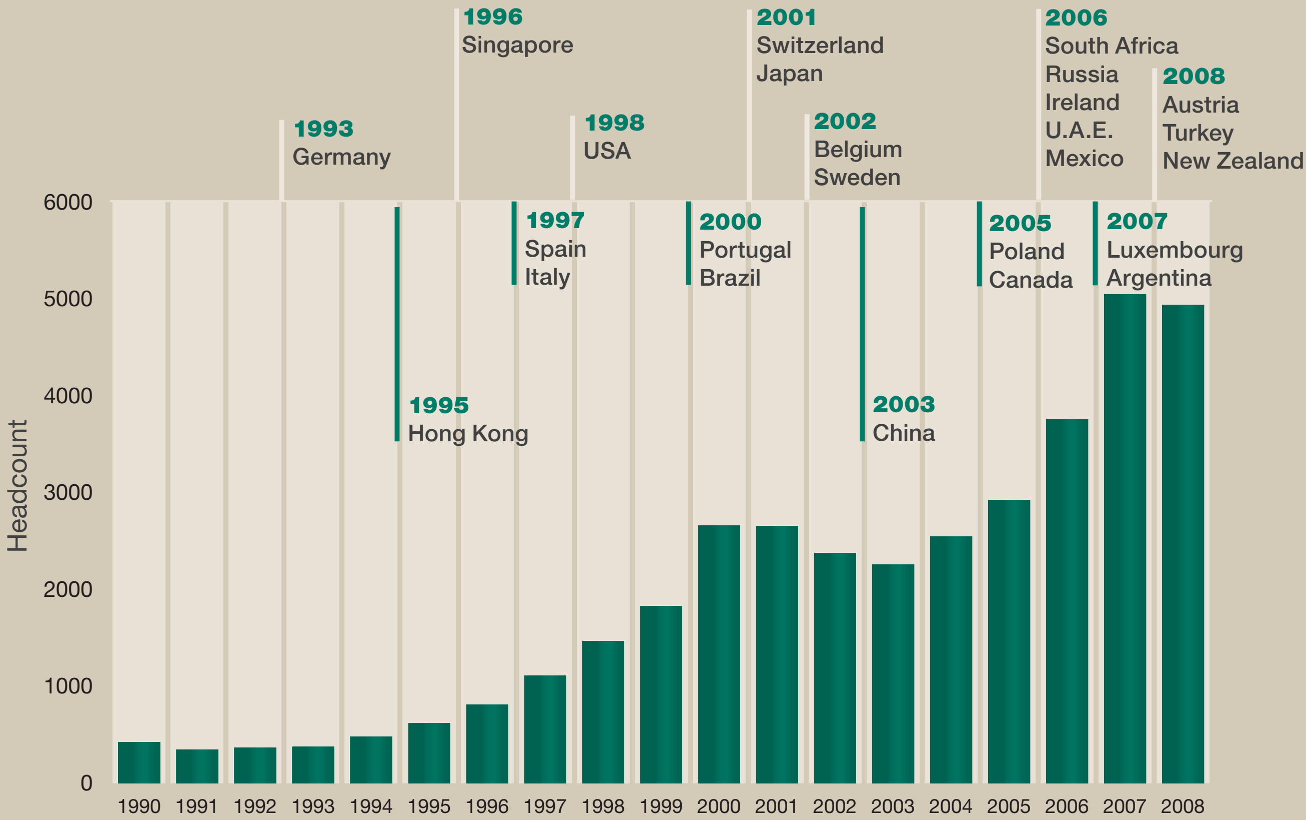
| Senior Operational Management | No. | Average Tenure in MP |
|---|---|---|
| Executive Board | 5 | 20 years |
| Regional Managing Directors | 11 | 14 years |
| Managing Directors | 37 | 12 years |
| Directors | 138 | 8 years |
| | 191 | Ave c.10 years |




- 100% RMDs/Executive Directors joined before 2000
- 38% RMDs/Executive Directors joined before 1990
- Directors experienced in managing upturns and downturns
- Strength of working relationships improves communication
- Hired and trained in one culture
- >50% remuneration linked to Group profit
- MDs receive LTIP, Directors share options

# FLEXIBLE WITH HEADCOUNT

- c900 teams worldwide, typically a Manager and three Consultants
- Manager has full P&L responsibility for team
- Significant share of profit each quarter allocated to team as bonus
- Individual bonuses allocated after performance appraisal, based on contribution and value to team
- New consultant hired, costs rise ~20%, consultant lost, costs fall ~20%
- Teams in bull market maximise potential from existing members before hiring after Director authority
- Teams in bear market ensure they reward, using bonus, to retain strongest/lose weakest



# Chairman's

## STATEMENT

2008 as a whole was a successful year for the Group, despite encountering increasingly difficult economic conditions. We have produced a record level of revenue with growth in every region. This performance was testament to our strategy of diversifying the Group's business through organic expansion. At the beginning of the year, we experienced strong demand in the majority of our businesses around the world and continued our expansion and investment in headcount to deliver growth. Total staff numbers grew from 5,052 at the beginning of the year to peak at 5,535 by the end of June. As market conditions deteriorated rapidly in the second half of the year our businesses reacted quickly, reducing total staff to 4,943 at the end of the year. During the year we started businesses in Austria, Turkey and New Zealand and now have operations in 163 offices across 28 countries.

"

**2008 AS A WHOLE WAS A SUCCESSFUL YEAR FOR THE GROUP**

"

### Financial summary

Revenue for the year ended 31 December 2008 increased 17.0% to £972.8m (2007: £831.6m) and gross profit grew by 15.6% to £552.7m (2007: £478.1m). The reported revenue and gross profit benefited from the weakening of Sterling during the year, in constant currency the growth rates were 7.9% and 5.8% respectively. As typically happens when market conditions weaken, temporary placements were more resilient than permanent. Growth in gross profits from temporary placements exceeded that from permanent placements and this slight shift in business mix resulted in a Group gross margin of 56.8% (2007: 57.5%). The rapid slowdown in activity we experienced in the second half of the year, combined with the Group's high operational gearing produced lower operating profits of £140.5m (2007: £149.4m). Profit before tax was £140.1m (2007: £147.4m) and basic earnings per share were 2.6% lower at 30.3p (2007: 31.1p). Cash generated from operations increased by 24.6% to £185.2m (2007: £148.7m) the increase being largely driven by lower working capital requirements. The Group's net cash position at 31 December 2008 is £94.3m (2007: £10.3m).

The success of our strategy to diversify the business, both geographically and by discipline, through organic growth is increasingly evident, with the EMEA region the largest in the Group. This diversification, combined with the weakness of Sterling, means almost 70% of the Group's 2008 reported gross profits were generated outside the UK. With a heritage in Finance and Accounting recruitment, these disciplines will continue to represent a significant proportion of the business for some time. However, other professional disciplines that we have been successfully rolling-out now account for just over 50% of the Group's gross profit and we anticipate that the proportion generated from these other disciplines will continue to increase as we diversify further.

## Dividends, share repurchases and cash position

The Board's policy on dividends is to seek to grow the level of annual dividend to a level which we believe can be sustained throughout economic cycles. Surplus cash generated in excess of these dividend levels will be returned to shareholders through share repurchases whilst maintaining a strong balance sheet position.

Given the slight reduction in earnings per share but more importantly the uncertain economic outlook, the Board is recommending maintaining the total dividend per share for the year at 8p. The proposed final dividend is 5.12p (2007: 5.6p) per share which, together with the interim dividend of 2.88p (2007: 2.4p) per share paid in October, makes a total dividend for the year of 8.0p (2007: 8.0p) per share. The final dividend, if approved, will be paid on 8 June 2009 to those shareholders on the register at 8 May 2009. The total dividend is covered 3.8 times by basic earnings per share of 30.3p.

We repurchased 7.2m shares for £16.8m during 2008. Our year end net cash position of £94.3m is higher than usual, reflecting the adoption of a more cautious approach to the Group's financial position given the deteriorating economic conditions and volatility in the financial markets.

## Takeover approach by Adecco

In May 2008, Michael Page received an unsolicited offer from Adecco S.A. ("Adecco") regarding a possible offer for the Group. After careful consideration, the Board of Michael Page concluded that the proposed offer materially undervalued the Group and its prospects and that the interests of the Group's shareholders and employees would be better served by Michael Page remaining an independent entity. On 16 September 2008, Adecco announced it was no longer considering making an offer for Michael Page, and pursuant to Rule 2.8 of the City Code on Takeovers and Mergers, prevented from making an offer for Michael Page within the six month period following the date of their announcement.

## Employees

In response to the deteriorating and increasingly challenging economic climate, we have and continue to take the regrettable, but necessary, actions to reduce our staff headcount around the world. I would like to thank those staff who have left the business for their contribution to the Group and wish them well for the future.

The long-term growth strategy of the Group is founded on the successful development of our staff within a meritocratic culture. Our objective is to provide the environment and opportunity for talented individuals to develop and progress their careers with high recognition and reward. I would like to extend the appreciation of the Board and shareholders to the staff and to thank them for their commitment to the Group.

## Board of Directors

Stephen Box, the Senior Independent Director, has decided not to seek re-election to the Board at the forthcoming Annual General Meeting in May. Stephen joined the Board at the time of flotation in 2001 and has been a valuable member of the Board. We all thank him for his contribution.

## Current trading and future prospects

Market conditions have deteriorated further since the beginning of the year, with gross profit decreasing in January and February by 30% (down 38% on a constant currency basis). The Group is currently operating around break even at the operating profit level, although March is historically our strongest month in the first quarter. In light of these conditions, we continue to take aggressive action to manage our cost base. Group headcount at the end of February was 4,491, down by 452 in the last two months and 961 down from the position at the end of September. This is 19% lower than the peak level of 5,535 in June 2008.

## Strategy and Outlook

The specialist recruitment markets benefit from a number of long-term structural drivers such as: labour market deregulation; demographic changes; a global shortage of qualified professionals; increasing job mobility; labour law compliance and a greater awareness and acceptance for companies to use specialist recruitment services. These drivers remain, notwithstanding the impact of the economic climate on the confidence of both candidates and clients.

In previous economic downturns, while we reduced headcount, we maintained our market presence and continued to make selective new investments. These decisions enabled us to take market share and enhance the resilience of the Group so that we were able to grow more quickly when economic conditions improved. While the current economic climate is challenging, we will, once again, aim to maintain and develop our market presence while managing our cost base to reflect current trading conditions.

Our next Interim Management Statement covering trading during the first quarter will be released on 7 April 2009.

**Sir Adrian Montague CBE**

Chairman

5 March 2009

# Operational
## REVIEW

### Strategy

The Group's strategy is to expand the business with the objective of being the leading specialist recruitment consultancy in our chosen markets. As recruitment activity is dependent upon economic cycles, our strategy to counter the impact of economic downturns is to diversify our business by industry sectors, professional disciplines and by geographic markets. By being more diverse the dependency on individual businesses or markets is reduced, making the overall Group more resilient. This strategy is pursued entirely through the organic growth of existing and new teams, offices, disciplines and countries with a consistent team and meritocratic culture.

This growth is achieved by drawing upon the skills and experiences of proven Michael Page management ensuring we have the best, most experienced, home grown talent in each key role. When we invest in a new business we do so only with a long term objective and in the knowledge that at some point there will be periods when economic activity slows. While it is difficult to predict accurately when these slowdowns will occur and how severe they will be, it has been our practice in the past and our intention in the future to maintain our presence in our chosen markets, but with close control over our cost base.

| | 2008 | 2000 |
|---|---|---|
| Gross profit | £552.7m | £238.3m |
| **% of gross profit by Region** | | |
| EMEA | 47% | 36% |
| UK | 32% | 49% |
| Asia Pacific | 12% | 13% |
| Americas | 9% | 2% |
| **% of gross profit from four largest countries** | | |
| UK | 32% | 49% |
| France | 16% | 25% |
| Netherlands | 7% | 6% |
| Australia | 7% | 9% |
| Top 4 | 62% | 89% |

Our team based structure and profit share business model is scaleable. The small team size also means that we can rapidly increase our headcount to achieve growth. When market conditions tighten these teams then reduce in size largely through natural attrition. Consequently, our cost base will be reduced in a slowdown, but having invested years in training and developing our highly capable management resources our objective is to retain this expertise within the Group. By following this course of action we typically gain market share during downturns and position our businesses for leading rates of growth when economic conditions improve.

Pursuing this approach does mean that in a downturn our profitability declines as, in addition to the lower productivity levels that come with a slowdown, we also carry spare capacity. Adopting this strategy of toughing out economic slowdowns also drives our funding strategy and balance sheet position. In slowdowns, the business continues to produce strong cash flows as working capital requirements reduce. With uncertainty around the length and depth of economic slowdowns, a strong balance sheet is essential to support the businesses through these tougher periods and, when conditions improve and the businesses start growing, to fund the increased working capital requirements.

## Review of 2008

At the start of the year the problems within the banking sector, which had begun with US sub-prime lending in August 2007, were beginning to impact more generally on banking clients. While this slowed our growth rates in businesses and locations with a high proportion of banking clients, elsewhere, we continued to experience strong demand from almost every other industry sector. To capitalise on this demand and continuing our investment in new businesses for longer term growth, we increased our headcount during the first half of the year by nearly 500 people, 263 of these joining in January 2008. We opened in Austria, Turkey and New Zealand, added a number of new offices in other countries and continued the discipline roll out across our office network.

As the problems in the financial markets increased, business confidence eroded and economic growth slowed with gradually more and more industries and countries feeling the effects. This loss of confidence became more marked and spread rapidly in the fourth quarter to impact virtually every industry sector and geographic region in which the Group operates. Our businesses reacted to these weakening market conditions by reducing headcount, most noticeably

| | 2008 | 2000 |
|---|---|---|
| **% of gross profit by Discipline** | | |
| Finance and Accounting | 49% | 66% |
| Marketing, Sales and Retail | 19% | 21% |
| Legal, Technology, HR, Secretarial and Other | 17% | 10% |
| Engineering, Property & Construction, Procurement & Supply Chain | 15% | 3% |

during the fourth quarter, with over 500 people leaving the Group during that period. As visibility reduces in a downturn and productivity declines, reductions in headcount inevitably lag the reductions in activity levels and gross profits. The reduction in headcount was achieved largely through natural attrition and without incurring significant restructuring charges. At the end of the year our total headcount was 4,943 (2007: 5,052) operating from 163 offices in 28 countries.

### Continental Europe, Middle East and Africa (EMEA)

EMEA, the Group's largest region, contributing 47% of the Group's gross profit, reported strong growth with revenue increasing 32.8% to £426.4m (2007: £321.1m) and gross profit increasing by 31.7% to £258.8m (2007: £196.4m). The reported growth rates benefit from the weakness of Sterling, revenue and gross profit growth rates in constant currencies being 14.8% and 13.9% respectively.

In the first quarter of 2008 the businesses grew year–on-year gross profits by 38% in constant currency. This growth rate had slowed to 25% in the second quarter, but with all countries in the region still achieving year-on-year growth. In the third quarter the region grew by 13%, but with Spain and the Netherlands being the first established countries recording year-on-year declines in gross profit. In the fourth quarter all countries recorded year-on-year declines in gross profit, save for Poland, Russia and the UAE.

Headcount in the region increased from 2,078 at the start of the year, peaked at 2,363 in July and ended the year at 2,155. As well as opening in Vienna, Austria and Istanbul, Turkey we launched new offices in Stuttgart, Seville, Massy, Breda, Gothenburg, and in the first quarter of 2009 in Abu Dhabi. The cost base increased during the first half of the year to support growth. As growth rates slowed, visibility reduced and productivity declined, with the combination impacting on profitability and conversion rates.

The region produced an increase of 5.2% (8.2% decrease in constant currency) in operating profit to £66.3m (2007: £63.0m) and the conversion rate reduced to 25.6% (2007: 32.1%).

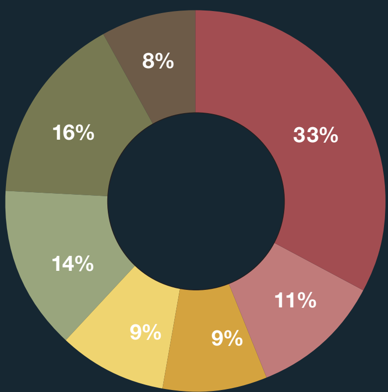
France (33% of EMEA), which remains our second largest and most established business after the UK, had a very successful year growing gross profits by 17% in constant currency. The business in France recorded year–on-year growth until the fourth quarter, with Page Personnel being more resilient than the Michael Page business.

The individual performances of the countries that make up the rest of the region demonstrate the benefit of having a diverse geographic spread. In constant currency, the Netherlands (16% of EMEA) gross profits were the same as in 2007, Germany (14% of EMEA) grew gross profits by 21%, Switzerland (8% of EMEA) grew gross profits by 21%, Spain (9% of EMEA) saw a decline in gross profits of 10%, while Italy (9% of EMEA) grew gross profits by 20%.

### United Kingdom

The UK contributed 32% of the Group's gross profits in 2008. Revenue increased by 1.4% to £365.6m (2007: £360.4m) while gross profit was 5.0% lower at £176.7m (2007: £186.0m). The lower gross profit from an increase in revenue is almost entirely due to a shift in mix as gross profit from permanent placements declined while gross profit from temporary placements grew. At the beginning of the year the crisis in the financial markets was only affecting our banking business, while the other disciplines were experiencing strong demand and continuing to grow. We opened offices in Newcastle and Cardiff with headcount increasing from 1,799 at the start of the year, to peak at 1,880 at the end of April. While headcount has reduced by 13% in the remainder of the year to 1,640 at the end of December, it has lagged the reduction in gross profits. Consequently, operating profits

## EMEA GROSS PROFIT 2008




| | |
|---|---|
| +17% Growth | France |
| +36% Growth | Belgium, South Africa, UAE, Sweden, Poland, Portugal, Russia, Ireland, Luxembourg |
| +20% Growth | Italy |
| -10% Growth | Spain |
| +21% Growth | Germany |
| +0% Growth | Holland |
| +21% Growth | Switzerland |

Growth rates in local currency

for the year are 21.6% lower at £46.6m (2007: £59.4m), representing a conversion rate of 26.4% (2007: 31.9%).

The gross profits of the Finance and Accounting businesses, which generated 50% of UK gross profit, was 11% lower than in 2007, with gross profits from permanent placements declining as the slowdown, which started in the City, spread to impact London more generally and latterly the regions. Gross profit and margin from temporary placements remained broadly flat on last year.

The combined gross profits of Michael Page Marketing, Michael Page Sales and Michael Page Retail, were in line with 2007 and represented 24% of UK gross profit. The Marketing and Sales businesses performed well in an increasingly challenging market achieving considerable growth in temporary gross profits as permanent activity slowed. Retail, which had a strong first half has experienced a sharp slowing from the summer onwards reflecting difficulties in the sector.

Michael Page Legal, Michael Page Technology, Michael Page Human Resources and Michael Page Secretarial, which combined represented 16% of the UK, had a 4% decline in gross profits. As with the other UK disciplines, they achieved growth in temporary placements and lower permanent placement activity. The spreading of the financial crisis has impacted heavily on the legal recruitment market while Technology and Human Resources performed well, growing in the year.

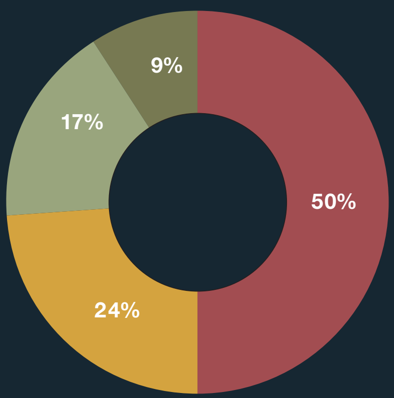
The more recently created Michael Page Engineering & Manufacturing, Michael Page Procurement & Supply Chain and Michael Page Property & Construction businesses, grew at over 30% and together now represent 9% of UK gross profit. These businesses all grew gross profit in 2008, with the growth in temporary placements exceeding the growth in permanent.

### Asia Pacific

In the Asia Pacific region, revenue was 14.0% higher at £111.4m (2007: £97.8m), gross profit was 16.7% higher at £66.8m (2007: £57.2m) and operating profit increased 7.3% to £22.4m (2007: £20.8m), representing a conversion rate of 33.5% (2007: 36.4%). The reported results benefit from Sterling's weakness, using constant currency, revenue grew by 3.1%, gross profit grew by 5.2% and operating profit fell by 3.4%. Headcount in the region grew from 632 at the start of the year to a peak of 716 at the end of October. As the effects of the economic slowdown spread rapidly in the fourth quarter, our businesses responded quickly by reducing headcount in the last two months by 80 to end the year at 638.

In Australia and New Zealand, (61% of Asia Pacific) gross profit and operating profit grew in constant currency by 11.7% and 13.7% respectively. We opened an office in Auckland and with the Australian economy remaining strong we increased headcount and continued the roll out of disciplines. The Australian economy started to show signs of slowing in the second half, with market conditions then weakening rapidly in the fourth quarter.

In the Rest of Asia the performance was more mixed. In Tokyo, which is yet to rollout all disciplines, our business is heavily dependent on the banking sector and has had a difficult year, but remained profitable. In China we continued to invest and grow our business opening offices in Beijing and Shenzhen. In Hong Kong and Singapore our businesses performed strongly until the fourth quarter when market confidence eroded rapidly and activity levels reduced sharply.




## UK GROSS PROFIT 2008

| | |
|---|---|
| -11% Growth | Finance & Accounting |
| -1% Growth | Marketing, Sales and Retail |
| -5% Growth | Legal, HR, Technology, Secretarial and Other |
| +30% Growth | Engineering, Property & Construction, Procurement & Supply Chain |

### The Americas

Revenue for the region was 32.3% higher at £69.3m (2007: £52.4m) and gross profit increased by 31.3% to £50.5m (2007: £38.4m). The reported results benefited from Sterling's weakness, using constant currency, revenue grew by 19.2% and gross profit grew by 17.7%. Headcount in the region increased from 543 at the start of the year and peaked at 624 in July. As the effects of the downturn in North America became more severe and with the weakening spreading to Latin America, headcount was reduced substantially in the second half and ended the year at 510. As a result of the slowing in activity levels, operating profit was 14.0% (30.4% in constant currency) lower at £5.3m (2007: £6.2m), with a conversion rate of 10.5% (2007: 16.1%).

In North America, we opened a second Canadian office in Montreal at the start of the year and continued our discipline diversification in our US offices, reducing our dependency on the financial services sector. In Latin America we achieved strong growth in Mexico and Brazil, where we opened a fifth office in Belo Horizonte. Our business in Argentina, which opened at the end of 2007, achieved a successful first year of trading, exceeding our expectations.

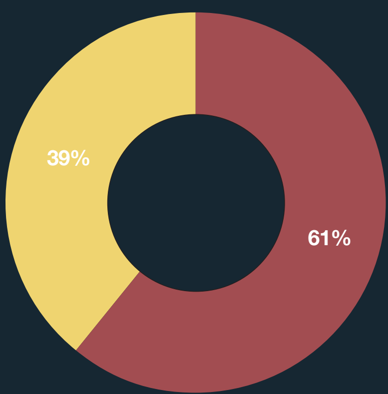
### Discipline development

Placing people in Finance and Accounting roles, the large majority of which are professionally qualified accountants into industry and commerce, generates around half of the Group's gross profits. Revenue from Finance and Accounting placements was 9.2% higher at £542.0m (2007: £496.5m) and gross profit increased by 5.5% to £273.0m (2007: £258.7m), using constant currency, revenue increased by 1.1% and gross profit reduced by 3.0%. The reduction in gross profit is largely as a result of the financial crisis substantially reducing the number of banking placements, particularly in permanent roles.

Placing Marketing, Sales and Retail professionals generates around 19% of the Group's gross profit. Revenue from these disciplines was 18.0% higher at £140.6m (2007: £119.1m) and gross profit increased by 15.6% to £103.9m (2007: £89.9m), using constant currency revenue increased by 9.2% and gross profit increased by 6.5%. Marketing, the larger of these disciplines, achieved good growth particularly in the UK from temps and the public sector. Sales, mainly a permanent business, achieved good growth particularly in Australia and Brazil where it is a relatively new discipline focus. Retail, which is the smaller of these disciplines and predominantly permanent rather than temporary, had a tough year reflecting the difficulties in the sector.

Legal, Technology, Human Resources, Secretarial and Other disciplines are all comparatively small with the largest of the disciplines accounting for less than 5% of Group gross profit. Revenue from these disciplines was 24.7% higher at £168.2m (2007: £134.9m) and gross profit increased by 26.2% to £93.2m (2007: £73.8m), using constant currency revenue increased by 15.9% and gross profit increased by 16.8%. With the notable exception of Legal recruitment which was severely affected by the financial crisis all the remaining disciplines grew well off a smaller base, as they were rolled out.

The most recently established disciplines of Engineering, Property & Construction and Procurement & Supply Chain all grew rapidly, with the largest, Engineering accounting for almost 7% of Group gross profit. Revenue from these disciplines was 50.4% higher at £122.0m (2007: £81.1m) and gross profit increased by 48.3% to £82.6m (2007: £55.7m), using constant currency revenue increased by 35.2% and gross profit increased by 32.5%. These higher rates of growth reflect the benefit from rolling out new disciplines across our established network and in more recently launched countries such as the United Arab Emirates.




## ASIA PACIFIC GROSS PROFIT 2008

| | |
|---|---|
| +12% Growth | Australia and New Zealand |
| -4% Growth | Asia |

Growth rates in local currency

### Outlook

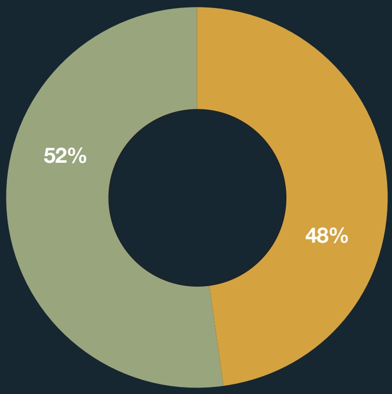
We have made significant investments over the past few years, organically diversifying our business, geographically and by discipline, where market opportunities exist and when we have a senior experienced member of the Michael Page management team available to pursue them. This diversification has undoubtedly benefited the Group's performance as economies around the world have slowed. Given the difficult global outlook, we have limited our own investment and expansion plans and will aggressively manage our costs to reflect activity levels, including where possible consolidating offices and merging teams.

Given the current uncertainty over the economic outlook it is extremely difficult to predict the performance of our business in the short term. We have an exceptional pool of ambitious and talented people in the Group, particularly at the senior management levels, who have experience of managing these businesses through periods of economic slowing and recession. We have a track record in periods of economic slowdown of maintaining our infrastructure and market presence, seeking to position the business for strong growth when economic conditions improve. It has always been, and will continue to be, our intention to take decisions and make investments for the longer-term benefit of our stakeholders.

**Steve Ingham**

Chief Executive
5 March 2009

**"IT HAS ALWAYS BEEN, AND WILL CONTINUE TO BE, OUR INTENTION TO TAKE DECISIONS AND MAKE INVESTMENTS FOR THE LONGER-TERM BENEFIT OF OUR STAKEHOLDERS."**




## THE AMERICAS GROSS PROFIT 2008

| | |
|---|---|
| +1% Growth | North America |
| +40% Growth | Latin America |

Growth rates in local currency

# Financial

## REVIEW

“”

**THE GROUP GENERATED NET CASH FROM OPERATING ACTIVITIES OF £185.2m**

### Income statement

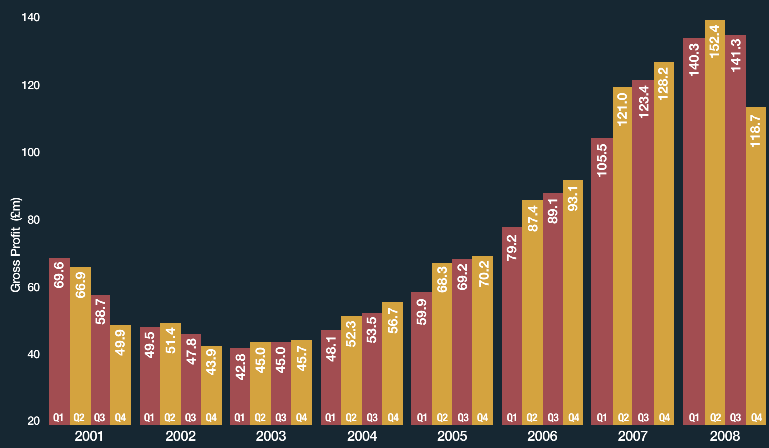
#### Revenue

Reported revenue for the year increased by 17.0% to £972.8m (2007: £831.6m). Revenue benefited from the weakening of Sterling during the year, and using constant currencies, revenue increased by 7.9% to £897.4m. As in previous economic slowdowns, permanent placement activity was affected earlier than temporary, with the latter being more resilient to slowing activity levels. As the economic slowdown spread during the course of the year, this trend was reflected in revenue from temporary placements increasing by 19.4% to £524.4m (2007: £439.1m), representing 53.9% (2007: 52.8%) of Group revenue. Revenue from permanent placements was £448.4m (2007: £392.6m), an increase of 14.2%.

#### Gross profit

Gross profit for the year increased by 15.6% to £552.7m (2007: £478.1m). The reported gross margin also benefited from Sterling's weakness, and using constant currencies, gross profit grew by 5.8% to £505.7m. The Group's gross margin decreased to 56.8% (2007: 57.5%) as the result of a slight shift in the mix of business between

**GROUP QUARTERLY GROSS PROFIT TREND: Q1 2001 TO Q4 2008**



permanent and temporary placements. Gross profit from temporary placements grew faster at 19.7% to £127.0m (2007: £106.1m) and represented 23.0% (2007: 22.2%) of Group gross profit. The gross margin achieved on temporary placements was maintained at 24.2% (2007: 24.2%). Gross profits from permanent placements grew at a slower rate than temporary at 14.4% to £425.7m (2007: £372.0m) with the gross margin increasing slightly to 94.9% (2007: 94.8%).

### Operating profit and conversion rates

As a result of the Group's organic long-term growth strategy, tight control on costs and profit-based bonuses, we have a business model which is operationally geared. The majority of our cost base, around 75%, relates to our staff with the other main components being property and information technology costs. With a strategy of organic growth, the Group incurs start-up costs and operating losses as investments are made to grow existing and new businesses, open new offices and launch new countries. Furthermore, significant increases in headcount mean that it takes time to train staff before they become fully productive. These characteristics of our growth strategy and the levels of investment impact on the conversion rates in any one reporting period.

Generally, in years when economic conditions are benign, revenue and gross profits grow, with operating profits growing at a faster rate due to a combination of higher productivity, stronger pricing and greater utilisation of infrastructure. In order to grow we need to increase our headcount and ensure that we have infrastructure to house and support them. When economic conditions weaken and recruitment activity slows, these factors work in reverse and are compounded by a shortening of earnings visibility.

The majority of our permanent placement activity is undertaken on a contingent basis which means on those assignments we only generate revenue when a candidate is successfully placed in a role. Our short-term visibility on these earnings is provided by the number of assignments we are working on, the number of candidates we have at interview and the stage they are at in the interview process. The average time to complete a placement from taking on an assignment to successfully placing a candidate tends to lengthen in a downturn, reducing productivity, and the risk of the candidate being rejected or the assignment being cancelled increases, thereby further reducing our earnings visibility.

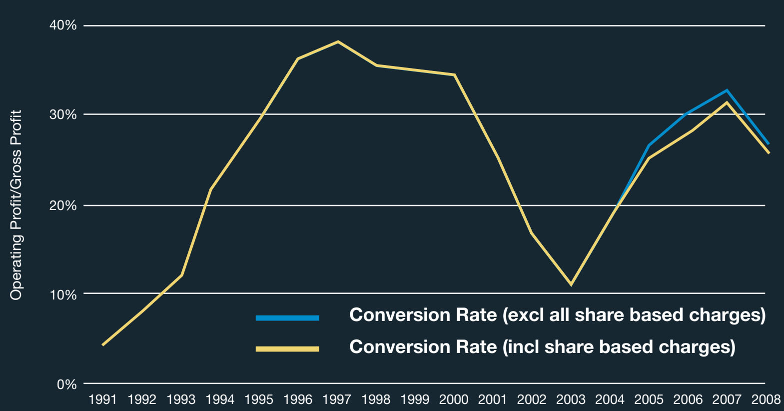
In a downturn, activity levels can slow quickly and revenue can decline even faster due to the contingent nature of a large proportion of our placements. The main opportunity for reducing our own cost base is headcount, but these reductions tend to lag the declines in revenue due to the shortening visibility. The majority of the initial reductions in our headcount occur through natural attrition, without incurring significant restructuring charges, however, if greater reductions become necessary, such charges may be incurred.

In 2008, while we recorded an increase in gross profit of 15.6%, approximately two-thirds of this growth was due to currency movements. As very few of our transactions are cross border our costs are therefore impacted in a similar manner when translated and reported in Sterling. The growth we achieved in gross profits was mostly achieved in the first half of the year, with headcount and infrastructure being added to support this growth and to develop longer term opportunities. The increasingly rapid decline in activity during the second half, with lower gross profits together with a lagged reduction in headcount, has resulted in significantly reduced operating profits in the second half of the year of £55.6m, compared to £84.9m generated in the first half of the year.

This gearing effect reduced the Group's conversion rate for the year to 25.4% (2007: 31.3%). The movement in the conversion rates of the four regions reflects the different timings and degrees of slowing they experienced, with the

## CONVERSION RATES AFTER SHARE BASED CHARGES

| | 2008 | 2007 |
|---|---|---|
| EMEA | 25.6 | 32.1 |
| UK | 26.4 | 31.9 |
| Asia Pacific | 33.5 | 36.4 |
| Americas | 10.5 | 16.1 |
| Group | 25.4 | 31.3 |



conversion rate in the Americas remaining the lowest due to the greater level of recent new investment and business start-ups and with North America being the hardest hit by the crisis.

As a result of the number of staff and office start-up costs added in the first half of the year, reported administrative expenses in the year increased by 25.4% to £412.2m (2007: £328.7m). This increase is also partly due to the movements in currencies, using constant currencies they increased by 14.8% to £377.2m. While no significant restructuring charges were incurred in reducing headcount by over 10% in the second half of the year, they have been more than offset by £4.8m of foreign exchange gains. Administrative expenses also included £6.9m of share-based charges (2007: £7.2m) in respect of the Group's deferred annual bonus scheme, long-term incentive plans and executive share option schemes. The slight reduction in these share-based charges, is due to a combination of lower employers' social charges as a consequence of the reduction in the share price from 288.0p at the end of 2007, to 214.75p at the end of 2008 and amendments to assumptions on the likelihood of awards vesting.

### Net interest

The Group has a net interest charge for the year of £0.4m (2007: £2.0m). As the financial crisis deepened and the economic outlook deteriorated, we adopted an increasingly cautious approach to the Group's funding position. The reduction in the net interest charge for the year reflects the strengthening of the Group's financial position partly offset by lower returns on cash as interest rates reduced.

### Taxation

Tax on profits was £42.7m (2007: £45.7m), representing an effective tax rate of 30.5% (2007: 31.0%). The rate is higher than the effective UK Corporation Tax rate for the year of 28.5% due to disallowable items of expenditure and profits being generated in countries where the corporate tax rates are higher than the UK's. The effective rate is lower than in 2007 primarily as a result of the UK corporation tax rate reducing from 30% to 28% in April 2008.

### Share repurchases and share options

It is the Group's intention to continue to use share repurchases to return surplus cash to shareholders and to satisfy awards under the Group's incentive share plan and deferred annual bonus plan. Reflecting the more cautious approach to the Group's funding position, 7.2m shares were repurchased at a cost of £16.8m. 6.7m of these shares were cancelled, with the remaining shares purchased by the Group's employee benefit trust to satisfy future share plans awards.

At the beginning of 2008, the Group had 11.1m share options outstanding of which 3.1m had vested. In March 2008, 3.1m share options were granted. During the course of the year options were exercised over 1.3m shares, generating £2.2m in cash and 0.8m share options lapsed. At the end of 2008, 12.2m share options remained outstanding of which 4.0m had vested.

### Earnings per share and dividends

In 2008, basic earnings per share were 30.3p (2007: 31.1p) and diluted earnings per share were 29.9p (2007: 30.6p). The weighted average number of shares for the year was 321.5m (2007: 327.5m) reflecting the shares repurchased during the year and the new shares issued to satisfy option exercises.

A final dividend of 5.12p (2007: 5.6p) per ordinary share is proposed which, together with the interim dividend of 2.88p (2007: 2.4p) per ordinary share, makes an unchanged total dividend for the year of 8.0p (2007: 8.0p) per ordinary share. The proposed final dividend, which amounts to £16.3m, will be paid on 8 June 2009 to those shareholders on the register as at 8 May 2009.

| | Fee Earners | Offices* | Countries |
|---|---|---|---|
| Michael Page INTERNATIONAL | 2,774 | 108 | 28 |
| Page Personnel | 880 | 81 | 10 |

*In some locations offices are shared.

## Balance sheet

The Group had net assets of £210.7m at 31 December 2008 (2007: £107.9m). The increase in net assets principally relates to the profit for the year of £97.3m, currency movements of £40.1m, the credits relating to share schemes of £7.3m and cash received from the exercise of share options of £2.2m, offset by share repurchases of £16.8m and dividends paid of £27.3m.

Our capital expenditure is driven primarily by two main factors being headcount, in terms of office accommodation and infrastructure and the development and maintenance of our IT systems. The project to replace our current recruitment IT system with the next generation is progressing well and we anticipate that the first full implementations will take place later this year with the roll out continuing throughout 2010 in order to mitigate the implementation risks. Capital expenditure, net of disposal proceeds, increased to £26.4m (2007: £12.8m) reflecting the increase in headcount, the opening and expansion of a number of offices and the investment in new systems.

The most significant items in the balance sheet is trade receivables, which were £168.4m at 31 December 2008 (2007: £160.9m). While the reported trade receivables has increased from the amount reported at the end of 2007 this increase is due to the movement in exchange rates during the year. Restating the trade receivables at the end of 2007 using exchange rates at the end of 2008 results in £192.5m of trade receivables. The reduction in trade receivables on a constant currency basis reflects the reduced activity, particularly in the fourth quarter of 2008, and an improvement in debtor days. Despite a higher proportion of Revenue being generated outside the UK, where our debtor days tend to be higher than in the UK, Group debtor days reduced to 56 (2007: 58 days).

## Cash flow

At the start of the year, the Group had net cash being cash and cash equivalents less bank overdrafts and loans of £10.3m.

During the year, the Group generated net cash from operating activities of £185.2m (2007: £148.7m), being £151.4m (2007: £157.2m) of EBITDA, £6.7m (2007: £6.8m) of share scheme non cash charges and a reduction in working capital requirements of £27.1m (2007: increase of £15.1m).

The principal payments were:

- £26.4m (2007: £12.8m) of capital expenditure, net of disposal proceeds, on property, infrastructure, information systems and motor vehicles;
- taxes on profits of £53.4m (2007: £36.5m);
- dividends of £27.3m (2007: £21.8m); and
- share repurchases of £16.8m (2007: £74.9m).

£2.2m (2007: £8.7m) was received in the year from the issue of new shares to satisfy share option exercises.

With cash being generated outside the UK and the weakness of Sterling, particularly at the end of 2008, £21.4m (2007: £4.0m) of exchange gains were recorded in the year.

At 31 December 2008, the Group had net cash of £94.3m.

## Net cash and Group borrowing facilities

At 31 December 2008, the Group had net cash of £94.3m (2007: £10.3m). The net cash position comprised gross cash deposits of £157.0m with 12 separate banks. £62.7m was legally offset directly against borrowings in the ABN Amro cash pool.

The Group has a 364 day £50m multi-currency committed borrowing facility that expires at the end of May 2009. This facility has an option that would allow the Group to draw down all or part of the facility during May 2009 for a term expiring in May 2011.

## NEW COUNTRIES 2008

Turkey Austria New Zealand

### EXISTING COUNTRIES

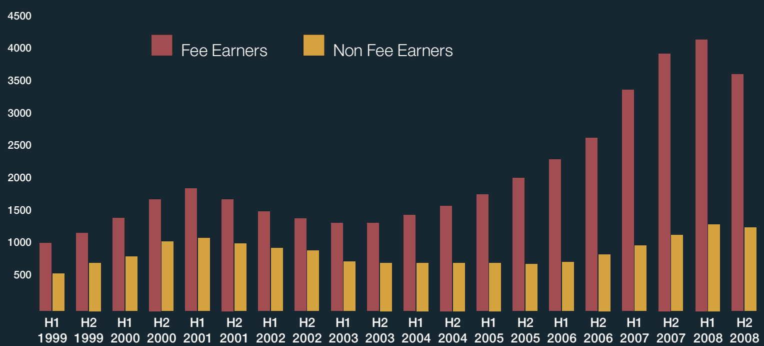
## Key Performance Indicators ("KPIs")

Financial and non-financial key performance indicators (KPIs) used by the Board to monitor progress are listed in the table below. The source of data and calculation methods year-on-year are on a consistent basis.

| KPI | 2008 | 2007 | Definition, method of calculation and analysis |
|---|---|---|---|
| Gross margin | 56.8% | 57.5% | Gross profit as a percentage of revenue. Gross margin reduced slightly from last year as a result of the mix of permanent and temporary placements. Source: Consolidated income statement in the financial statements. |
| Conversion | 25.4% | 31.3% | Operating profit as a percentage of gross profit showing the Group's effectiveness at controlling the costs and expenses associated with its normal business operations and the level of investment for the future. Conversion declined compared to last year reflecting the impact of the economic slowdown on demand for the Group's services, lower productivity and the lag in headcount reductions. Source: Consolidated income statement in the financial statements. |
| Productivity (gross profit per fee earner) | £136.2k | £144.2k | Represents how productive fee earners are in the business and is calculated by dividing the gross profit for the year by the average number of fee earners and directors. The higher the number, the higher their productivity. Productivity is a function of the rate of investment in new fee earners, the impact of pricing and the general conditions of the recruitment market. The reduction in productivity this year is as a result of the general deterioration in market conditions. Source: Consolidated financial statements. |
| Fee earner: support staff ratio | 74:26 | 76:24 | Represents the balance between operational and non-operational staff. The movement this year demonstrates a larger reduction in fee earners in relation to support staff. Source: Internal data. |
| Debtor days | 56 | 58 | Represents the length of time the company receive payments from its debtors. Calculated by comparing how many days' billings it takes to cover the debtor balance. Source: Internal data. |

The movement in KPI's are in line with expectations set out in the discussion on operating profit and conversion rates in the financial review. The ratio of fee earners to support staff at the end of 2008 has reduced from the level at the end of 2007. This ratio improves when Group grows and headcount increases but tends to decline when Group headcount reduces as the infrastructure staff to support a higher number of teams, offices and countries cannot be flexed as quickly as fee generating staff.

## HEADCOUNT TREND




| | Ratio Fee earners : Non Fee earners |
|---|---|
| 1999 | 59:41 |
| 2000 | 58:42 |
| 2001 | 57:43 |
| 2002 | 58:42 |
| 2003 | 60:40 |
| 2004 | 64:36 |
| 2005 | 71:29 |
| 2006 | 74:26 |
| 2007 | 76:24 |
| 2008 | 74:26 |

### Going concern

The Board has undertaken a recent and thorough review of the Group's budget, forecasts and associated risks and sensitivities. Despite the significant uncertainty in the economy and its inherent risk and impact on the business, the Board has concluded, given the level of cash in the business, the geographical and discipline diversification, limited concentration risk, as well as the ability to manage the cost base, that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve-months from the date of approval of accounts. As a result, the going concern basis continues to be appropriate in preparing the financial statements. For further details on going concern refer to page 39.

### Foreign exchange

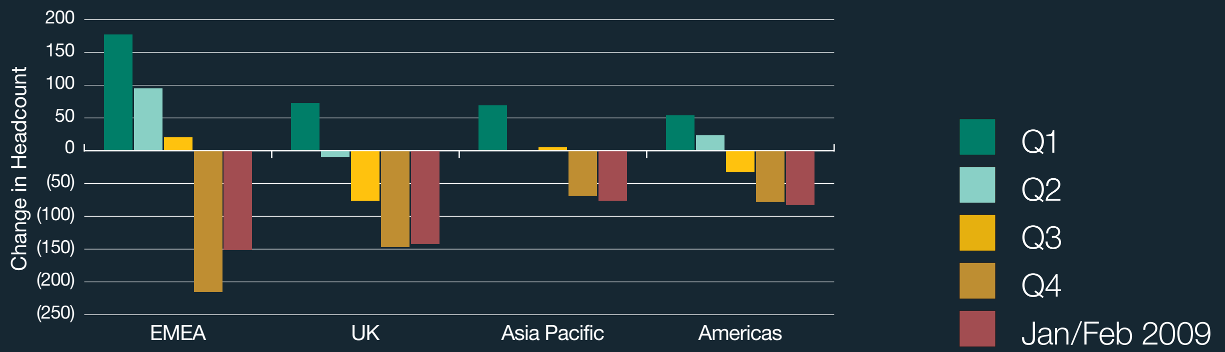
The Group operates in 28 countries around the world and carries out transactions that are recorded in seventeen local currencies. The Group reports its Income Statement and Cash Flow Statement results in Pounds Sterling using the average exchange rate for each month to translate the local currency amounts into Sterling. The Balance Sheet is translated using the exchange rates at the Balance Sheet date.

As a service company, most of the Group's transactions are within the territory in which the local business operates and consequently there are few cross-border transactions between Group companies. However, royalties are charged for the use of the Group's trademarks and management fees are charged for Group and regional functions that provide services to other Group subsidiary companies. Foreign exchange gains and losses are recognised in accordance with IFRS on the settlement of these transactions where the cash received when converted into Sterling differs from the amounts previously recorded in the Income Statement. These exchange gains and losses are included within operating profit.

The table below shows the relative movements of the Group's main trading currencies against Pounds Sterling during 2008, when compared to those prevalent during 2007. In all cases, Sterling has weakened against these main trading currencies.

| Currency | Movement in the average exchange rate used for Income Statement translation between 2007 and 2008 | Movement in the year end exchange rate used for Balance Sheet translation between 2007 and 2008 |
|---|---|---|
| Euro | -14% | -24% |
| Swiss Franc | -18% | -32% |
| Brazilian Real | -14% | -5% |
| US Dollar | -8% | -28% |
| Australian Dollar | -9% | -9% |
| Japanese Yen | -19% | -41% |

## HEADCOUNT: REACTING TO MARKET CONDITIONS



## Treasury management and currency risk

It is the Directors' intention to continue to finance the activities and development of the Group from retained earnings, and to operate the Group's business while maintaining a strong balance sheet position. In a generally benign economic environment this equates to maintaining the Group's net cash/debt position within a relatively narrow band, with cash generated in excess of these requirements being used to buy back the Group's shares. In an economic downturn a more cautious funding position is adopted with the Group being managed in a net cash position.

Cash surpluses are invested in short-term deposits, with any working capital requirements being provided from Group cash resources, Group facilities, or by local overdraft facilities. The Group has a multi-currency notional cash pool between the Euro zone subsidiaries and the UK-based Group Treasury subsidiary. The structure facilitates interest and balance compensation of cash and bank overdrafts. It is the intention to extend the scope of the participation to other Group companies.

The main functional currencies of the Group are Sterling, Euro and Australian Dollar. The Group does not have material transactional currency exposures, nor is there a material exposure to foreign denominated monetary assets and liabilities. The Group is exposed to foreign currency translation differences in accounting for its overseas operations. Our policy is not to hedge this exposure.

In certain cases, where the Group gives or receives short-term loans to and from other Group companies with different reporting currencies, it may use foreign exchange swap derivative financial instruments to manage the currency and interest rate exposure that arises on these loans. It is the Group's policy not to seek to designate these derivatives as hedges.

## Principal risks and uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks. The following section comprises a summary of the main risks Michael Page International plc believes could potentially impact the Group's operating and financial performance.

### People

The resignation of key individuals and the inability to recruit talented people with the right skill-sets could adversely affect the Group's results. This is further compounded by the Group's organic growth strategy and its policy of not externally hiring senior operational positions. Mitigation of this risk is achieved by succession planning, training of staff, competitive pay structures and share plans linked to the Group's results and career progression.

### Macro economic environment

Recruitment activity is largely driven by economic cycles and the levels of business confidence. The Board look to reduce the Group's cyclical risk by expanding geographically, by increasing the number of disciplines, by building part-qualified and clerical businesses and by continuing to build the temporary business.

A substantial portion of the Group's gross profit arises from fees which are contingent upon the successful placement of a candidate in a position. If a client cancels the assignment at any stage in the process the Group receives no remuneration. As a consequence the Group's visibility of gross profits is generally quite short and reduces further during periods of economic downturn as currently being experienced.

### Competition

The degree of competition varies in each of the Group's main regions. In the UK, Australia and North America, the recruitment market is well developed, highly competitive and fragmented. The characteristics of a developed market are greater competition for clients and candidates, as well as pricing pressure. In EMEA, Latin America and Asia, the recruitment market is generally less developed with a large proportion of all recruitment being carried out by companies' internal resources rather than through recruitment specialists. This is changing due to changes in legislation, increasing job mobility and the difficulty internal resources face in sourcing suitably qualified candidates and managing compliance.

If the Group does not continue to compete in its markets effectively, by hiring new staff, opening and expanding offices and continuing the discipline roll-outs, there is a risk that competitors may beat us to key strategic opportunities, which may result in lost business and a reduction in market share. This risk is mitigated by meetings of the Main Board, Executive Board and Regional and Country Management Boards where Group strategy is continually reviewed and decisions made over the allocation of the Group's resources, principally people.

### Technology

The Group is reliant on a number of technology systems to provide services to clients and candidates. These systems are dependent on a number of important suppliers that provide the technology infrastructure and disaster recovery solutions. The performance of these suppliers are continually monitored to ensure business critical services are available and maintained as far as practically possible. Due to the rapid advancement of technology, there is a risk that systems could become outdated with the potential to affect efficiency and have an impact on revenue and client service. This risk is mitigated by regular reviews of the Group's technology strategy to ensure that it supports the overall Group strategy.

### Legal

The Group operates in a large number of jurisdictions which have varying legal and compliance regulations. The Group takes its responsibilities seriously and ensures that its policies, systems and procedures are continually updated to reflect best practice and to comply with the legal requirements in all the markets in which it operates. In order to reduce the legal and compliance risks, fee earners and support staff receive regular training and updates of changes in legal and compliance requirements.

**Stephen Puckett**

Group Finance Director
5 March 2009

# Board

## OF DIRECTORS

**Sir Adrian Montague CBE (61)**
Non-Executive Chairman

Sir Adrian Montague is Non-Executive Chairman of Friends Provident plc and of CellMark AB, the international forest products marketing group based in Gothenburg. From 1997 to 2001, he held senior posts concerned with the implementation of the Government's policies for the involvement of the private sector in the delivery of public services, first as Chief Executive of the Treasury Taskforce and then as Deputy Chairman of Partnerships UK plc. He was Deputy Chairman of Network Rail from 2001 to 2004, Non-Executive Chairman of Cross London Rail Links Limited from 2004 to 2005 and Chairman of British Energy from 2002 to 2009. He spent his early career as a solicitor with Linklaters & Paines before joining Kleinwort Benson in 1994. Sir Adrian is also a Non-Executive Director of London First, a Director of Skanska AB, the Swedish international construction group, and a Trustee of The Historic Royal Palaces. He was awarded a CBE in 2001 and a knighthood in 2006. He is also Chairman of the Nomination Committee.

**Steve Ingham (46)**
Chief Executive

Steve Ingham joined Michael Page in 1987 as a consultant with Michael Page Marketing and Sales. He was responsible for setting up the London marketing and sales businesses and was promoted to Operating Director in 1990. He was appointed Managing Director of Michael Page Marketing and Sales in 1994. Subsequently he took additional responsibility for Michael Page's Retail, Technology, Human Resources and Engineering businesses. He was promoted to the Board as Executive Director of UK Operations in January 2001, and subsequently to Managing Director of UK Operations in May 2005. He was appointed Chief Executive on 6 April 2006. Steve is also a member of the Great Ormond Street Hospital's Corporate Partnership Board.

**Stephen Box (58)**
Independent Non-Executive Director,
Senior Independent Director

Stephen Box is a Chartered Accountant who spent more than 25 years at Coopers & Lybrand, 15 of these as a partner. From August 1997 to November 2002 he was Finance Director of National Grid. He is a Non-Executive Director of PartyGaming plc (PG), Thames Water Utilities Ltd (TWUL) and Wales & West Utilities Ltd (WWU). He was appointed a Non-Executive Director of Michael Page International plc on 27 February 2001. He is a member of the Audit, Remuneration and Nomination Committees.

**Charles-Henri Dumon (50)**
Managing Director – Continental Europe and
The Americas

Charles-Henri Dumon joined Michael Page in 1985 and was appointed a Director in 1987. Since then he has had full responsibility for the Group's operations in France and has managed the Group's entry into Southern Europe and South America. He was appointed Managing Director for all Michael Page's European and South American businesses in January 2001. His responsibilities were increased to include North America in January 2006.

**Ruby McGregor-Smith (46)**
Independent Non-Executive Director

Ruby McGregor-Smith qualified as a Chartered Accountant with BDO Stoy Hayward and was appointed to the Board of Michael Page International plc on 23 May 2007. She is Chief Executive of MITIE Group PLC, a position she has held since March 2007. Previously to being appointed Chief Executive, she held the positions of Group Finance Director and then Chief Operating Officer. Prior to joining MITIE Group PLC, she held a range of senior roles within the support services sector, primarily at Serco Group plc. She is Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees.

**Dr Tim Miller (51)**
Independent Non-Executive Director

Dr Tim Miller was appointed to the Board on 15 August 2005 and became Chairman of the Remuneration Committee on 16 September 2005. He is also a member of the Audit and Nomination Committees. Tim has wide experience in human resources and has held a number of senior HR and business roles in the information technology, retail and pharmaceutical sectors. He is currently a Director of Standard Chartered Bank ("Bank"), joining in May 2000 as Group Head of Human Resources (HR) and was appointed a Director of the Bank in December 2004. In addition to his responsibilities at the Bank, Tim is a member of the ifs Board of Governors and Vice President, Organisation and Resourcing at the Chartered Institute of Personnel and Development (CIPD). Tim was appointed Non-Executive Chairman of SC First Bank (Korea) Limited in September 2007 with responsibility for governance in Korea.

**Stephen Puckett (47)**
Group Finance Director

Stephen Puckett qualified as a Chartered Accountant with BDO Binder Hamlyn. He joined Wace Group plc in 1988 as Director of Corporate Finance, subsequently being promoted to Group Finance Director in 1991. He was Group Finance Director of Stat Plus Group plc in 2000, and appointed Group Finance Director of Michael Page International plc in January 2001. He was a Non-Executive Director of SHL Group Plc from 2004 to 2006.

**Hubert Reid (68)**
Independent Non-Executive Director

Hubert Reid is Chairman of Enterprise Inns plc and of the Midas Income and Growth Trust PLC and Deputy Chairman of Majedie Investments PLC. He was previously Managing Director and then Chairman of the Boddington Group plc, and a Non-Executive Director and then Chairman of Ibstock Plc, Bryant Group plc and the Royal London Group. He was appointed a Non-Executive Director of Michael Page International plc on 25 February 2003. He is a member of the Audit, Remuneration and Nomination Committees.

## EXECUTIVE BOARD

In addition to the Executive Directors, the Executive Board comprises Alexis de Bretteville (Regional Managing Director - The Americas), Christophe Duchatellier (Regional Managing Director - Europe (excluding France), Gary James (Regional Managing Director - Asia Pacific) and Andrew Wayland (Chief Information Officer).

**Alexis de Bretteville (46)**
Regional Managing Director – The Americas

Alexis de Bretteville joined Michael Page in 1993 as a Consultant in Paris, France. In 1997 he was appointed Managing Director of Michael Page Spain, launching Spain, Portugal and later, Brazil. In 2002 he moved to Germany, taking on responsibility for Germany, Belgium and Sweden. In 2004 he moved to Belgium when his responsibilities also included Holland and the launch of Poland in 2005. In 2006 he became Regional Managing Director for the Americas, based in New York, having responsibility for Michael Page in USA, Canada, Brazil, Mexico and most recently Argentina.

**Christophe Duchatellier (46)**
Regional Managing Director – Continental Europe (excluding France)

Christophe Duchatellier joined Michael Page in 1992 as a Consultant in Paris. He progressed to Director having launched the Michael Page Secretarial business in France. In 1997 he moved to Milan, Italy and launched Michael Page Italy and in 2001 Michael Page Switzerland. In 2002 he assumed responsibility as Regional Managing Director for Spain and Portugal. In 2006 he moved to Geneva and assumed additional responsibility for Northern, Central and Eastern Europe, also assisting with the launch of Michael Page Russia, 2006 and Michael Page Luxembourg, 2007.

**Gary James (47)**
Regional Managing Director – Asia Pacific

Gary James joined Michael Page Finance in London in 1984. He was appointed Director of Michael Page Sales & Marketing in 1994, Managing Director of Michael Page Marketing in 1997 and transferred to America in 2002 as Managing Director of North America. He moved to Australia and was appointed Managing Director of the Asia Pacific region in August 2006.

**Andrew Wayland (42)**
Chief Information Officer

Andrew Wayland was the UK IT Business Management Director of PricewaterhouseCoopers where he worked for over 10 years in the internal IT functions. He brings extensive experience in establishing IT strategy and innovation to support the wider business strategy, and integrating technology teams. He was appointed Chief Information Officer of Michael Page in December 2005.

# Directors'

## REPORT

### Principal activity and review of the business and future developments

The Group is one of the world's leading specialist recruitment consultancies. The Group's trading results are set out in the financial statements on pages 50 to 81. Details of the Group's strategy, outlook and review of operations are described in the Chairman's Statement, Operational Review and Financial Review on pages 10 to 25.

### Enhanced Business Review

The Company is required to set out in this report a fair review of the business of the Group during the financial year ended 31 December 2008 and of the position of the Group at the end of that financial year, together with a description of the principal risks and uncertainties facing the Group (known as an Enhanced Business Review).

The information that fulfils the requirements of this Review can be found in the following sections of the Annual Report:

| | |
|---|---|
| Operational review | pages 12 to 17 |
| Strategy | pages 4 to 9 |
| Key performance indicators | page 22 |
| Future outlook | pages 11 and 17 |
| Risks and uncertainties | pages 24 and 25 |
| Financial review | pages 18 to 25 |
| Corporate responsibility | pages 29 to 33 |

### Significant agreements

There are certain agreements to which the Company is party that take effect, alter or terminate upon a change of control of the Company following a takeover bid.

Details of the significant agreements of this kind are as follows:

A £50m revolving credit facility that terminates on a change of control, with outstanding amounts becoming payable with interest.

Provisions of the Company's share schemes and plans may cause options and awards granted to employees under such schemes and plans to vest on a takeover.

### Directors and interests

The following were Directors during the year and held office throughout the year other than as shown below.

- Sir Adrian Montague CBE‡ (Chairman)
- Steve Ingham (Chief Executive)
- Stephen Box‡*
- Charles-Henri Dumon
- Ruby McGregor-Smith‡
- Dr Tim Miller‡
- Stephen Puckett
- Hubert Reid‡

‡ Non-Executive Directors
* Senior Independent Director

In accordance with the Company's Articles of Association, Stephen Puckett and Hubert Reid will retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election. The Senior Non-Executive Director, Stephen Box will retire during 2009.

Biographical details for all the current Directors are shown on pages 26 and 27.

The beneficial interests of Directors in office at 31 December 2008 in the shares of the Company at 31 December 2008 and at 5 March 2009 are set out in the Remuneration Report on pages 40 to 47.

All of the Executive Directors are deemed to have an interest in the ordinary shares held in the Employee Benefit Trust and its subsidiaries.

The Company has maintained throughout the year directors' and officers' liability insurance in respect of itself and its directors. The directors also have the benefit of the indemnity provision contained in the Company's Articles of Association.

These provisions, which are qualifying third party indemnity provisions as defined by Section 234 of the Companies Act 2006, were in force throughout the year and are currently in force.

**Results and dividends**

The profit for the year after taxation amounted to £97.3m (2007: £101.7m).

A final dividend for 2007 of 5.6 pence per ordinary share was paid on 9 June 2008. An interim dividend of 2.88 pence per ordinary share was paid on 10 October 2008. The Directors recommend the payment of a final dividend for the year ended 31 December 2008 of 5.12 pence per ordinary share on 8 June 2009 to shareholders on the register on 8 May 2009 which, if approved at the Annual General Meeting, will result in a total dividend for the year of 8.0 pence per ordinary share (2007: 8.0 pence).

**Share capital**

The authorised and issued share capital of the Company are shown in Note 18 to the financial statements.

At the Annual General Meeting held on 23 May 2008, the Company renewed its authority to make market purchases of its own ordinary shares up to a maximum of 15% of the issued share capital.

During the year, the Company purchased 6.7m shares which were immediately cancelled. A further 0.5m shares were also purchased by the employee benefit trust and held to fund share scheme awards. The total nominal value of all shares repurchased was £0.1m and represented 2.2% of the issued share capital. The shares were purchased for a consideration of £16.8m including expenses. 1.3m shares were also issued to satisfy share options exercised during the year.

**Substantial shareholdings**

As at 20 February 2009, the Company has been notified of the interests held in more than 3% of the issued share capital of the Company as shown in Fig.1. below.

**Fig.1. Substantial Shareholdings**

| Holder | Number of ordinary shares | % of issued share capital |
|---|---|---|
| Capital International Limited | 42,018,829 | 13.05% |
| Standard Life Investments | 27,805,473 | 8.63% |
| Lone Pine Capital | 17,340,086 | 5.38% |
| Fidelity | 16,322,485 | 5.07% |
| JP Morgan | 15,993,951 | 4.97% |
| Wellington Management | 15,047,409 | 4.67% |
| Legal & General | 12,731,958 | 3.95% |
| Baillie Gifford | 9,743,561 | 3.03% |
| Nomad Investments | 9,713,547 | 3.02% |

**Corporate responsibility (CR)**

The Board recognises its responsibilities in respect of social, environmental and ethical (SEE) matters, with the Chief Executive having Board responsibility for Group Environmental Management. The Directors continually monitor all risks to the Group's businesses, including SEE risks, which may impact the Group's short and long-term value. During 2008 no significant SEE risks were identified. The Company is also a member of the FTSE4Good Index Series designed to measure the performance of, and facilitate investment in, those companies meeting globally recognised standards of corporate responsibility.

The Group's policies on CR matters are described in the following paragraphs.

## (a) Environmental policy

The Group does not operate in a business sector which causes significant pollution, but the Board recognises that the business does have an impact on the environment. The Board is committed to managing and improving the way in which our activities affect the environment by:

- optimising the use of energy;
- ensuring the efficient use of materials;
- encouraging re-use and recycling; and
- incorporating the principle of sustainable development.

During the year, the Group has continued to allocate a significant amount of time and resource to further identify where its activities have an impact on the environment.

A review is carried out annually in accordance with the guidance as laid down by the Department for Environment, Food and Rural Affairs (DEFRA), and the Global Reporting Initiative (GRI), an independent international institution established to create a common framework for sustainability reporting worldwide.

The current environmental report, which covers our UK businesses only, will shortly be available on the Michael Page website. A summary of its findings during 2008 is shown below.

### Waste

- 235 tonnes of waste was generated by UK offices.
- Through recycling, Michael Page in the UK has saved 3,248 trees and saved a total of $955m^3$ landfill space.

A summary is shown in Fig.2. below.

### Energy

The total $CO^2$ emissions generated as a result of the use of electricity and gas at Michael Page, offices in 2007/2008 is estimated at 2,091 tonnes.

### Water

In the UK, Michael Page has consumed 33,514 m3 of water. This is an increase of 13% from last year's figures due to new offices and an increase in staff.

### Electricity

Our UK offices consumed approximately 5,288,020 kWh of electricity which converts to 1,691 tonnes of $CO^2$. Our average electricity consumption is 154 kWh of electricity per $m^2$ of office space. This sits well within benchmarks, which state for an air conditioned office medium electricity consumption should fall between 128kWh/$m^2$ and 226kWh/$m^2$.

Our energy supplier provides 'greener' energy having less of an impact on the environment. Electricity is taken from renewable sources which reduces the carbon emissions.

### Gas

The estimated total carbon emissions generated by the consumption of gas at our UK offices is 400 tonnes of carbon dioxide. The tonnage of gas is based on UK offices consuming 1,997,201 kWh of gas during the year.

### Transport

Our largest environmental impact is transport related pollution. This is from business travel and getting to and from work which generated an estimated 1,075 tonnes of $CO^2$.

### "More Green"

As a company committed to green issues, we are actively involved in finding work practices that can help reduce our carbon footprint. 'More Green' was launched in the UK in 2007 to focus employees more actively on green issues and to advertise internally the environmental matters in which Michael Page is engaged.

Michael Page are proud consumers of Green Choice energy which is the most environmentally sound electricity option available in the UK. Green Choice energy supplies electricity from environmental sources coming from a mixture of

**Fig.2. UK Waste Generation**

| | Annual weight generated (tonnes) | % of total waste |
|---|---|---|
| **Confidential waste** | 80 | 34% |
| **Toners** | 3 | 1% |
| **Mixed office paper** | 75 | 32% |
| **Food waste and packaging** | 61 | 27% |
| **Other** | 16 | 6% |
| **Total** | 235 | 100% |

renewable sources. These sources do not involve the burning of fossil fuels, which produce $CO^2$ emissions.

Together, Michael Page and Page Personnel in the UK earned a SITA Certificate of Recycling. In 2009 we will be working hard to make an even greater effort to reduce our environmental impact.

In respect of managing waste and reducing the amount of waste that would typically go to landfill, we are phasing out the use of plastic cups and replacing them with glasses. This saves approximately 380,000 cups from landfill. In 2009 we will be launching a review of our stationery products to ensure that we not only leverage best price, but also ensure that products we purchase are environmentally friendly and come from sustainable sources. This is a global programme that will operate in the majority of countries.

(b) Charitable donations

The Group made charitable donations of £153,366 during the year (2007: £89,800). Included in donations are amounts made to various local charities serving the communities in which the Group operates. It is the Group's policy not to make political donations.

In EMEA, Michael Page Portugal supported the Legião da Boa Vontade and Liga Portuguesa Contra o Cancro. Legião da Boa Vontade, is an educational, cultural and charity association, which promotes food distribution, education, culture and employment. Liga Portuguesa Contra o Cancro is a cultural and social private association, which promotes cancer prevention, social support for cancer patients and training and investigation to cure the disease. In Spain, we collaborate with the Theodora Foundation, with donations enabling the "Doctores Sonrisa" (Clown Doctors) to visit sick children in hospital, whilst in Italy, recruitment services are provided free of charge to Save the Children.

Since arriving in South Africa, we have supported a charity called Children of the Dawn. This charity focuses on supporting aids orphans throughout the country. The focus of their work is to support families around the children to allow them to stay within their community, rather than seeing them sent to orphanages where they lose contact with their family.

In the UK, subject to certain restrictions, the Group matches charitable donations made by employees. In 2008, we nominated The British Heart Foundation as our charity of the year. We have sponsored a number of different initiatives and have so far raised approximately £70,000 for the charity.

In the Americas, the USA worked with different charitable and community groups such as the Harlem RBI who provide inner-city youth with opportunities to join a team, coach a group and inspire youths to recognize their potential and realize their dreams, Sport Dans La Ville (Sport dans la Ville creates sport-activities to help underprivileged children who live in difficult neighbourhoods) and Norwalk Child Safety Group, which was created by the City of Norwalk Police Benevolent Association to find effective solutions to neighbourhood concerns. Here we contributed to their annual recruitment drive and sponsored their annual Community Guidebook. We also assisted the Juvenile Diabetes Research Foundation (the JDRF is dedicated to helping children who have diabetes live a normal, healthy life) where we contributed to their annual fund raiser and Michael Page consultants volunteered at a summer event to help raise awareness.

In Latin America, we sponsor three big social projects, all of them involving cultural awareness for children in need. These were Projeto Vida Jovem, Projeto Guri, and Ação Comunitária, which aim to keep children off the streets and in school, preparing them for a better future.

In Asia Pacific, Michael Page Australia held numerous charitable events, supporting a range of charities including the Breast Cancer Foundation, Juvenile Diabetes Foundation and Ronald McDonald House Children's Charity. The Melbourne team has also personally contributed to the sponsorship of two children through World Vision for the past three years. In Hong Kong, Michael Page supported children's cancer charities with a range of events, including rickshaw and sedan chair style races. In China, we raised money for Operation Smile', a charity which supports operations on children in China with severe cleft palates and facial deformities, in order to give them a chance of normal life and social acceptance.

(c) Employee involvement

The unique culture of the organisation ensures active involvement at all levels throughout the business. We promote a meritocratic environment where the views and ideas of our employees have a definite impact on the decisions we make. Our ranking amongst The Sunday Times 100 Best Companies to Work for since 2005 is the main focus of our formal employee engagement activities. Indeed, in 2008, Michael Page International rose 21 places to 39 in the survey which is a testament to the efforts we have made in recent years.

In 2008, our highest ranking factor was My Team (ranking 12th in the entire survey of 837 companies). My Team includes encouraging team spirit, feeling part of the company, having fun and belonging. Our two highest ranking questions were: Working in this Team gives me a buzz & My Team is fun to work with.

Our most improved category was 'Giving Something Back' which measures our involvement in community, charity and environmental projects. In 2008 we launched 'More Giving' an initiative which allowed each UK employee 1 day per year to undertake team based projects to benefit a local charity, community or environmental project of their choice. Some examples of the activities so far have included gardening, painting and decorating, staffing at youth centres, farming etc. To date we have given well over 300 days of service to organisations around the UK including Macmillan Cancer Support, Chelmsford Cats Protection League, Warner's End Neighbourhood Community Centre, Hainault Youth Centre, Waterways Trust to mention a only a few.

Communication with employees has always been a strength given the non-hierarchical management structure and the genuine involvement of senior management with all levels of employee. This was further enhanced during 2008 with the implementation of Maximising Potential as the vision for the organisation. One of the many initiatives resulting from this was the 'Maximising Leadership' calls which involved all UK employees being given the opportunity to dial into a call made by our CEO answering questions posed by employees and updating them on the company's plans for the future. This has been particularly popular in uncertain economic times in allowing employees to hear first hand the many success stories around the business and also to share in the strong leadership and employee participation required to succeed.

Communication with employees is also effected through Group newsletters, the Company's Intranet, information bulletins, briefing meetings conducted by senior management and formal and informal discussions. Interim and Annual Reports are available to all staff. Informal communication is further facilitated by the Group's divisional organisation structure.

In the Americas, Michael Page USA was ranked 'Number 1 Executive Recruitment firm in New York' by Crains for the third year in a row and again voted 'One of the best places to work in Connecticut' by the Hartford Business Journal and voted 'One of the best places to work in Massachusetts' by the Boston Business Journal.

### (d) Equal opportunity and diversity

The Group endorses and supports the principles of equal employment opportunity. It is the policy of the Group to provide equal employment opportunity to all, which ensures that all employment decisions are made, subject to its legal obligations, on a non-discriminatory basis. Due consideration is given to the recruitment, promotion, training and working environment of all staff including those with disabilities. It is the Group's policy to encourage the training and further development of all its employees where this is of benefit to the individual and to the Group.

Throughout 2008, the Group monitored the diversity of its UK employees, 88% of whom to date have completed the voluntary request for information. The analysis indicates a split of 52% female, 48% male, and regarding origin, 88% white, 11% ethnic origin and 1% declining to answer. The UK 2001 Census showed a total ethnic population of 7.9%. Similar monitoring will be carried out during 2009. The Group recognises the importance of diversity in the workplace for both our own and our clients' businesses. We are committed to increasing the recognition of our brand amongst a more diverse audience, and to encourage development of an increasingly diverse candidate database together with our workforce. Our monitoring of our candidate databases confirms that the brand attracts candidates from a wide range of backgrounds. We participate in the Interbank Diversity Forum and work with organisations like Global Graduates where we strive to ensure that we offer our clients the most qualified candidates on the basis of their relevant aptitudes, skills and abilities and that such candidates are drawn from diverse backgrounds.

The Group continues to participate in the Race for Opportunity, part of Business in the Community, a UK movement of over 700 member companies whose purpose is to inspire, challenge and support business in improving its impact on society. As a result, the group has taken a range of proactive steps to increase awareness of diversity, including training for all new employees within their first month with the business and implementing a competency -based management development programme to ensure employees are promoted on their merit and ability. As making judgements based on a candidate's individual merits is at the heart of our diversity policy, we have introduced more competency-based interviewing procedures into our selection processes particularly when recruiting people to join Michael Page. We continue to work closely with a range of clients to discuss and share diversity ideas/best practice and to offer expertise to minority groups.

Michael Page is also a member of the Employers Forum on Age (EFA), an independent network of leading employers which sets the agenda for age and employment issues in the UK. The membership of EFA lists over 200 organisations, from central and local government to major multinational corporations. Upon introduction of the Employer Equality (Age) Regulations in October 2006, Michael Page was nominated for an award by the EFA for best implementation of the legislation in its sector. Following the release of the legislation on age discrimination, an Age Discrimination Working Party was formed to review the policies, procedures and systems of the Company to ensure compliance with the legislation once introduced.

The recommendations made are fully implemented by the Company. Additionally, we participate in a number of external initiatives such as the Global Graduates and The Brokerage, a charity whose aim is to increase the ambition and employability of young people in the 11 inner-city London boroughs.

### (e) Health and safety

It is the policy of the Group to take all reasonable and practicable steps to safeguard the health, safety and welfare of its employees, visitors and other persons who may be affected by its activities. In order to meet these responsibilities, the Group will:

- assess the risks to health and safety;
- implement safe systems at work;
- provide information, instruction and training;
- establish and maintain emergency procedures; and
- regularly review health and safety policies and procedures.

The Group is being proactive in our approach to health and safety by monitoring proposed changes in legislation and implementing policies accordingly, and as such we comply with all statutory and regulatory requirements. Our medical insurers also provide a 24hr counselling helpline covering stress, legal issues and consumer rights.

### (f) Supplier payment policy

It is the policy of the Group to agree appropriate terms and conditions for transactions with suppliers (by means ranging from standard written terms to individually negotiated contracts) and that payment should be made in accordance with those terms and conditions, provided that the supplier has also complied with them.

The Company acts as a holding Company for the Group. Creditor days for the Company were nil (2007: nil) as the Company does not undertake any transactions with suppliers. The Group's creditor days at the year end were 38 (2007: 27 days).

## Share capital, restrictions on transfer of shares and other additional information

To the extent not discussed in this Directors' Report, information relating to the Company's share capital structure, restrictions on the holding or transfer of its shares or on the exercise of voting rights attached to such securities required by Section 992 of the Companies Act 2006 is set out in the following sections of the Annual Report:

- Corporate Governance (The Board and its operation)
- Corporate Governance (Nomination Committee)
- Corporate Governance (Board appointments)
- Remuneration Report (Annual bonus plan)
- Remuneration Report (Directors' interests and share ownership requirements)
- Notes to the Accounts (Note 18: Called-up share capital)
- Shareholder Information and Advisers (Memorandum and Articles of Association)

Each of the above sections is incorporated by reference into, and forms part of, this Directors' Report.

## Information to Auditors

Each of the Directors at the date of approval of this report confirms that:

1. so far as the Director is aware, there is no relevant audit information of which the company's auditors are unaware; and
2. the Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.
3. This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

## Auditors

Deloitte LLP are willing to continue in office and accordingly resolutions to re-appoint them as auditors and authorising the Directors to set their remuneration will be proposed at the forthcoming Annual General Meeting.

## Annual General Meeting

The resolutions to be proposed at the Annual General Meeting to be held on 22 May 2009, together with explanatory notes, appear in the Notice of Meeting set out on pages 89 to 94.

By order of the Board

**Kelvin Stagg**

Company Secretary
5 March 2009

# Corporate
## GOVERNANCE

The Board of Directors has a strong commitment to high standards of corporate governance and has applied the main and supporting principles of corporate governance as recommended in Section 1 of the Combined Code on Corporate Governance, (the “2006 FRC Code”), for the year ended 31 December 2008.

**Compliance with the 2006 FRC Code**

The Directors consider that the Company has complied with all the Code provisions set out in Section 1 of the 2006 FRC Code throughout the year ended 31 December 2008.

**The Board and its operation**

The Board of Michael Page International plc is the body responsible for corporate governance, establishing policies and objectives, and the management of the Group’s resources. It is the Group’s policy that the roles of Chairman and Chief Executive are separate.

The main Board currently comprises the Chairman, who is deemed to be independent and has no operational responsibilities, three Executive Directors and four independent Non-Executive Directors.

All Directors are subject to retirement by rotation and re-election by the shareholders in accordance with the Articles of Association, whereby one third of the Directors retire by rotation each year. All Directors are subject to election by the shareholders at the first Annual General Meeting following their appointment. All Directors are subject to re-election every three years in accordance with the 2006 FRC Code.

Stephen Puckett and Hubert Reid will retire by rotation and offer themselves for re-election. As a result of their annual performance evaluation, the Board considers that their individual performances continue to be effective, with each director demonstrating commitment to their role. The Board is therefore pleased to support their re-election at the forthcoming Annual General Meeting.

Stephen Box will retire from the Board in 2009. The Group would like to extend their thanks to Stephen for his contribution.

All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures and applicable rules and regulations are observed. There is an agreed procedure for Directors to obtain independent professional advice, if necessary, at the Company’s expense.

The Board meets regularly throughout the year. It has a formal schedule of matters reserved to it and delegates specific responsibilities to Committees. During the meetings, the Board formally considers how and to whom matters covered at each meeting should be communicated and actioned beyond the Board. Decisions concerning matters of a more routine nature are dealt with by management below Board level. The structure of the Group facilitates the day to day running of the business and enables efficient and effective communication of issues to the Board when required.

The Chairman and Non-Executive Directors also met during the year without the Executive Directors being present.

Each of the Committees has formal written terms of reference which were reviewed in 2008.

The terms of reference for the Audit, Remuneration and Nomination Committees are available on request and can be found on the Group’s website. Their composition and the manner in which they discharge their responsibilities are described below.

The Executive Board, a Committee of the Main Board, meets formally at least four times a year, and is responsible for assisting the Chief Executive in the performance of his duties, including development and implementation of strategy, operational plans, policies, procedures and budgets.

These activities are performed at a regional level by four Regional Boards, Committees of the Main Board, for the UK, EMEA, Asia Pacific and the Americas. Each Regional Board meets at least four times a year.

The Company amended its articles of association in May 2008 to deal with, amongst other things, the provisions on conflicts of interest in the Companies Act 2006 which came into force in October 2008. Following this, the Company has put in place procedures for the disclosure and review of any conflicts, or potential conflicts, of interest which the Directors may have and for the authorisation of such conflict matters by the Board. In deciding whether to authorise a conflict or potential conflict, the Directors must have regard to their general duties under the Companies Act 2006. The authorisation of any conflict matter, and the terms of authorisation, may be reviewed at any time and will be reviewed formally by the Board on an annual basis.

### Audit Committee

The Audit Committee comprises the independent Non-Executive Directors and, since May 2008, is chaired by Ruby McGregor-Smith. Their relevant qualifications and experience are shown in their biographies on the Board of Directors page 26 and 27.

The Committee met seven times in 2008 to fulfil its duties and included attendance by the external auditors where required. The number of meetings increased from four last year to review interim management statements before submission to the Main Board. The Committee also met with the external auditors during the year without the presence of management.

In 2008 the Audit Committee discharged its responsibilities as set out in the terms of reference which can be found on our website. Its principal tasks are to review the Group's internal controls and internal audit reports, review the scope of the external audit, consider issues raised by the external auditors, and review the half-yearly and annual accounts before they are presented to the Board, focusing in particular on accounting policies and compliance, and areas of management judgement and estimates.

### Objectivity and independence of external auditors

Deloitte are employed to perform work in addition to their statutory duties where it is felt that they are best placed to carry out the engagement as a result of their being the Group's auditors. All other work is awarded on the basis of competitive tender.

The objectivity and independence of the external auditor is safeguarded by:

a. obtaining assurances from the external auditor that adequate policies and procedures exist within its firm to ensure the firm and its staff are independent of the Group by reason of family, finance, employment, investment and business relationships (other than in the normal course of business);

b. enforcing a policy concerning the provision of non-audit services by the auditor which governs the types of work:

   i. from which the external auditor is excluded;

   ii. for which the external auditor can be engaged without referral to the Audit Committee; and

   iii. for which a case-by-case decision is required, which includes all engagements over certain fee limits.

   The following areas are considered to be unacceptable for the external auditors to undertake:

   - selection, design or implementation of key financial systems;
   - maintaining or preparing the accounting books and records or the preparation of financial accounts or other key financial data;
   - provision of outsource financial systems;
   - provision of outsource operational management functions;
   - recruitment of senior finance or other executives;
   - secondment of senior finance or other executives;

- provision of internal audit services;
- valuation services or fairness opinions; and
- any services specifically prohibited to be provided by a listed company's external auditors under UK regulations.

The following criteria also need to be met before the external auditors are contracted to provide such services:

- the firm has the necessary skills and experience to undertake the work;
- there are no potential conflicts that may arise as a result of carrying out this activity;
- the external audit firm is subject to the company's normal tendering processes; and
- in addition to the normal authorisation procedures and prior to inclusion in a tender, approval has to be given by the Group Finance Director and, if the fee exceeds a certain level, the Audit Committee.

c. enforcing a policy of reviewing all cases where it is proposed that a former employee of the external auditors be employed by the Group; and

d. monitoring the external auditors' compliance with applicable UK ethical guidance on the rotation of audit partners.

**Remuneration Committee**

The Remuneration Committee comprises the independent Non-Executive Directors and is chaired by Dr Tim Miller.

The Committee reviews the Group's policy on the Chairman's, Executive Directors' and senior executives' remuneration and terms of employment, makes recommendations upon this along with the specific level of remuneration to the Board, and also approves the provision of policies for the incentivisation of senior employees including share schemes. The Committee meets at least twice a year and is also attended by the Chief Executive, except when his own remuneration is under consideration. The Remuneration Report includes information on the Directors' service contracts. The terms of reference of the Remuneration Committee can be found on our website.

**Nomination Committee**

The Nomination Committee comprises the Non-Executive Directors and is chaired by Sir Adrian Montague. It is responsible for making recommendations to the Board on new appointments, as well as making recommendations as to the composition of the Board generally, and the balance between Executive and Non-Executive Directors appointed to the Board. The terms of reference of the Nomination Committee can be found on our website.

**Succession planning**

One of the basic premises behind the strategic development of the Michael Page business is that growth is organic rather than through acquisitions of companies or hiring senior people in non-support roles. In order to achieve this organic growth we require good people. It is therefore one of the fundamental principles and a major part of the philosophy of the Company that we train and develop our own people. This approach creates opportunities for career progression and helps us attract and retain high calibre individuals.

Due to this philosophy of nurturing our own talent, succession planning is inherently a key part of the process. We do not make promotions or move people within the business unless there is a clear successor for the vacant position. It is therefore one of the key responsibilities of all levels of management, and not just the Board, to have a clear plan of development for their direct reports.

**Board appointments**

The Board follows formal and transparent procedures when appointing directors. The Nomination Committee identifies a shortlist of suitable candidates for Non-Executive appointments. All the candidates are interviewed by the Chairman and the Chief Executive, and in the case of the most recent appointment, all candidates in the final shortlist were interviewed by the Nomination Committee. Evaluations of all candidates are discussed with all members of the Nomination Committee and the recommendation is subsequently made to the Board.

**Induction and training programme**

On appointment to the Board, each Director discusses with the Company Secretary the extent of training required and a tailored induction programme to cover their individual requirements is then compiled. Elements of the programme typically consist of meeting senior management, site visits and attending internal conferences. In addition, information is provided on the Company's services, Group structure, Board arrangements, financial information, major competitors and major risks. After an initial induction phase, updates are provided on a periodic basis.

**Performance evaluation**

The Board, as part of its commitment to ensuring effectiveness and evaluating its performance together with that of its Directors and Committees, conducted an internal review comprising a questionnaire concerning all aspects of procedure and effectiveness.

Following completion of the questionnaires, the Chairman met with the individual Directors to discuss their views and to give feedback on their performance. The results of the evaluation were reported to the Board and where areas of improvement have been identified, actions have been agreed upon and training will be provided where required.

Stephen Box, as the Senior Independent Director, led a meeting of the Non-Executive Directors to appraise the performance of the Chairman. The meeting took into account any comments made by the Executive Directors. This evaluation is carried out annually.

### Attendance at meetings

The number of meetings of the Board and Committees and individual attendance by the members of the Committees only are shown in Fig.3.

### Internal control

The responsibilities of the Directors in respect of internal control are defined by the Financial Services Authority's Listing Rules which incorporate a Code of Practice known as the Combined Code, which requires that Directors review the effectiveness of the Group's system of internal controls. This requirement stipulates that the review shall cover all controls including operational, compliance and risk management, as well as financial. Internal Control Guidance for Directors on the Combined Code ("the Turnbull Report") was published in September 1999, updated October 2005.

The Board has assessed existing risk management and internal control processes during the year ended 31 December 2008 in accordance with the Turnbull guidance. The Board believes it has the procedures in place such that the Group has fully complied for the financial year ended 31 December 2008 and at the date of this report.

The Directors are responsible for the Group's system of internal financial and operational controls which are designed to meet the Group's particular needs and aim to safeguard Group assets, ensure proper accounting records are maintained and that the financial information used within the business and for publication is reliable.

Any system of internal control can only provide reasonable, but not absolute, assurance against material misstatement and loss. Key elements of the system of internal control are as follows:

- Group organisation.

  The Board of Directors meets at least ten times a year, focusing mainly on strategic issues, operational and financial performance. There is also a defined policy on matters strictly reserved for the Board. The Managing Director of each operating division is accountable for establishing and monitoring internal controls within that division;

**Fig.3. Attendance at Board Meetings (Committee attendance shown for Committee members only)**

| | Main Board | | | |
|---|---|---|---|---|
| **Total meetings** | **11** | | | |
| **Meetings attended** | | | | |
| **Executive** | | | | |
| Steve Ingham | 11 | | | |
| Charles-Henri Dumon | 11 | | | |
| Stephen Puckett | 11 | | | |
| | **Main Board** | **Audit Committee** | **Remuneration Committee** | **Nomination Committee** |
| **Total meetings** | **11** | **7** | **3** | **1** |
| **Meetings attended** | | | | |
| **Non-Executive** | | | | |
| Sir Adrian Montague CBE | 11 | | | 1 |
| Stephen Box | 11 | 7 | 3 | 1 |
| Ruby McGregor-Smith | 11 | 7 | 3 | 1 |
| Dr Tim Miller | 9 | 7 | 3 | 1 |
| Hubert Reid | 10 | 6 | 3 | 1 |

- annual business plan.

  The Group has a comprehensive budgeting system with an annual budget approved by the Board;

- quarterly reforecasting.

  The Group prepares a full-year reforecast on a quarterly basis showing, by individual businesses/disciplines, the results to date and a reforecast against budget for the remaining period up to the end of the year;

- financial reporting.

  Detailed monthly reports are produced showing comparisons of results against budget, forecast and the prior year, with performance monitoring and explanations provided for significant variances. The Group reports to shareholders on a quarterly basis;

- Audit Committee.

  There is an established Audit Committee whose activities are previously described;

- financial and operational controls.

  Individual operations complete an annual controls self assessment and certification statement. Each operational manager, in addition to the finance function for that operation, confirms the adequacy of their systems of internal control and compliance with Group policies. The statement also requires the reporting of any significant control issues, including suspected or reported fraud, that have emerged so that areas of Group concern can be identified and investigated as required;

- risk management.

  Identification of major business risks is carried out at Group level in conjunction with operational management and appropriate steps taken to monitor and mitigate risk;

- public interest disclosure policy (whistleblowing).

  The audit committee has reviewed arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. Arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action; and

- internal audit activities.

  As the number of territories in which the Group operates has increased, the internal audit function has been strengthened. An independent, dedicated Internal Audit team has been established, comprising the Head of Internal Audit and Internal Auditor. Businesses are visited on a risk based and rotational basis to assess the effectiveness of controls in mitigating specific risks. In addition, risks are regularly reviewed and changes are made to the risk profile where necessary. All internal audit activities are reported to the Audit Committee. During the year, the Board monitored and reviewed the effectiveness of the internal audit activities.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and that the processes have been in place for the year under review and up to the date of approval of the annual report and accounts.

**Board contact with shareholders**

Communications with shareholders are given a high priority. The main contact between the Board and shareholders is through the Chief Executive and the Group Finance Director. They undertake two major investor "roadshows" each year in February/March and August/September, in which numerous one-to-one meetings with shareholders take place. The outcome of these meetings and the views of shareholders are relayed back to the Board by the corporate brokers, at the end of each roadshow. The Group's corporate brokers also report monthly to the Board on broking activity during the month and any issues that may have been raised with them.

Shareholders are invited to attend the Annual General Meeting where they are able to discuss any concerns with the Non-Executive Directors.

When requested by shareholders, individual matters can be discussed with the Chairman or Senior Independent Director. The Group also has a website with an investor section (www.michaelpageinternational.com) that contains Company announcements and other shareholder information.

**Annual Report**

The Annual Report is designed to present a balanced and understandable view of the Group's activities and prospects. The Chairman's Statement, Operational Review and Financial Review provide an assessment of the Group's affairs and position. The Annual Report and Interim Report are sent to all shareholders on the Register.

The Directors acknowledge their responsibility for the preparation of the Annual Report. The Statement of Directors' Responsibilities is shown on page 95. A statement by the auditors about their reporting responsibilities is shown in the Independent Auditors' Report on pages 48 and 49.

### Going concern

The Board have undertaken a recent and thorough review of the Group's budget, forecasts and associated risks and sensitivities. The review performed was extensive and rigorous to reflect the uncertain economic outlook for the global economy taken as a whole. Despite the significant uncertainty in the economy and its inherent risk and impact on the business, the Board has concluded, given the level of cash in the business, the geographical and discipline diversification, limited concentration risk, as well as the ability to manage the cost base, that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve-months from the date of approval of these accounts. For this reason, the going concern basis continues to be appropriate in preparing the financial statements.

The Group's business activities, together with factors likely to affect its future development, performance and financial position and commentary on the Group's financial results, its cash flows, liquidity requirements, principal risks and uncertainties and undrawn borrowing facilities are set out in the Operational and Financial Review on pages 12 to 25 within the financial statements. In addition, note 22 to the financial statements includes the Group's financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to liquidity risk and credit risk.

In the year to 31 December 2008, the Group generated a profit of £97.3m, with cash generated from operating activities of £131.8m. As at 31 December 2008, the Group balance sheet was in a net asset position of £210.7m with net cash of £94.3m.

# Remuneration

REPORT

### Scope and membership of Remuneration Committee

The Remuneration Committee, which meets not less than three times a year, comprises the independent Non-Executive Directors. The Chief Executive attends the meetings as required, except when his own remuneration is under consideration. The purpose of the Remuneration Committee is to review, on behalf of the Board, the remuneration policy for the Chairman, Executive Directors and other senior executives and to determine the level of remuneration, incentives and other benefits, compensation payments and the terms of employment of the Executive Directors and other senior executives. It seeks to provide a remuneration package that aligns strongly the interests of Executive Directors with that of the shareholders.

The Committee has continued to review the remuneration of the Executive Directors with regard to the need to maintain a balance between the constituent elements of salary, annual bonus and long-term incentives and other benefits. It receives advice from independent remuneration consultants, Hewitt New Bridge Street, and makes comparisons with similar organisations. No Directors, other than the members of the Remuneration Committee, provided material advice to the Committee on Directors' remuneration.

### Remuneration policy

The objective of the Group's remuneration policy is to attract and retain management with the appropriate professional, managerial and operational expertise necessary to realise the Group's strategic objectives as well as to establish a framework for remunerating all employees.

It is the Company's policy that all Executive Directors' service contracts contain a 12 month notice period. The Non-Executive Directors do not have service contracts with the Company. They are appointed for an initial three year term and thereafter may be reappointed for a further two terms of three years, subject to re-election at Annual General Meetings. Additional details of service contracts are shown on pages 46 and 47.

The remuneration of the Non-Executive Directors is determined by the Board. The Non-Executive Directors do not receive any other benefits, other than out-of pocket expenses, from the Group, nor do they participate in any of the bonus or share schemes.

The remuneration agreed by the Committee for the Executive Directors contains the following elements: a base salary and benefits, an annual bonus, share plan awards and pension benefits.

The following sections provide details of the Company's remuneration policy during 2008 and key changes to the policy for 2009.

### Base salary and benefits

The Committee establishes salaries and benefits by reference to those prevailing in the employment market generally for Executive Directors of companies of comparable status and market value, taking into account the range of incentives described elsewhere in this report, including a performance bonus. Reviews of such base salary and benefits are conducted annually by the Committee. No increases to base salary and benefits have been awarded for 2009.

### Annual bonus plan

Annual bonuses for the Executive Directors are based on the division of a pool of profits earned during the financial year. In 2008, the bonus pool for Executive Directors was equal to 3.85% (2007: 3.85%) of profits earned above a threshold equal to half of targeted profits for the year. If profits exceed 1.1 times (2007: 1.1 times) the targeted level, then an additional 1.3% (2007:1.3%) of profits earned above the targeted level is added to the bonus pool. As profit in 2008 was below the targeted profits, no addition was made to the bonus pool. The structure of the Annual Bonus

Plan, together with the level of targeted profits for 2008, has resulted in a 41% reduction in the annual bonus pool for Executive Directors, compared to a 5% reduction in profit before tax.

Profits are defined as Group profit before taxation, exceptional items and before the Executive Directors' annual bonus charges and charges or credits resulting from the Incentive Share Plan described below or other share option grants.

The bonus pool calculation is not entirely formulaic as the Committee has the ability to vary the pool both up and down, by up to 10%, to reflect its view of the performance of the Company relative to its directly comparable peers. Reflecting the strong performance of the business, principally compared to the peer group, in the year, the Committee increased the 2008 bonus pool by 10%.

The targeted level of profits for 2008 was £186.0m (2007: £137.7m) and was set at the beginning of 2008 by reference to market expectations and internal forecasts at that time. The Committee retains the discretion to review this arrangement and set different rates and thresholds as it deems appropriate for the business.

Due to the highly uncertain economic environment, limited earnings visibility and the wide range of market estimates of earnings, the Committee agreed that setting a target for 2009 would have risked over or under rewarding management for the performance of the business in the year. Instead, the Remuneration Committee intends to review the Group's performance throughout 2009 and determine the level of bonus, applying principles consistent with prior years' bonuses, by reference to internal and external expectations and the performance of peer group comparator companies.

Unlike all other employees who receive their annual bonuses in cash, the Executive Directors' annual bonus entitlement is restricted to 1 times (2007: 1 times) salary. In the event that the Executive Director's annual bonus entitlement is greater than 100% of salary, only an amount equal to 100% of the executive's salary is paid in cash. To reward service over a longer period, any excess bonus pool above 100% of the individual's salary level is deferred, paid into an employee benefit trust and invested in the Company's shares with no matching investment by the Company. Based on the 2008 results, the aggregate amount deferred for the three Executive Directors is £1.4m (2007: £3.0m).

Such shares are reserved for the executive and vest in equal annual tranches over two years, normally so long as the executive is still in employment at that time.

The Income Statement for the year carries a charge for the Directors' annual bonus paid in cash while the deferred amount is charged in subsequent years until the shares vest.

In reviewing the remuneration of Executive Directors, the Remuneration Committee concluded that while total remuneration, being heavily geared to performance, was appropriate, the balance between the cash and equity components needed to be adjusted. Accordingly, in the future the maximum cash element of the annual bonus pool will be 1.5 times salary.

**Incentive Share Plan for Executive Directors and Senior Employees**

In December 2003, shareholders approved a new Incentive Share Plan for Executive Directors and senior employees. The current level of award is 6% (2007: 6%) of Group profits. Not more than 30% of this figure is available for awards to the Executive Directors, with the balance available for awards to senior employees. Group profits are defined as Group profit before taxation and before exceptional items and charges or credits resulting from the plan or other share option grants, as described below. These awards are satisfied in shares of the Company which are purchased and held by the employee benefit trust.

The Committee retains the discretion to review the proportion of profits dedicated to the Incentive Share Plan in the light of the growth in the size of the Company, its profitability and the number of Executive Directors.

Two thirds of these shares (“Deferred Share Awards”) are subject to a three-year deferral period during which they will be forfeited if the relevant director or senior employee leaves, other than in “compassionate circumstances”. The remaining third (“performance Share Awards”) has also been deferred for three years but is subject to earnings per share (“EPS”) growth targets over the three year period.

Based on the 2008 results, the total award available was £8,651,820. Of this, £2,595,546 (30%) was allocated to the Executive Directors. Awards totalling £5,855,000 will be made to senior employees. Details of the awards made in 2008 to the Executive Directors are disclosed on pages 44 and 45.

Performance share awards of up to 50% of a Director’s or senior employee’s salary only vest if EPS grows by an average of 5% over the growth in UK RPI per annum over the three year period. Any excess between 50% and 75% of salary only vests to the extent that EPS grows by 7.5% over the growth in UK RPI per annum over the three year period. Finally, to the extent that the performance share award is greater than 75% of an executive’s salary, the hurdle is 10% over the growth in UK RPI per annum over the three-year period. If awards do not vest after three years, they automatically lapse.

While the Remuneration Committee believes these are the most appropriate measures of the underlying performance of the Group, recognising that recruitment is a cyclical industry, the Remuneration Committee has reviewed the Incentive Share Plan with regards to the Company’s current operations and prospects. Given the highly uncertain outlook, the Remuneration Committee concluded that performance shares awarded in March 2009 would continue to be subject to existing EPS growth targets, except they would be four year awards and use EPS in 2009 as the base from which growth will be measured.

**Executive Share Option Scheme**

The Executive Directors and senior employees are eligible to participate in the Executive Share Option Scheme. No payment is required on the grant of an option and no share options are granted at a discount. Benefits received under the Executive Share Option Scheme are not pensionable. Share options can only be exercised on the achievement of performance criteria which are disclosed in Note 18 of the Financial Statements. Retesting after the initial vesting period is not permitted for any grants awarded in 2004 and subsequent years. No options were granted to Executive Directors in the year.

## Emoluments

The aggregate emoluments, excluding pensions, of the Directors of the Company who served during the year were as follows:

| 2008 | Salary and fees £'000 | Benefits (Note 2) £'000 | Annual Bonus £'000 | Deferred Annual Bonus £'000 | Incentive Share Plan (Note 4) £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Executive** | | | | | | |
| Steve Ingham (Note 1) | 371 | 23 | 371 | 537 | 681 | 1,983 |
| Charles-Henri Dumon | 283 | 40 | 283 | 427 | 681 | 1,714 |
| Stephen Puckett | 283 | 22 | 283 | 427 | 681 | 1,696 |
| **Non-Executive** | | | | | | |
| Sir Adrian Montague CBE | 110 | – | – | – | – | 110 |
| Stephen Box | 45 | – | – | – | – | 45 |
| Ruby McGregor-Smith | 45 | – | – | – | – | 45 |
| Dr Tim Miller | 43 | – | – | – | – | 43 |
| Hubert Reid | 43 | – | – | – | – | 43 |
| Total | 1,223 | 85 | 937 | 1,391 | 2,043 | 5,679 |

| 2007 | Salary and fees £'000 | Benefits (Note 2) £'000 | Annual Bonus £'000 | Deferred Annual Bonus £'000 | Incentive Share Plan (Note 3) £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Executive** | | | | | | |
| Steve Ingham (Note 1) | 360 | 22 | 360 | 1,173 | 673 | 2,588 |
| Charles-Henri Dumon | 275 | 139 | 275 | 924 | 673 | 2,286 |
| Stephen Puckett | 275 | 22 | 275 | 924 | 673 | 2,169 |
| **Non-Executive** | | | | | | |
| Sir Adrian Montague CBE | 101 | – | – | – | – | 101 |
| Stephen Box | 45 | – | – | – | – | 45 |
| Ruby McGregor-Smith (appointed 23 May 2007) | 26 | – | – | – | – | 26 |
| Dr Tim Miller | 41 | – | – | – | – | 41 |
| Hubert Reid | 40 | – | – | – | – | 40 |
| Total | 1,163 | 183 | 910 | 3,021 | 2,019 | 7,296 |

Notes to the emoluments:

1. Steve Ingham is the highest paid director.
2. Benefits include, inter alia, items such as company car or cash alternative, fuel, cash in lieu of pension contributions, and medical insurance. In 2007, an element of Charles-Henri Dumon's benefits also included housing and relocation costs.
3. Represents the non-performance proportion of the Incentive Share Plan awarded in March 2008 and the performance vesting proportion of the March 2004 award.
4. Represents the non-performance proportion of the Incentive Share Plan to be awarded in March 2009 and the performance vesting proportion of the March 2005 award.

### Pension benefits

Executive Directors are eligible to participate in the Group pension plan which is a defined contribution scheme. Each Executive Director receives 20% of their base salary or a cash alternative.

| Pension contributions | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Steve Ingham | 74 | 72 |
| Charles-Henri Dumon (note 1) | 77 | 38 |
| Stephen Puckett | 57 | 55 |

1. Charles-Henri Dumon's pension benefits are distorted across 2007 and 2008 due to a transition of local pension plan arrangements in early 2008 and local currency movements.

### Directors' interests and share ownership requirements

Executive Directors are required to build and hold, as a minimum, a direct beneficial interest in the Company's ordinary shares equal to their respective base salary. As at 31 December 2008, all Executive Directors complied with this requirement.

The beneficial interests of the Directors who served during the year and their families in the ordinary shares of the Company of 1p each are shown below. For the Directors in office at the balance sheet date there has been no change in these interests from 31 December 2008 to 4 March 2009.

| | Ordinary shares of 1p | At 1 January 2008 | Acquired in year | Transferred in year | Disposal in year | At 31 December 2008 |
|---|---|---|---|---|---|---|
| Steve Ingham | Direct Holding | 1,170,000 | – | 135,199 | – | 1,305,199 |
| Charles-Henri Dumon | Direct Holding | 1,202,997 | – | – | – | 1,202,997 |
| Stephen Puckett | Direct Holding | 373,526 | – | 128,674 | – | 502,200 |
| Stephen Box ‡ | Direct Holding | 15,000 | – | – | – | 15,000 |

‡ Non-Executive Director

1. Steve Ingham transferred 54,663 shares from the Incentive Share Plan and 80,536 from the Deferred Annual Bonus to his Direct Holding in the year.
2. Stephen Puckett transferred 54,663 shares from the Incentive Share Plan and 74,011 from the Deferred Annual Bonus to his Direct Holding in the year.

No other Director has a holding in the Company.

### Incentive Share Plan

Details of awards made under the Incentive Share Plan that remain outstanding at 31 December 2008 are as follows:

| | Total award at 1 January 2008 | | | Awarded during the year | | | Vested in year | Total award at 31 December 2008 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Performance shares | Non-performance shares | Total shares | Performance shares | Non-performance shares | Total shares | | Performance shares | Non-performance shares | Total shares |
| Steve Ingham | 109,833 | 219,666 | 329,499 | 107,562 | 215,122 | 322,684 | (92,746) | 186,480 | 372,957 | 559,437 |
| Charles-Henri Dumon (Note 4) | 109,833 | 219,666 | 329,499 | 107,562 | 215,122 | 322,684 | (92,746) | 186,480 | 372,957 | 559,437 |
| Stephen Puckett | 109,833 | 219,666 | 329,499 | 107,562 | 215,122 | 322,684 | (92,746) | 186,480 | 372,957 | 559,437 |

1. The value of the award made under the Michael Page Incentive Share Plan in 2008 is £919,650 for each individual Director and is based on the purchase price of the Company's ordinary shares on 6 March 2008 of 285.0p. The market value of the shares vested in the year at the date of award was 309.9p.

2. The total value of awards at 31 December 2008 for each individual Director in office at the balance sheet date is £1,201,391 and is calculated using the closing market price of the Company's ordinary shares at 31 December 2008 of 214.75p.

3. For awards made in 2008, the base EPS for the performance criteria is 30.4p (2007: 21.3p).

4. Charles-Henri Dumon was granted deferred share options to acquire 215,122 ordinary shares and performance share options to acquire 107,562 ordinary shares under the Michael Page Incentive Share Plan. These options have a nil exercise price and do not accrue dividends. These are granted in lieu of deferred shares.

5. The non-performance shares to be awarded in 2009 have been included in the Table of Emoluments on page 43.

### Deferred Annual Bonus

As described on page 41, in the event that the Executive Directors' bonus entitlement is greater than 100% of salary, the excess above the individual's salary is deferred, invested in the Company's shares and delivered to the individual in two equal tranches on the first two anniversaries of the grant. In 2008, a total of £1.4m will be awarded to the Executive Directors, representing this excess, and has been included in the emoluments table for the year as shown on page 43. There has been no charge made to the income statement in the year for the deferred element of the Annual Bonus Plan. The charge for the year will be spread over future periods as described in the accounting policies in Note 1 on page 60. For full descriptions of the performance and vesting conditions, see "Annual Bonus Plan" on pages 40 and 41.

Details of awards made under the deferred Annual Bonus Plan that remain outstanding at 31 December 2008 are as follows:

| | Total award at 1 January 2008 (shares) | Awarded during the year (shares) | Vested in year (shares) | Total award at 31 December 2008 (shares) |
|---|---|---|---|---|
| Steve Ingham | 254,816 | 411,694 | (136,645) | 529,865 |
| Charles-Henri Dumon | 229,984 | 324,360 | (125,201) | 429,143 |
| Stephen Puckett | 232,186 | 324,360 | (125,573) | 430,973 |

The average market value of the shares vested in the year at the date of award was 277.0p.

### Beneficial interests

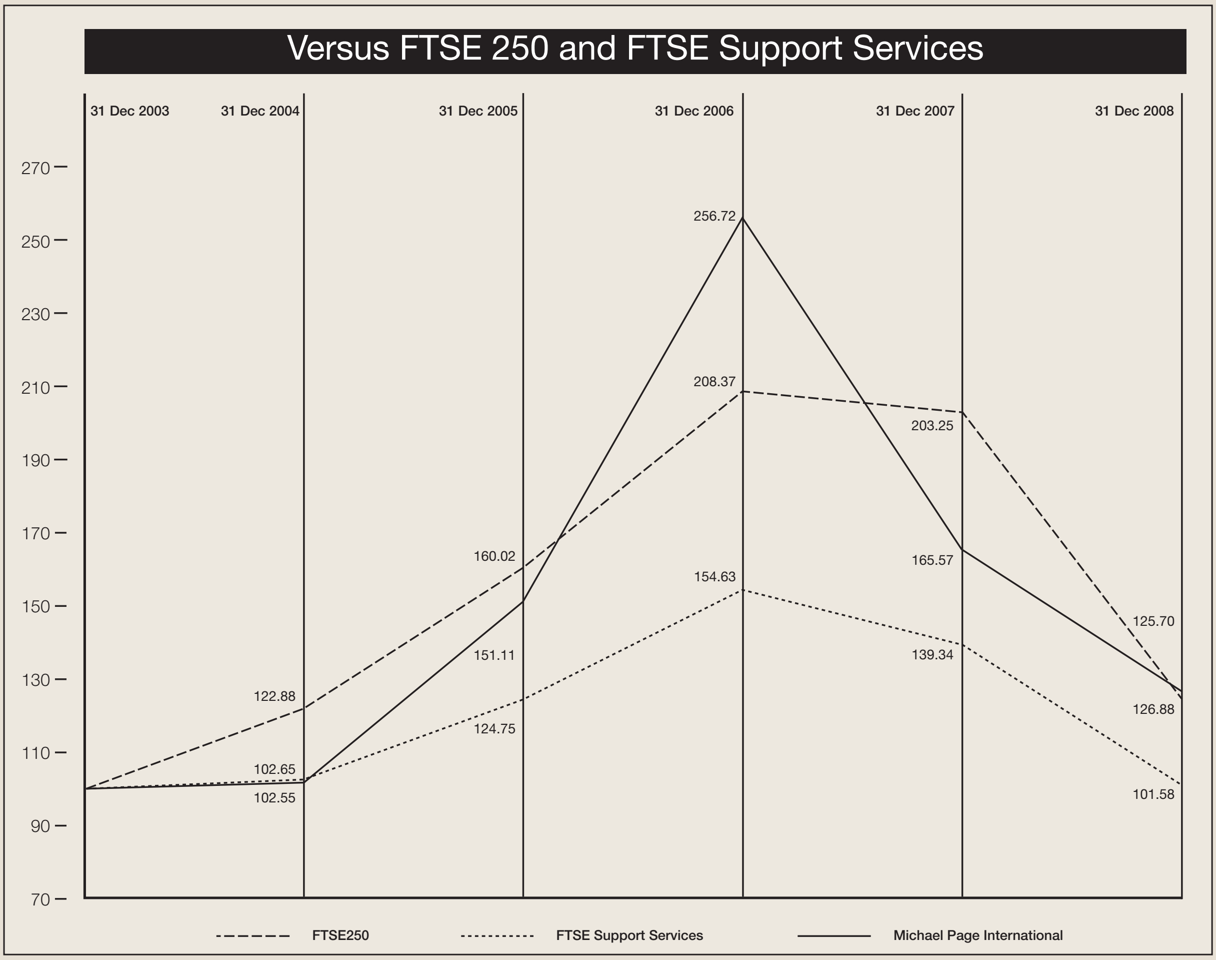
The beneficial interests of the Executive Directors who served during the year and their families in share options of the Michael Page International plc Executive Share Option Scheme at 31 December 2008 were as follows:

| | Date of Grant | At 1 January 2008 (shares) | Exercised in year (shares) | At 31 December 2008 (shares) | Market price at date of exercise (pence) | Gains made on exercise (pounds) | Exercise price (pence) | Period of exercise |
|---|---|---|---|---|---|---|---|---|
| **Steve Ingham** | 2001 | 93,471 | – | 93,471 | – | – | 175 | 2004-2011 |
| | 2005 | 50,000 | – | 50,000 | – | – | 190.75 | 2008-2015 |
| **Charles-Henri Dumon** | 2001 | 140,209 | – | 140,209 | – | – | 175 | 2004-2011 |
| | 2005 | 50,000 | – | 50,000 | – | – | 190.75 | 2008-2015 |
| **Stephen Puckett** | 2001 | 93,471 | – | 93,471 | – | – | 175 | 2004-2011 |
| | 2005 | 50,000 | – | 50,000 | – | – | 190.75 | 2008-2015 |

The market price of the shares at 31 December 2008 was 214.8p with a range during the year of 165.5p to 373.5p

## Total Shareholder Return (TSR)

The graph below shows Total Shareholder Return (TSR) for the Group and the FTSE Support Services index which, as it is the sector in which the Company operates, is considered the most appropriate comparator index in the absence of a more directly representative recognised index. A comparison with the FTSE 250 index is also given.




## Outside appointments

The Remuneration Committee recognises that Non-Executive Directorships have significant benefit in broadening executives' experience. Subject to review in each case, the Remuneration Committee's general policy is that Executive Directors may accept Non-Executive Directorships with other companies, so long as there is no conflict of interest and their effectiveness is not impaired. The executives are permitted to retain any fees for their service.

## Service contracts

All Executive Directors' service contracts contain a twelve month notice period. The service contracts also contain restrictive covenants preventing the Directors from competing with the Group for six months following the termination of employment and preventing the Directors from soliciting key employees, clients and candidates of the employing company and Group companies for twelve months following termination of employment. On termination, any compensation payments due to a Director are calculated in accordance with normal legal principles, including mitigation, as appropriate.

| | Contract date | Unexpired term at 31 December 2008 | Notice period | Provision for compensation on early termination | Other termination provisions |
|---|---|---|---|---|---|
| **Executive** | | | | | |
| Steve Ingham | 05/03/01 | no specific term | 12 months | 12 months salary plus other contractual benefits | None |
| Charles-Henri Dumon | 13/06/03 | no specific term | 12 months | 12 months salary plus other contractual benefits | None |
| Stephen Puckett | 05/03/01 | no specific term | 12 months | 12 months salary plus other contractual benefits | None |
| **Non-Executive** | | | | | |
| Sir Adrian Montague CBE | 27/02/07 | 14 months | None | None | None |
| Stephen Box | 27/02/07 | 14 months | None | None | None |
| Ruby McGregor-Smith | 23/05/07 | 17 months | None | None | None |
| Dr Tim Miller | 13/08/08 | 32 months | None | None | None |
| Hubert Reid | 25/02/06 | 2 months | None | None | None |

### Annual resolution

Shareholders will be given the opportunity to approve the Remuneration Report at the Annual General Meeting (resolution 5) on 22 May 2009.

### Audit requirement

Within the Remuneration Report, the sections on Emoluments, and Directors' interests and share ownership requirements, on pages 43 to 45 inclusive, are audited. All other sections of the Remuneration Report are unaudited.

**Dr Tim Miller**

Chairman – Remuneration Committee
5 March 2009

# Auditors'

## REPORT

### Independent Auditors' Report to the Members of Michael Page International plc

We have audited the group and parent company financial statements (the "financial statements") of Michael Page International plc for the year ended 31 December 2008 which comprise Consolidated Income Statement, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements and the related notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

**Opinion**

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2008;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte.

**Deloitte LLP**

Chartered Accountants and
Registered Auditors, London, United Kingdom
5 March 2009

# Financial
STATEMENTS

# Consolidated Income Statement

YEAR ENDED 31 DECEMBER 2008

| | Note | 2008 £'000 | 2007 £'000 |
|---|---|---|---|
| **Revenue** | 2 | **972,782** | 831,640 |
| Cost of sales | | **(420,080)** | (353,546) |
| **Gross profit** | 2 | **552,702** | 478,094 |
| Administrative expenses | | **(412,201)** | (328,662) |
| **Operating profit** | 2 | **140,501** | 149,432 |
| Financial income | 5 | **3,878** | 1,189 |
| Financial expenses | 5 | **(4,323)** | (3,180) |
| **Profit before tax** | | **140,056** | 147,441 |
| Income tax expense | 6 | **(42,717)** | (45,707) |
| **Profit for the year** | 3 | **97,339** | 101,734 |
| **Attributable to:** | | | |
| Equity holders of the parent | | **97,339** | 101,734 |
| **Earnings per share** | | | |
| Basic earnings per share (pence) | 9 | **30.3** | 31.1 |
| Diluted earnings per share (pence) | 9 | **29.9** | 30.6 |

The above results relate to continuing operations.

# Consolidated Statement of Changes in Equity

AT 31 DECEMBER 2008

| Group | Note | Called-up share capital £'000 | Share premium £'000 | Capital redemption reserve £'000 | Reserve for shares held in the employee benefit trust £'000 | Currency translation reserve £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2007** | | 3,332 | 37,952 | 656 | (8,901) | (2,812) | 50,164 | 80,391 |
| Currency translation differences | | – | – | – | – | 8,127 | – | 8,127 |
| Net income recognised directly in equity | | – | – | – | – | 8,127 | – | 8,127 |
| Profit for the year | | – | – | – | – | – | 101,734 | 101,734 |
| **Total recognised income for the year** | | **–** | **–** | **–** | **–** | **8,127** | **101,734** | **109,861** |
| Purchase of own shares for cancellation | | (115) | – | 115 | – | – | (59,885) | (59,885) |
| Purchase of shares held in the employee benefit trust | | – | – | – | (15,000) | – | – | (15,000) |
| Issue of share capital | | 57 | 8,683 | – | – | – | – | 8,740 |
| Transfer to reserve for shares held in the employee benefit trust | | – | – | – | 1,161 | – | (1,161) | – |
| Credit in respect of share schemes | | – | – | – | – | – | 5,528 | 5,528 |
| Dividends | 8 | – | – | – | – | – | (21,785) | (21,785) |
| | | (58) | 8,683 | 115 | (13,839) | – | (77,303) | (82,402) |
| **Balance at 31 December 2007** | | **3,274** | **46,635** | **771** | **(22,740)** | **5,315** | **74,595** | **107,850** |

| Group | Note | Called-up share capital £'000 | Share premium £'000 | Capital redemption reserve £'000 | Reserve for shares held in the employee benefit trust £'000 | Currency translation reserve £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2008** | | **3,274** | **46,635** | **771** | **(22,740)** | **5,315** | **74,595** | **107,850** |
| Currency translation differences | | – | – | – | – | 40,064 | – | 40,064 |
| Net income recognised directly in equity | | – | – | – | – | 40,064 | – | 40,064 |
| Profit for the year | | – | – | – | – | – | 97,339 | 97,339 |
| **Total recognised income for the year** | | **–** | **–** | **–** | **–** | **40,064** | **97,339** | **137,403** |
| Purchase of own shares for cancellation | | (67) | – | 67 | – | – | (15,985) | (15,985) |
| Purchase of shares held in the employee benefit trust | | – | – | – | (854) | – | – | (854) |
| Issue of share capital | | 13 | 2,221 | – | – | – | – | 2,234 |
| Transfer to reserve for shares held in the employee benefit trust | | – | – | – | 2,516 | – | (2,516) | – |
| Credit in respect of share schemes | | – | – | – | – | – | 7,279 | 7,279 |
| Dividends | 8 | – | – | – | – | – | (27,263) | (27,263) |
| | | (54) | 2,221 | 67 | 1,662 | – | (38,485) | (34,589) |
| **Balance at 31 December 2008** | | **3,220** | **48,856** | **838** | **(21,078)** | **45,379** | **133,449** | **210,664** |

# Statement of Changes in Equity – Parent Company

AT 31 DECEMBER 2008

| Company | Note | Called-up share capital £'000 | Share premium £'000 | Capital redemption reserve £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2007** | | 3,332 | 37,952 | 656 | 154,913 | 196,853 |
| Profit for the year | | – | – | – | 1,565 | 1, 565 |
| **Total recognised income for the year** | | **–** | **–** | **–** | **1,565** | **1, 565** |
| Purchase of own shares for cancellation | | (115) | – | 115 | (59,885) | (59,885) |
| Issue of share capital | | 57 | 8,683 | – | – | 8,740 |
| Dividends | 8 | – | – | – | (21,785) | (21,785) |
| | | (58) | 8,683 | 115 | (81,670) | (72,930) |
| **Balance at 31 December 2007** | | **3,274** | **46,635** | **771** | **74,808** | **125,488** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2008** | | **3,274** | **46,635** | **771** | **74,808** | **125,488** |
| Profit for the year | | – | - | - | 320,091 | 320,091 |
| **Total recognised income for the year** | | **-** | **-** | **-** | **320,091** | **320,091** |
| Purchase of own shares for cancellation | | (67) | – | 67 | (15,985) | (15,985) |
| Issue of share capital | | 13 | 2,221 | – | – | 2,234 |
| Dividends | 8 | - | – | – | (27,263) | (27,263) |
| | | (54) | 2,221 | 67 | (43,248) | (41,014) |
| **Balance at 31 December 2008** | | **3,220** | **48,856** | **838** | **351,651** | **404,565** |

# Balance Sheets

AT 31 DECEMBER 2008

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2008 £'000 | 2007 £'000 | 2008 £'000 | 2007 £'000 |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 10 | **39,097** | 27,149 | **–** | – |
| Intangible assets | 11 | **13,855** | 4,296 | **–** | – |
| Investments | 12 | **–** | – | **424,649** | 426,028 |
| Deferred tax assets | 17 | **6,496** | 4,998 | **–** | – |
| Other receivables | 13 | **1,955** | 2,301 | **–** | – |
| | | **61,403** | 38,744 | **424,649** | 426,028 |
| **Current assets** | | | | | |
| Trade and other receivables | 13 | **203,813** | 192,810 | **381,812** | 73,562 |
| Current tax receivable | 7 | **5,358** | – | **1,306** | 1,333 |
| Cash and cash equivalents | 21 | **156,980** | 82,990 | **–** | – |
| | | **366,151** | 275,800 | **383,118** | 74,895 |
| **Total assets** | 2 | **427,554** | 314,544 | **807,767** | 500,923 |
| **Non-current liabilities** | | | | | |
| Other payables | 14 | **(1,337)** | (680) | **–** | – |
| Deferred tax liabilities | 17 | **(897)** | (17) | **–** | – |
| | | **(2,234)** | (697) | **–** | – |
| **Current liabilities** | | | | | |
| Trade and other payables | 14 | **(137,021)** | (115,405) | **(340,505)** | (302,702) |
| Bank overdrafts | 15 | **(62,697)** | (47,433) | **(62,697)** | (47,433) |
| Bank loans | 15 | **–** | (25,300) | **–** | (25,300) |
| Current tax payable | 7 | **(14,938)** | (17,859) | **–** | – |
| | | **(214,656)** | (205,997) | **(403,202)** | (375,435) |
| **Total liabilities** | 2 | **(216,890)** | (206,694) | **(403,202)** | (375,435) |
| **Net assets** | | **210,664** | 107,850 | **404,565** | 125,488 |
| **Capital and reserves** | | | | | |
| Called-up share capital | 18 | **3,220** | 3,274 | **3,220** | 3,274 |
| Share premium | 19 | **48,856** | 46,635 | **48,856** | 46,635 |
| Capital redemption reserve | 19 | **838** | 771 | **838** | 771 |
| Reserve for shares held in the employee benefit trust | 19 | **(21,078)** | (22,740) | **–** | – |
| Currency translation reserve | 19 | **45,379** | 5,315 | **–** | – |
| Retained earnings | | **133,449** | 74,595 | **351,651** | 74,808 |
| **Total equity** | | **210,664** | 107,850 | **404,565** | 125,488 |

These financial statements were approved by the Board of Directors and authorised for issue on 5 March 2009.

On behalf of the Board of Directors.

**S Ingham**
Chief Executive

**S R Puckett**
Group Finance Director

# Cash Flow Statements

FOR THE YEAR ENDED 31 DECEMBER 2008

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2008 | 2007 | 2008 | 2007 |
| | Note | £'000 | £'000 | £'000 | £'000 |
| **Cash generated from operations** | 20 | **185,206** | 148,663 | **55,281** | 41,744 |
| Income tax (paid)/received | | **(53,409)** | (36,519) | **28** | – |
| **Net cash from operating activities** | | **131,797** | 112,144 | **55,309** | 41,744 |
| **Cash flows from investing activities** | | | | | |
| Purchases of property, plant and equipment | | **(17,173)** | (11,927) | **–** | – |
| Purchases of computer software | | **(10,260)** | (1,579) | **–** | – |
| Proceeds from the sale of property, plant and equipment, and computer software | | **1,009** | 743 | **–** | – |
| Interest received | | **3,878** | 1,189 | **297** | – |
| **Net cash (used in)/received from investing activities** | | **(22,546)** | (11,574) | **297** | – |
| **Cash flows from financing activities** | | | | | |
| Dividends paid | | **(27,263)** | (21,785) | **(27,263)** | (21,785) |
| Interest paid | | **(4,782)** | (2,741) | **(4,556)** | (2,397) |
| Proceeds from bank loan | | **–** | 25,300 | **–** | 25,300 |
| Repayment of bank loan | | **(25,300)** | (39,150) | **(25,300)** | (39,150) |
| Issue of own shares for the exercise of options | | **2,234** | 8,740 | **2,234** | 8,740 |
| Purchase of own shares for cancellation | | **(15,985)** | (59,885) | **(15,985)** | (59,885) |
| Purchase of shares held in the employee benefit trust | | **(854)** | (15,000) | **–** | – |
| **Net cash used in financing activities** | | **(71,950)** | (104,521) | **(70,870)** | (89,177) |
| **Net increase/(decrease) in cash and cash equivalents** | | **37,301** | (3,951) | **(15,264)** | (47,433) |
| **Cash and cash equivalents at the beginning of the year** | | **35,557** | 35,544 | **(47,433)** | – |
| Exchange gains on cash and cash equivalents | | **21,425** | 3,964 | **–** | – |
| **Cash and cash equivalents at the end of the year** | 21 | **94,283** | 35,557 | **(62,697)** | (47,433) |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2008

## 1. Significant accounting policies

### Statement of compliance

The financial statements have been prepared under the historical cost convention and in accordance with current International Financial Reporting Standards (IFRS). The financial statements have been prepared in accordance with IFRS adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation.

### Basis of preparation

The financial statements of Michael Page International plc consolidate the results of the Company and all its subsidiary undertakings. As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the Company has not been included as part of these financial statements. The Company's profit for the financial year amounted to £320.1m (2007: £1.6m). The increase in the Company's profit this year is as a result of increased dividend income. The financial statements have been prepared on a going concern basis. Refer to page 39 for further details.

### Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iii) Employee Benefit Trust

In accordance with UITF 38, Accounting for Employee Share Ownership Plan (ESOP) Trusts, shares in Michael Page International plc held by the trust are shown as a reduction in shareholder's funds. Other assets and liabilities held by the trust are consolidated with the assets of the Group.

The policies, set out below, have been consistently applied to all the periods presented.

### New standards and interpretations

At the date of authorisation of these financial statements, the following Standards and Interpretations impacting the Group which have not been applied in these financial statements were in issue but not yet effective:

| | |
|---|---|
| IFRS 2 Revised | Share Based Payments |
| IFRS 5 Revised | Non Current Assets Held for sale and Discontinued Operations |
| IFRS 8 | Operating Segments |
| IAS 1 Revised | Presentation of Financial Statements |
| IAS 16 Revised | Property, Plant and Equipment |
| IAS 19 Revised | Employee Benefits |
| IAS 27 Revised | Consolidated and Separate Financial Statements |
| IAS 32 Revised | Financial Instruments: Presentation |
| IAS 36 Revised | Impairment of Assets |
| IFRIC 16 | Hedges of a Net Investment in a Foreign Operation |

## 1. Significant accounting policies (continued)

### New standards and interpretations (continued)

The Directors anticipate that the adoption of the above Standards and Interpretations in future periods will have little or no impact on the financial statements of the Group when the relevant Standards come into effect for periods commencing on or after 1 January 2009.

### a) Revenue and income recognition

Revenue, which excludes value added tax ("VAT"), constitutes the value of services undertaken by the Group as its principal activities, which are recruitment consultancy and other ancillary services. These consist of:

- revenue from temporary placements, which represents amounts billed for the services of temporary staff including the salary cost of these staff. This is recognised when the service has been provided;
- revenue from permanent placements is based on a percentage of the candidate's remuneration package and is derived from both retained assignments (income recognised on completion of defined stages of work) and non-retained assignments (income recognised at the date an offer is accepted by a candidate and where a start date has been determined). The latter includes revenue anticipated, but not invoiced, at the balance sheet date, which is correspondingly accrued on the balance sheet within prepayments and accrued income. A provision is made against accrued income for possible cancellations of placements prior to, or shortly after, the commencement of employment; and
- revenue from amounts billed to clients for expenses incurred on their behalf (principally advertisements) is recognised when the expense is incurred.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

### b) Cost of sales

Cost of sales consists of the salary cost of temporary staff and costs incurred on behalf of clients, principally advertising costs.

### c) Gross profit

Gross profit represents revenue less cost of sales and consists of the total placement fees of permanent candidates, the margin earned on the placement of temporary candidates and the margin on advertising income.

### d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in sterling, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the respective functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity.

## 1. Significant accounting policies (continued)

### e) Intangible assets

#### (i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on the acquisition of subsidiaries is included in intangible assets.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment (see accounting policy h). Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

#### (ii) Computer software

Computer software acquired by the Group is stated at cost less accumulated amortisation (see below).

#### (iii) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill has an indefinite useful life. Computer software is amortised at 20% per annum.

The cumulative amount of goodwill written off directly to retained earnings in respect of acquisitions prior to 31 December 1997 is £311.7m (2007: £311.7m).

### f) Property, plant and equipment

Property, plant and equipment are stated at original cost less accumulated depreciation. Depreciation is calculated to write off the cost less estimated residual value of each asset evenly over its expected useful life at the following rates:

- Leasehold improvements — 10% per annum or period of lease if shorter
- Furniture, fixtures and equipment — 10-20% per annum
- Motor vehicles — 25% per annum

### g) Investments

Fixed asset investments are stated at cost less provision for impairment.

### h) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events has had a negative effect on the estimated future cash flows of that asset. For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the income statement.

## 1. Significant accounting policies (continued)

### i) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### j) Pension costs

The Group operates defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension costs charged to the income statement represent the contributions payable by the Group to the funds during each period.

### k) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classed as operating leases. Rentals under operating leases are charged to the income statement on a straight-line basis over the term of the lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

### l) Segment reporting

The consolidated entity operates in one business segment being that of recruitment services (primary segment). As a result no additional business segment information is required to be provided. The consolidated entity operates in four geographic segments (secondary segment), EMEA, the United Kingdom, Asia Pacific and the Americas.

## 1. Significant accounting policies (continued)

### m) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

### n) Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans. Their accounting treatments are described below:

#### (i) Share option schemes

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, earnings per share). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the estimate of the number of options that are expected to become exercisable is revised. The Group recognises the impact of the revision of original estimates, if any, in the income statement, and the corresponding adjustment to equity over the remaining vesting period.

#### (ii) Deferred Annual Bonus and Long Term Incentive Plans

Where deferred awards are made to Directors and senior executives under either the Incentive Share Plan or the Annual Bonus Scheme, to reflect that the awards are for services over a longer period, the value of the expected award is charged to the income statement on a straight-line basis over the vesting period to which the award relates.

### o) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including any directly attributable costs, is recognised as a change in equity.

### p) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

### q) Borrowing costs

All borrowing costs are accrued in the income statement on a time basis.

### r) Financial assets and liabilities

Financial assets and liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Cash and cash equivalents includes cash-in-hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Trade and other payables are stated at cost. Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

The Group have derivative contracts at the balance sheet date that have been valued at fair value through the income statement

### 1. Significant accounting policies (continued)

### s) Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and judgements. It also requires management to exercise judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management anticipate that any estimates and judgements made do not have a material effect on the results.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 1 – revenue recognition
- Note 17 – utilisation of tax losses
- Note 18 – measurement of share-based payments

### 2. Segment reporting

The consolidated entity operates in one business segment, being that of recruitment services, and this is the Group's primary segment. As a result, no additional business segment information is required to be provided. The Group's secondary segment is geography. The segment results by geography are shown below:

#### (a) Revenue, gross profit and operating profit by geographic region

| | | Revenue | | Gross Profit | | Operating Profit | |
|---|---|---|---|---|---|---|---|
| | | 2008 £'000 | 2007 £'000 | 2008 £'000 | 2007 £'000 | 2008 £'000 | 2007 £'000 |
| EMEA | | 426,436 | 321,102 | 258,772 | 196,421 | 66,271 | 63,013 |
| United Kingdom | | 365,602 | 360,395 | 176,685 | 186,024 | 46,557 | 59,412 |
| Asia Pacific | Australia and New Zealand | 83,643 | 72,020 | 40,521 | 32,855 | 12,760 | 9,899 |
| | Other | 27,800 | 25,741 | 26,254 | 24,366 | 9,591 | 10,922 |
| | Total | 111,443 | 97,761 | 66,775 | 57,221 | 22,351 | 20,821 |
| Americas | | 69,301 | 52,382 | 50,470 | 38,428 | 5,322 | 6,186 |
| | | 972,782 | 831,640 | 552,702 | 478,094 | 140,501 | 149,432 |

The above analysis by destination is not materially different to the analysis by origin.

The analysis below is of the carrying amount of segment assets, liabilities and capital expenditure. Segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The individual geographic segments exclude income tax assets and liabilities. Capital expenditure comprises additions to property, plant and equipment, motor vehicles and computer hardware/software.

## 2. Segment reporting (continued)

### (b) Segment assets, liabilities and capital expenditure by geographic region

| | | Total Assets | | Total Liabilities | | Capital Expenditure | |
|---|---|---|---|---|---|---|---|
| | | 2008 £'000 | 2007 £'000 | 2008 £'000 | 2007 £'000 | 2008 £'000 | 2007 £'000 |
| EMEA | | 212,004 | 165,719 | 79,517 | 58,325 | 7,114 | 5,934 |
| United Kingdom | | 128,338 | 89,679 | 104,697 | 114,622 | 15,284 | 5,043 |
| Asia Pacific | Australia and New Zealand | 28,129 | 22,899 | 6,943 | 7,103 | 1,640 | 436 |
| | Other | 24,473 | 15,672 | 2,680 | 2,738 | 717 | 303 |
| | Total | 52,602 | 38,571 | 9,623 | 9,841 | 2,357 | 739 |
| Americas | | 29,252 | 20,575 | 8,115 | 6,047 | 2,678 | 1,790 |
| **Segment assets/liabilities/capital expenditure** | | 422,196 | 314,544 | 201,952 | 188,835 | 27,433 | 13,506 |
| Income tax | | 5,358 | – | 14,938 | 17,859 | | |
| | | 427,554 | 314,544 | 216,890 | 206,694 | | |

The above table is shown gross of the effect of the multi-currency notional cash pool. Were the cash pool to be shown on a net basis, this would reduce both the total liabilities in the UK and the total assets in EMEA by £62.7m each. Further information on the notional cash pool is provided in Note 21 on page 75.

### (c) Revenue and gross profit by discipline

| | Revenue | | Gross Profit | |
|---|---|---|---|---|
| | 2008 £'000 | 2007 £'000 | 2008 £'000 | 2007 £'000 |
| Finance and Accounting | 541,984 | 496,506 | 273,017 | 258,667 |
| Marketing, Sales and Retail | 140,599 | 119,103 | 103,907 | 89,910 |
| Legal, Technology, HR, Secretarial and Other | 168,167 | 134,908 | 93,193 | 73,835 |
| Engineering, Property & Construction, Procurement & Supply Chain | 122,032 | 81,123 | 82,585 | 55,682 |
| | 972,782 | 831,640 | 552,702 | 478,094 |

### (d) Revenue and gross profit generated from permanent and temporary placements

| | Revenue | | Gross Profit | |
|---|---|---|---|---|
| | 2008 £'000 | 2007 £'000 | 2008 £'000 | 2007 £'000 |
| Permanent | 448,403 | 392,583 | 425,655 | 371,998 |
| Temporary | 524,379 | 439,057 | 127,047 | 106,096 |
| | 972,782 | 831,640 | 552,702 | 478,094 |

The above analyses in notes (a) operating profit by geographic region, (b) segment liabilities by geographic region, (c) revenue and gross profit by discipline (being the professions of candidates placed) and (d) revenue and gross profit generated from permanent and temporary placements have been included as additional disclosure over and above the requirements of IAS14 "Segment Reporting".

## 3. Profit for the year

| | | 2008 £'000 | 2007 £'000 |
|---|---|---|---|
| Profit for the year is stated after charging/(crediting): | | | |
| Employment costs (Note 4) | | 308,421 | 224,743 |
| Exchange gains* | | (4,766) | (240) |
| Depreciation of property, plant and equipment - owned | | 9,144 | 6,726 |
| Amortisation of computer software | | 1,173 | 934 |
| Fees payable to the company's auditors for the audit of the company's annual accounts | | 65 | 69 |
| Fees payable to the company's auditors and their associates for other services to the group: | | | |
| | - The audit of the company's subsidiaries pursuant to legislation | 459 | 477 |
| Total audit fees | | 524 | 546 |
| | - Other services pursuant to legislation | 32 | 26 |
| | - Tax services | 110 | 162 |
| | - Other services | 20 | 10 |
| Total non-audit fees | | 162 | 198 |
| Total fees | | 686 | 744 |
| Loss on disposal of property, plant and equipment, and computer software | | 596 | 91 |
| Operating lease rentals | - land and buildings | 20,198 | 16,416 |
| | - plant and machinery | 4,294 | 3,774 |

*This includes £987k (2007: £502k) of gains on foreign exchange swaps that economically hedge the fair value of loans with subsidiaries, but for which hedge accounting was not applied. This comprises a gain of £1,040k (2007: £738k), which is directly offset by foreign exchange losses on the underlying intercompany loans, with an offsetting £53k (2007: £236k) charge relating to interest differentials.

## 4. Employee information

The average number of employees (including Executive Directors) during the year and total number of employees (including Executive Directors) at 31 December 2008 were as follows:

| | 2008 Average No. | 2007 Average No. | 2008 Total No. | 2007 Total No. |
|---|---|---|---|---|
| Management | 182 | 163 | 183 | 179 |
| Client services | 3,877 | 3,153 | 3,471 | 3,658 |
| Administration | 1,303 | 1,089 | 1,289 | 1,215 |
| | 5,362 | 4,405 | 4,943 | 5,052 |

Employment costs (including Directors' emoluments) comprised:

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Wages and salaries | 259,734 | 186,873 |
| Social security costs | 33,332 | 24,096 |
| Pension costs - defined contribution plans | 8,688 | 7,017 |
| Equity settled transactions | 6,667 | 6,757 |
| | 308,421 | 224,743 |

Details of Directors' remuneration for the year are provided in the Directors' Remuneration Report on pages 40 to 47.

No staff are employed by the parent company (2007: nil) hence no remuneration has been disclosed.

## 5. Financial income/(expenses)

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| **Financial income** | | |
| Bank interest receivable | 3,878 | 1,189 |
| **Financial expenses** | | |
| Bank interest payable | (4,323) | (3,180) |

## 6. Taxation on profits on ordinary activities

The charge for taxation is based on the annual tax rate of 30.5% on profit before tax (2007: 31.0%).

### Analysis of charge in the year

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| UK income tax at 28.5% (2007: 30.0%) for year | 19,636 | 22,518 |
| Adjustments in respect of prior periods | (364) | (1,141) |
| Overseas income tax | 24,073 | 23,866 |
| | 43,345 | 45,243 |
| **Deferred tax expense** | | |
| Origination and reversal of temporary differences | 946 | (1,228) |
| Reduction in tax rate | – | (16) |
| (Benefit)/charge of tax losses recognised | (1,574) | 1,708 |
| Deferred tax (benefit)/expense | (628) | 464 |
| Total income tax expense in the income statement | 42,717 | 45,707 |

### Reconciliation of effective tax rate

| | 2008 £'000 | % | 2007 £'000 | % |
|---|---|---|---|---|
| Profit before taxation | 140,056 | | 147,441 | |
| Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK | 39,916 | 28.5 | 44,232 | 30.0 |
| Effects of: | | | | |
| Disallowable items and other permanent timing differences | 893 | 0.5 | 715 | 0.5 |
| Unrelieved overseas losses | 716 | 0.5 | 416 | 0.3 |
| Utilisation of losses not previously recognised | (146) | (0.1) | – | – |
| Recognition of further losses not previously recognised | 730 | 0.5 | – | – |
| Higher tax rates on overseas earnings | 972 | 0.8 | 1,485 | 1.0 |
| Adjustment to tax charge in respect of prior periods | (364) | (0.2) | (1,141) | (0.8) |
| Tax expense and effective rate for the year | 42,717 | 30.5 | 45,707 | 31.0 |

| **Tax recognised directly in equity** | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Relating to equity settled transactions | (611) | 833 |

## 7. Current tax assets and liabilities

The current tax asset of £5.4m (2007: £nil), and current tax liability of £14.9m (2007: £17.9m) for the Group, and current tax asset of £1.3m (2007: £1.3m) for the parent company, represent the amount of income taxes recoverable and payable in respect of current and prior periods.

## 8. Dividends

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| **Amounts recognised as distributions to equity holders in the year:** | | |
| Final dividend for the year ended 31 December 2007 of 5.6p per ordinary share (2006: 4.2p) | 17,934 | 13,979 |
| Interim dividend for the year ended 31 December 2008 of 2.88p per ordinary share (2007: 2.4p) | 9,329 | 7,806 |
| | 27,263 | 21,785 |
| **Amounts proposed as distributions to equity holders:** | | |
| Proposed final dividend for the year ended 31 December 2008 of 5.12p per ordinary share (2007: 5.6p) | 16,316 | 17,984 |

The proposed final dividend had not been approved by shareholders at 31 December 2008 and therefore has not been included as a liability. The comparative final dividend at 31 December 2007 was also not recognised as a liability in the prior year.

The proposed final dividend of 5.12p (2007: 5.6p) per ordinary share will be paid on 8 June 2009 to shareholders on the register at the close of business on 8 May 2009, subject to approval by shareholders.

When the Company pays a dividend to shareholders, there may be income tax consequences. The impact will depend upon the individual circumstances of the shareholder.

## 9. Earnings per ordinary share

The calculation of the basic and diluted earnings per share is based on the following data:

| Earnings | 2008 | 2007 |
|---|---|---|
| Earnings for basic and diluted earnings per share (£'000) | 97,339 | 101,734 |
| **Number of shares** | | |
| Weighted average number of shares used for basic earnings per share ('000) | 321,475 | 327,528 |
| Dilution effect of share plans ('000) | 4,178 | 5,353 |
| Diluted weighted average number of shares used for diluted earnings per share ('000) | 325,653 | 332,881 |
| Basic earnings per share (pence) | 30.3 | 31.1 |
| Diluted earnings per share (pence) | 29.9 | 30.6 |

The above results relate to continuing operations.

### Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Employee Benefit Trust and held in the reserve.

## 9. Earnings per ordinary share (continued)

### Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. This calculation determines the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated in the basic earnings per share is then adjusted to reflect the number of shares deemed to be issued for nil consideration as a result of the potential exercise of existing share options.

The remaining share options that are currently not dilutive and hence excluded from the dilutive earnings per share calculation remain potentially dilutive until they are either exercised or they lapse.

### Potential future ordinary share transactions

It remains the Company's intention to use surplus cash to repurchase and cancel its shares.

## 10. Property, plant and equipment

| | 2008 | | | | 2007 | | | |
|---|---|---|---|---|---|---|---|---|
| Group | Leasehold improvements £'000 | Furniture, fixtures and equipment £'000 | Motor vehicles £'000 | Total £'000 | Leasehold improvements £'000 | Furniture, fixtures and equipment £'000 | Motor vehicles £'000 | Total £'000 |
| **Cost** | | | | | | | | |
| At 1 January | 20,877 | 34,831 | 2,581 | 58,289 | 17,085 | 30,442 | 2,241 | 49,768 |
| Additions | 7,068 | 8,693 | 1,412 | 17,173 | 4,519 | 6,206 | 1,202 | 11,927 |
| Disposals | (2,890) | (4,415) | (1,037) | (8,342) | (1,520) | (3,445) | (919) | (5,884) |
| Effect of movements in foreign exchange | 4,129 | 6,786 | 152 | 11,067 | 793 | 1,628 | 57 | 2,478 |
| At 31 December | 29,184 | 45,895 | 3,108 | 78,187 | 20,877 | 34,831 | 2,581 | 58,289 |
| **Depreciation** | | | | | | | | |
| At 1 January | 9,944 | 20,272 | 924 | 31,140 | 8,614 | 18,817 | 787 | 28,218 |
| Charge for the year | 3,235 | 5,163 | 746 | 9,144 | 2,299 | 3,792 | 635 | 6,726 |
| Disposals | (2,052) | (4,147) | (589) | (6,788) | (1,329) | (3,244) | (525) | (5,098) |
| Effect of movements in foreign exchange | 1,972 | 3,535 | 87 | 5,594 | 360 | 907 | 27 | 1,294 |
| At 31 December | 13,099 | 24,823 | 1,168 | 39,090 | 9,944 | 20,272 | 924 | 31,140 |
| **Net book value** | | | | | | | | |
| At 31 December | 16,085 | 21,072 | 1,940 | 39,097 | 10,933 | 14,559 | 1,657 | 27,149 |

## 11. Intangible assets

| Group | 2008 Computer software £'000 | 2008 Goodwill £'000 | 2008 Total £'000 | 2007 Computer software £'000 | 2007 Goodwill £'000 | 2007 Total £'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 January | 7,340 | 1,539 | 8,879 | 5,931 | 1,539 | 7,470 |
| Additions | 10,260 | – | 10,260 | 1,579 | – | 1,579 |
| Disposals | (381) | – | (381) | (517) | – | (517) |
| Effect of movements in foreign exchange | 1,430 | – | 1,430 | 347 | – | 347 |
| At 31 December | 18,649 | 1,539 | 20,188 | 7,340 | 1,539 | 8,879 |
| **Amortisation** | | | | | | |
| At 1 January | 4,583 | – | 4,583 | 3,872 | – | 3,872 |
| Charge for the year | 1,173 | – | 1,173 | 934 | – | 934 |
| Disposals | (330) | – | (330) | (470) | – | (470) |
| Effect of movements in foreign exchange | 907 | – | 907 | 247 | – | 247 |
| At 31 December | 6,333 | – | 6,333 | 4,583 | – | 4,583 |
| **Net book value** | | | | | | |
| At 31 December | 12,316 | 1,539 | 13,855 | 2,757 | 1,539 | 4,296 |

### Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to the country of operation.

A summary of the goodwill allocation is presented below.

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| UK | 1,274 | 1,274 |
| USA | 214 | 214 |
| Singapore | 51 | 51 |
| | 1,539 | 1,539 |

In assessing value in use, the estimated future cash flows are calculated by preparing cash flow forecasts derived from the most recent financial budget and an assumed growth rate of 5%, which does not exceed the long-term average growth rate of the relevant markets. Management applied a discount rate of 11.1% to the estimated future cash flows to calculate the terminal value of those cash flows. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. It is the opinion of the Directors that at 31 December 2008 there was no impairment of intangible assets.

## 12. Investments

| Company | Subsidiary undertakings £'000 | Total £'000 |
|---|---|---|
| Cost | | |
| At 1 January 2008 | 426,028 | 426,028 |
| Derecognised on vesting of LTIP's and deferred bonus shares | (1,379) | (1,379) |
| **At 31 December 2008** | **424,649** | **424,649** |

The derecognition of assets represents the decrease of the parent company's holding of own shares which have vested and transferred to beneficial holders.

## 12. Investments (continued)

The Company's principal subsidiary undertakings at 31 December 2008, their principal activities and countries of incorporation are set out below:

| Name of undertaking | Country of incorporation | Principal activity |
|---|---|---|
| Michael Page Recruitment Group Limited | United Kingdom | Holding company |
| Michael Page Holdings Limited | United Kingdom | Support services |
| Michael Page International Recruitment Limited* | United Kingdom | Recruitment consultancy |
| Michael Page UK Limited | United Kingdom | Recruitment consultancy |
| Michael Page Limited | United Kingdom | Recruitment consultancy |
| Page Personnel (UK) Limited | United Kingdom | Recruitment consultancy |
| Michael Page International GmbH | Austria | Recruitment consultancy |
| Michael Page International (Belgium) NV/SA | Belgium | Recruitment consultancy |
| Page Interim (Belgium) NV/SA | Belgium | Recruitment consultancy |
| Michael Page International (France) SAS | France | Recruitment consultancy |
| Page Personnel SAS | France | Recruitment consultancy |
| Michael Page International (Deutschland) GmbH | Germany | Recruitment consultancy |
| Michael Page International (Ireland) Limited | Ireland | Recruitment consultancy |
| Michael Page International Italia Srl | Italy | Recruitment consultancy |
| Page Personnel Italia SpA | Italy | Recruitment consultancy |
| Michael Page International (Luxembourg) | Luxembourg | Recruitment consultancy |
| Michael Page International (Nederland) BV | Netherlands | Recruitment consultancy |
| Page Interim BV | Netherlands | Recruitment consultancy |
| Michael Page International (Poland) Sp.Z.O.O | Poland | Recruitment consultancy |
| Michael Page International Empressa de Trabalho Temporário e Serviços de Consultadoria Lda | Portugal | Recruitment consultancy |
| Michael Page International RU LLC | Russia | Recruitment consultancy |
| Michael Page International (SA) (Pty) Limited | South Africa | Recruitment consultancy |
| Michael Page International (Espana) SA | Spain | Recruitment consultancy |
| Page Personnel (Espana) SA | Spain | Recruitment consultancy |
| Michael Page International (Sweden) AB | Sweden | Recruitment consultancy |
| Michael Page International (Switzerland) SA | Switzerland | Recruitment consultancy |
| Michael Page International NEM Istihdam Danismanligi Limited Sirketi | Turkey | Recruitment consultancy |
| Michael Page International (UAE) Limited | United Arab Emirates | Recruitment consultancy |
| Michael Page International (Australia) Pty Limited | Australia | Recruitment consultancy |
| Michael Page International (Hong Kong) Limited | Hong Kong | Recruitment consultancy |
| Michael Page International (Japan) K.K. | Japan | Recruitment consultancy |
| Michael Page International (New Zealand) Limited. | New Zealand | Recruitment consultancy |
| Michael Page International Pte Limited* | Singapore | Recruitment consultancy |
| Michael Page International Argentina SA | Argentina | Recruitment consultancy |
| Michael Page International (Brasil) SC Ltda | Brazil | Recruitment consultancy |
| Michael Page International Canada Limited | Canada | Recruitment consultancy |
| Michael Page International Mexico Reclutamiento Especializado, S.A. de C.V. | Mexico | Recruitment consultancy |
| Michael Page International Inc* | United States | Recruitment consultancy |

*The equity of these subsidiary undertakings is held directly by Michael Page International plc. All companies have been included in the consolidation and operate principally in their country of incorporation.

The percentage of the issued share capital held is equivalent to the percentage of voting rights held. The Group holds 100% of all classes of issued share capital. The share capital of all the subsidiary undertakings comprise ordinary shares, with the exception of Michael Page International Recruitment Limited which comprises 1 ordinary share and 421,544,426 preference shares.

## 13. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| **Current** | 2008 £'000 | 2007 £'000 | 2008 £'000 | 2007 £'000 |
| Trade receivables | 176,077 | 164,605 | – | – |
| Less provision for impairment of receivables | (7,708) | (3,733) | – | – |
| Net trade receivables | 168,369 | 160,872 | – | – |
| Amounts due from Group companies | – | – | 381,457 | 73,516 |
| Other receivables | 6,888 | 4,632 | – | – |
| Prepayments and accrued income | 28,556 | 27,306 | 355 | 46 |
| | 203,813 | 192,810 | 381,812 | 73,562 |
| **Non-current** | | | | |
| Prepayments and accrued income | 1,955 | 2,301 | – | – |

All non-current receivables are due within five years from the balance sheet date.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in Note 22.

## 14. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 £'000 | 2007 £'000 | 2008 £'000 | 2007 £'000 |
| **Current** | | | | |
| Trade payables | 9,780 | 7,217 | – | – |
| Amounts owed to Group companies | – | – | 340,505 | 302,242 |
| Other tax and social security | 40,332 | 37,122 | – | – |
| Other payables | 18,742 | 13,200 | – | – |
| Accruals | 67,872 | 57,209 | – | 460 |
| Deferred income | 295 | 657 | – | – |
| | 137,021 | 115,405 | 340,505 | 302,702 |
| **Non-current** | | | | |
| Deferred income | 1,192 | 475 | – | – |
| Other tax and social security | 145 | 205 | – | – |
| | 1,337 | 680 | – | – |

The fair values of trade and other payables are not materially different to those disclosed above. There is no material effect on pre-tax profit if the instruments are accounted for at fair value or amortised cost.

The total liability relating to other tax and social security includes a balance of £0.8m (2007: £1.1m) relating to social charges on share based payments.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 22.

### 15. Bank overdrafts and loans

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 £'000 | 2007 £'000 | 2008 £'000 | 2007 £'000 |
| Bank overdrafts | 62,697 | 47,433 | 62,697 | 47,433 |
| Bank loans | – | 25,300 | – | 25,300 |
| | 62,697 | 72,733 | 62,697 | 72,733 |

The borrowings stated above are repayable on demand or otherwise within one year.

The carrying amounts of the Group's borrowings are all denominated in sterling.

Bank overdrafts are repayable on demand.

At 31 December 2008, the Group had available £50.0m (2007: £31.7m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

The bank overdraft of £62.7m arises as a result of disclosing our notional pooling on a "gross" basis. On a net basis the bank overdraft balance is £nil as disclosed in note 21.

The Group's exposure to interest rate, foreign currency and liquidity risk for financial assets and liabilities is disclosed in Note 22.

### 16. Provisions for liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 £'000 | 2007 £'000 | 2008 £'000 | 2007 £'000 |
| At 1 January | – | 192 | – | – |
| Utilised in year | – | (192) | – | – |
| **At 31 December** | – | – | – | – |

## 17. Deferred tax

The following are the major deferred tax assets and liabilities recognised by the Group, and the movements thereon, during the current and prior reporting periods.

| | Accelerated tax depreciation £'000 | Share-based payments £'000 | Tax losses £'000 | Other £'000 | Total £'000 |
|---|---|---|---|---|---|
| **At 1 January 2007** | **288** | **(5,686)** | **(3,114)** | **(935)** | **(9,447)** |
| Recognised in equity for the year | – | 3,652 | – | – | **3,652** |
| Recognised in profit or loss for the year | (104) | 87 | 1,708 | (1,261) | **430** |
| Exchange differences | – | – | 384 | – | **384** |
| **At 1 January 2008** | **184** | **(1,947)** | **(1,022)** | **(2,196)** | **(4,981)** |
| Recognised in equity for the year | – | 24 | – | – | **24** |
| Recognised in profit or loss for the year | – | 508 | (1,624) | 474 | **(642)** |
| Exchange differences | – | – | – | – | **–** |
| **At 31 December 2008** | **184** | **(1,415)** | **(2,646)** | **(1,722)** | **(5,599)** |

Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The following is the analysis of the deferred tax balances (after offset) for balance sheet purposes:

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Deferred tax assets | **(6,496)** | (4,998) |
| Deferred tax liabilities | **897** | 17 |
| | **5,599** | (4,981) |

At 31 December 2008, unremitted earnings of overseas Group companies amounted to £104.6m (2007: £78.6m). Unremitted earnings may be liable to some overseas and UK tax (after allowing for double taxation relief) if they were to be distributed as dividends. However, no tax is expected to be payable due to the split of unremitted earnings between lower taxed jurisdictions and higher taxed jurisdictions.

Certain of the Group's overseas operations have current and prior year tax losses, the future utilisation of which is uncertain. Accordingly the Group has not recognised a deferred tax asset of £1.4m (2007: £1.3m) in respect of tax losses of overseas companies. These tax losses are available to offset future taxable profits in the respective jurisdictions.

All of the deferred tax asset for losses of £2.6m is dependent on generating future taxable profits. Of the recognised deferred tax asset, £1.5m is recognised within territories that were loss making in the current year.

## 18. Called-up share capital

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | £'000 | Number of shares | £'000 | Number of shares |
| **Authorised** | | | | |
| Ordinary shares of 1p each | **5,713** | **571,250,000** | 5,713 | 571,250,000 |
| **Allotted, called-up and fully paid** | | | | |
| At 1 January | **3,274** | **327,393,734** | 3,332 | 333,242,076 |
| Shares issued | **13** | **1,276,768** | 57 | 5,676,073 |
| Cancellation of own shares | **(67)** | **(6,680,435)** | (115) | (11,524,415) |
| At 31 December | **3,220** | **321,990,067** | 3,274 | 327,393,734 |

### Executive Share Option Scheme (ESOS)

The Group has an Executive Share Option Scheme (ESOS) that entitles key management personnel and senior employees to receive shares in the entity. In accordance with these programmes, options are exercisable at the market price of the shares at the date of the grant.

Two grants under the ESOS were made before 7 November 2002. The recognition and measurement principles in IFRS 2 have been applied to all grants after 7 November 2002. They have not been applied to the two grants made prior to 7 November 2002 in accordance with the transitional provisions in IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IFRS 2 "Share-based Payment".

At 31 December 2008 the following options had been granted and remained outstanding in respect of the Company's ordinary shares of 1p under the Michael Page Executive Share Option Scheme. All options granted are settled by the physical delivery of shares. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

| Year of grant | Balance at 1 January 2008 | Granted in year | Exercised in year | Lapsed in year | No. of options outstanding at 31 December 2008 | Base EPS | Exercise price per share | Exercise period |
|---|---|---|---|---|---|---|---|---|
| 2001 (Note 1) | 2,782,698 | – | (384,748) | (173,898) | 2,224,052 | n/a | 175p | March 2004 - March 2011 |
| 2002 (Note 2)* | 157,500 | – | (7,500) | – | 150,000 | 10.6 | 186p | March 2005 - March 2012 |
| 2002 (Note 2)* | 160,000 | – | (7,500) | (10,000) | 142,500 | 5.8 | 186p | March 2006 - March 2012 |
| 2003 (Note 2)* | 462,300 | – | (100,000) | – | 362,300 | 5.8 | 81.5p-86.1p | April 2006 - April 2013 |
| 2004 (Note 2) | 798,353 | – | (226,353) | – | 572,000 | 4.1 | 171p-190.3p | March 2007 - March 2014 |
| 2005 (Note 2) | 2,106,889 | – | (542,000) | (20,000) | 1,544,889 | 7.5 | 190.75p-191.5p | March 2008 - March 2015 |
| 2006 (Note 2) | 1,864,812 | – | (8,667) | (160,833) | 1,695,312 | 15.5 | 309.9p | March 2009 - March 2016 |
| 2007 (Note 2) | 2,758,389 | – | – | (228,000) | 2,530,389 | 21.3 | 464.5p-494.1p | March 2010 - March 2017 |
| 2008 (Note 2) | – | 3,141,000 | – | (161,500) | 2,979,500 | 30.4 | 255.94-285p | March 2011 - March 2018 |
| Total 2008 | 11,090,941 | 3,141,000 | (1,276,768) | (754,231) | 12,200,942 | | | |
| Weighted average exercise price 2008 (£) | 2.69 | 2.80 | 1.75 | 3.15 | 2.79 | | | |
| Total 2007 | 14,480,459 | 2,818,000 | (5,676,074) | (531,444) | 11,090,941 | | | |
| Weighted average exercise price 2007 (£) | 1.84 | 4.66 | 1.53 | 2.41 | 2.69 | | | |

*These options have fully vested

3,953,863 options were exercisable at the end of 2008 at a weighted average exercise price of £1.74 (2007: £1.61).

**18. Called-up share capital (continued)**

In 2008, options were granted on 6 March with the estimated fair values of the options granted on that day of £1.17. In 2007, options were granted on 2 March. The estimated fair values of the options granted on that date was £1.45.

Share options are granted under service and non-market performance conditions. These conditions are not taken into account in the fair value measurement at grant date. There are no market conditions associated with the share option grants other than those on the initial grant in 2001.

The options outstanding at 31 December 2008 have an exercise price in the range of 81.5 pence to 494.1 pence and a weighted average contractual life of 6.6 years. The fair values of options granted during the year were calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

| | Share Option Scheme | | Incentive Share Scheme | | Deferred Bonus Shares | |
|---|---|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Share price (£) | 2.85 | 4.65 | 2.85 | 4.65 | 2.85 | 4.65 |
| Average exercise price (£) | 2.85 | 4.65 | Nil | Nil | Nil | Nil |
| Weighted average fair value (£) | 1.17 | 1.45 | 2.80 | 4.65 | 2.80 | 4.65 |
| Expected volatility | 52% | 30% | 52% | 30% | 52% | 30% |
| Expected life | 5 years | 5 years | 3 years | 3 years | 2 years | 2 years |
| Risk free rate | 5.25% | 5.00% | 5.25% | 5.00% | 5.25% | 5.00% |
| Expected dividend yield | 2.81% | 1.25% | Nil | Nil | Nil | Nil |

Expected volatility was determined by reference to historical volatility of the Company's share price since flotation. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Expectations of early exercise are incorporated into the Black-Scholes option pricing model.

The Group recognised total expenses of £6.7m (2007: £6.8m) related to equity-settled share-based payment transactions during the year.

**Option plan details**

**Note 1** Pre flotation options

On flotation, options over 33,750,000 (9%) ordinary shares were granted to the Executive Directors and 427 employees. The remaining options are subject to the following:

An individual's option entitlement will normally only be exercisable to the extent that share price growth targets have been satisfied over a period of at least 3 years. None of these options will vest unless the Company's share price has achieved 50% growth after 3 years and not later than 5 years. At that point one third of this portion of the options vest. Vesting then increases progressively for further share price growth until full vesting occurs where there is 200% growth after 3 years and not later than 5 years. These hurdles rise from the fifth anniversary of the date of grant at compound rates of growth of 8.45% and 24.57% respectively. At 31 December 2008, the performance conditions were met for 81.8% (2007: 81.8%) of the outstanding share price dependent options.

At 31 December 2008, 18.2% of the options remained unvested (2007: 18.2%). At this stage it is not expected that the remaining 18.2% of options will vest. In order for these remaining options to have vested by 31 December 2008 a share price of £9.64 (2007: £7.74) would have been required.

### 18. Called-up share capital (continued)

**Note 2** Grants post flotation

The respective base earnings per share for each grant are shown in the table on page 72. For grants since 2004, the performance condition is tested on the third anniversary and no retesting will occur thereafter. These options were granted subject to a performance condition requiring that an option may only be exercised, in normal circumstances, if there has been an increase in base earnings per share of at least 3% per annum above the growth in the UK Retail Price Index.

All future grants of options under this scheme will be subject to similar EPS performance conditions which is considered the best measure of the Group's performance and is designed to provide a direct link between the rewards for executives and the returns to shareholders, whilst at the same time ensuring that senior executives can measure the results of their efforts through the Company's share price.

**Other share-based payment plans**

The Company also operates an Incentive Share Plan for the Executive Directors and senior employees and an Annual Bonus Plan for the Executive Directors. Details of these schemes are disclosed on pages 40 to 42, and are settled by the physical delivery of shares, currently satisfied by shares held in the Employee Benefit Trust, to the extent that service and performance conditions are met.

### 19. Reserves

**Share premium**

The share premium account has been established to represent the excess of the exercise share price over the nominal value of the shares on the exercise of share options.

**Capital redemption reserve**

The capital redemption reserve relates to the cancellation of the Company's own shares. The increase in the year represents the nominal value of the 6,680,435 shares cancelled during the year as shown in Note 18.

**Reserve for shares held in the employee benefit trust**

At 31 December 2008, the reserve for shares held in the employee benefit trust consisted of 7,010,335 ordinary shares (2007: 7,950,330 ordinary shares) held for the purpose of satisfying awards made under the Incentive Share Plan and deferred shares under the Annual Bonus Plan, representing 2.2% of the called-up share capital with a market value of £15.1m (2007: £22.9m).

A total of 3,029,213 shares have been allocated to satisfy share awards made under the Incentive Share Plan, and 960,838 deferred shares have been allocated under the Annual Bonus Plan. Dividends are paid on these shares and they are included in the EPS calculation.

A total of 2,146,390 shares have been allocated to satisfy share option awards made under the Incentive Share Plan, and 554,344 deferred share option have been allocated under the Annual Bonus Plan. Dividends on these shares are waived and are treated as non dilutive.

Following the allocation of awards made under the above mentioned plans, to date 319,550 ordinary shares remain unallocated in the reserve. Dividends on these shares are also waived and are treated as non dilutive.

**Currency translation reserve**

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are integral to the operations of the Company.

### 20. Cash flows from operating activities

| | Group 2008 £'000 | Group 2007 £'000 | Company 2008 £'000 | Company 2007 £'000 |
|---|---|---|---|---|
| Profit before tax | 140,056 | 147,441 | 320,091 | 721 |
| Depreciation and amortisation charges | 10,317 | 7,660 | – | 749 |
| Loss on sale of property, plant and equipment, and computer software | 596 | 91 | – | – |
| Share scheme charges | 6,667 | 6,757 | – | – |
| Net finance cost | 445 | 1,991 | 3,800 | 2,837 |
| **Operating cash flow before changes in working capital and provisions** | 158,081 | 163,940 | 323,891 | 4,307 |
| Decrease/(increase) in receivables | 24,963 | (40,863) | (263) | (73,230) |
| Increase/(decrease) in payables | 2,162 | 25,778 | (268,347) | 110,667 |
| Decrease in provisions | – | (192) | – | – |
| **Cash generated from operations** | 185,206 | 148,663 | 55,281 | 41,744 |

### 21. Cash and cash equivalents

| | Group 2008 £'000 | Group 2007 £'000 | Company 2008 £'000 | Company 2007 £'000 |
|---|---|---|---|---|
| Cash at bank and in hand | 133,467 | 75,647 | – | – |
| Short-term deposits | 23,513 | 7,343 | – | – |
| **Cash and cash equivalents** | 156,980 | 82,990 | – | – |
| Bank overdrafts | (62,697) | (47,433) | (62,697) | (47,433) |
| **Cash and cash equivalents in the statement of cash flows** | 94,283 | 35,557 | (62,697) | (47,433) |
| Bank loans | – | (25,300) | – | (25,300) |
| **Net funds/(debt)** | 94,283 | 10,257 | (62,697) | (72,733) |

The Group operates a multi-currency notional cash pool. Currently the main Eurozone subsidiaries and the UK-based Group Treasury subsidiary participate in this cash pool, although it is the Group's intention to extend the scope of the participation to other Group companies going forward. The structure facilitates interest and balance compensation of cash and bank overdrafts. This notional pooling does not meet the strict set-off rules under IFRS and as a result the cash and bank overdraft balances have been reported 'gross' on the balance sheet. On a 'netted' pro forma basis, cash and cash equivalents and overdraft balances would have been £62.7m lower, resulting in £94.3m cash and cash equivalents and £nil bank overdraft balances.

### 22. Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

(i) credit risk

(ii) liquidity risk

(iii) market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

## 22. Financial risk management (continued)

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

### (i) Credit risk

Credit risk is the risk of financial loss to the Group if a client or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from clients and investment securities. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

### Trade and other receivables

Total trade receivables (net of allowances) held by the Group at 31 December 2008 amounted to £168.4m (2007: £160.9m).

An initial credit period is made available on invoices. No interest is charged on trade receivables from the date of the invoice during this credit period. Thereafter, interest is charged on the outstanding balance. The Group has provided fully for all receivables over 150 days because historical experience is such that receivables past due beyond 150 days are generally not recoverable. Trade receivables below 150 days are provided for based on estimated irrecoverable amounts from the provision of our services, determined by reference to past default experience.

Included in the Group's trade receivables balance are debtors with a carrying amount of £77.0m (2007: £77.7m) that are past due at the reporting date for which the Group has not provided as the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 56 days in excess of the initial credit period (2007: 54 days).

The ageing of trade receivables at the reporting date was:

| | Gross trade receivables 2008 £'000 | Provision 2008 £'000 | Gross trade receivables 2007 £'000 | Provision 2007 £'000 |
|---|---|---|---|---|
| Not past due | 91,600 | 272 | 83,486 | 178 |
| Past due 0-30 days | 48,883 | 233 | 46,554 | 467 |
| Past due 31-150 days | 30,414 | 2,023 | 32,261 | 784 |
| More than 150 days | 5,180 | 5,180 | 2,304 | 2,304 |
| | 176,077 | 7,708 | 164,605 | 3,733 |

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each client. The demographics of the Group's client base, including the country in which clients operate, also has an influence on credit risk. Less than 1% of the Group's revenue is attributable to sales transactions with a single client. The geographic diversification of the Group's revenue also reduces the concentration of credit risk.

The majority of the Group's clients have been transacting with the Group for several years, with losses rarely occurring. In monitoring client credit risk, clients are grouped according to their credit characteristics, including geographic location, industry, aging profile, maturity and existence of previous financial difficulties.

## 22. Financial risk management (continued)

### Movement in the allowance for doubtful debts

| | 2008<br>£'000 | 2007<br>£'000 |
|---|---|---|
| Balance at beginning of the year | 3,733 | 3,270 |
| Impairment losses recognised on receivables | 13,017 | 5,682 |
| Amounts written off as uncollectable | (602) | (1,244) |
| Amounts recovered during the year | (2,738) | (1,638) |
| Impairment losses reversed | (5,702) | (2,337) |
| Balance at end of the year | 7,708 | 3,733 |

The majority of the allowance for doubtful debts are individually impaired trade receivables with a balance of £2.6m (2007: £1.1m) which have been placed in litigation, as well as a further provision for debts of 150 days and over.

The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected liquidation proceeds. The Group does not hold any collateral over these balances.

### Exposure to credit risk

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

| | Carrying amount | |
|---|---|---|
| | 2008<br>£'000 | 2007<br>£'000 |
| EMEA | 97,445 | 84,324 |
| United Kingdom | 49,619 | 55,097 |
| Asia Pacific | 11,860 | 12,978 |
| Americas | 9,445 | 8,473 |
| | 168,369 | 160,872 |

## 22. Financial risk management (continued)

The maximum exposure to credit risk for accrued income at the reporting date by geographic region was:

| | Carrying amount 2008 £'000 | 2007 £'000 |
|---|---|---|
| EMEA | 778 | 456 |
| United Kingdom | 9,321 | 14,195 |
| Asia Pacific | 4,354 | 4,729 |
| Americas | 2,106 | 1,963 |
| | 16,559 | 21,343 |

The entire accrued income balance is not past due. The fair values of trade and other receivables are not materially different to those disclosed above. There is no material effect on pre-tax profit if the instruments are accounted for at fair value or amortised cost.

### (ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board, which has built an appropriate liquidity risk management framework that aims to ensure that the Group has sufficient cash or credit facilities at all times to meet all current and forecast liabilities as they fall due. It is the Directors' intention to continue to finance the activities and development of the Group from retained earnings.

Cash surpluses are invested in short-term deposits, with any working capital requirements being provided from Group cash resources, Group facilities, or by local overdraft facilities. Cash generated in excess of these requirements will be used to buy back the Company's shares. The Group also operates a multi-currency notional cash pool to facilitate interest and balance compensation of cash and bank overdrafts.

The following are the contractual maturities of financial liabilities.

| | Carrying amount | | | |
|---|---|---|---|---|
| 2008 | Less than 1 month £'000 | 1-3 months £'000 | 3-12 months £'000 | More than 12 months £'000 |
| Trade payables | 7,920 | 501 | 1,359 | – |
| Accruals and other payables | 45,540 | 34,350 | 24,923 | 1,337 |
| Bank overdraft | 62,697 | – | – | – |

| | Carrying amount | | | |
|---|---|---|---|---|
| 2007 | Less than 1 month £'000 | 1-3 months £'000 | 3-12 months £'000 | More than 12 months £'000 |
| Trade payables | 5,030 | 970 | 1,067 | 150 |
| Accruals and other payables | 51,725 | 24,257 | 19,061 | 4,023 |
| Bank overdraft | 47,433 | – | – | – |

### (iii) Market risk and sensitivity analysis

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates, but these risks are not deemed to be material. However, a sensitivity analysis showing hypothetical fluctuations in Pounds Sterling against the Group's main exposure currencies is shown on page 80. There has been no material change in the Group's exposure to market risks or the manner in which it manages and measures the risk.

For additional information on market risk, refer to 'Treasury management and currency risk' in the Financial Review.

## 22. Financial risk management (continued)

### Interest rate risk management

Borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk. The Group does not consider this risk as significant. The benchmark rates for determining floating rate liabilities are based on relevant national LIBOR equivalents.

The average interest rates paid were as follows:

| | 2008 | 2007 |
|---|---|---|
| Bank overdrafts | 6.0% | 6.4% |
| Bank loans | – | 6.2% |

### Currency rate risk

We publish our results in Pounds Sterling and conduct our business in many foreign currencies. As a result, we are subject to foreign currency exchange risk due to exchange rate movements. We are exposed to foreign currency exchange risk as a result of transactions in currencies other than the functional currencies of some of our subsidiaries and the translation of the results and underlying net assets of our foreign subsidiaries.

The main functional currencies of the Group are Sterling, Euro and Australian Dollar. The Group does not have material transactional currency exposures, nor is there a material exposure to foreign denominated monetary assets and liabilities. The Group is exposed to foreign currency translation differences in accounting for its overseas operations although our policy is not to hedge this exposure.

In certain cases, where the Group gives or receives short-term loans to and from other Group companies with different reporting currencies, it may use foreign exchange swap derivative financial instruments to manage the currency and interest rate exposure that arises on these loans. It is the Group's policy not to seek to designate these derivatives as hedges.

All derivative financial instruments not in a hedge relationship are classified as derivatives at fair value through the income statement. The group does not use derivatives for speculative purposes. All transactions in derivative financial instruments are undertaken to manage the risks arising from underlying business activities.

Information on the fair value of derivative financial instruments held at the balance sheet date is shown in the table below.

| | Contract amounts | | Derivatives at fair value | |
|---|---|---|---|---|
| Derivatives Financial Instruments | 2008 | 2007 | 2008 | 2007 |
| Derivative Assets | 15.1 | – | 16.1 | – |
| Derivative Liabilities | (15.1) | – | (15.6) | – |

### Sensitivity analysis - currency risk

A 10 percent strengthening of sterling against the following currencies at 31 December would have increased/(decreased) equity and profit or loss by the amounts shown on page 80. This analysis is applied currency by currency in isolation, i.e. ignoring the impact of currency correlation, and assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2007.

The amounts generated from the sensitivity analysis are forward-looking estimates of market risk assuming certain adverse market conditions occur. Actual results in the future may differ materially from those projected, due to developments in the global financial markets which may cause fluctuations in interest and exchange rates to vary from the hypothetical amounts disclosed in the table below, which therefore should not be considered a projection of likely future events and losses.

## 22. Financial risk management (continued)

### Sensitivity analysis - currency risk (continued)

| | 2008 Equity £'000 | PBT £'000 |
|---|---|---|
| Euro | (9,811) | (1,798) |
| Australian Dollar | (2,892) | (1,465) |
| Hong Kong Dollar | (1,520) | (694) |
| Swiss Franc | (1,317) | (490) |
| Brazilian Real | (838) | (568) |
| United States Dollar | (299) | 320 |
| Other | (1,913) | (415) |

| | 2007 Equity £'000 | PBT £'000 |
|---|---|---|
| Euro | (7,060) | (4,617) |
| Australian Dollar | (1,530) | (796) |
| Swiss Franc | (572) | (257) |
| Hong Kong Dollar | (523) | (324) |
| Brazilian Real | (509) | (442) |
| United States Dollar | (330) | 3 |
| Other | (945) | (245) |

A 10 percent weakening of sterling against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

## 23. Commitments

### Operating lease commitments

At 31 December 2008 the Group was committed to make the following payments in respect of non-cancellable operating leases:

| | Land and buildings | | Other | |
|---|---|---|---|---|
| | 2008 £'000 | 2007 £'000 | 2008 £'000 | 2007 £'000 |
| Leases which expire: | | | | |
| Within one year | 4,681 | 2,562 | 2,412 | 449 |
| Within two to five years | 41,749 | 29,411 | 9,354 | 7,526 |
| After five years | 65,034 | 57,980 | – | – |
| | 111,464 | 89,953 | 11,766 | 7,975 |

The Group leases various offices under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The Group also leases various plant and machinery under operating lease agreements. The Group is required to give a varying notice for the termination of these agreements.

## 23. Commitments (continued)

### Capital commitments

The Group had contractual capital commitments of £0.2m as at 31 December 2008 (2007: £1.2m) relating to property, plant and equipment. The Group had contractual capital commitments of £0.1m as at 31 December 2008 (2007: £3.4m) relating to computer software.

## 24. Contingent liabilities

The Company has provided guarantees to other Group undertakings amounting to £13.4m (2007: £9.7m) in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

### VAT group registration

As a result of group registration for VAT purposes, the Company is contingently liable for VAT liabilities arising in other companies within the VAT group which at 31 December 2008 amounted to £5.0m (2007: £7.6m).

## 25. Events after the balance sheet date

Between 31 December 2008 and 27 February 2009, 44,853 options were exercised, which has led to an increase of share capital of £449 and an increase in share premium of £62,874.

## 26. Related party transactions

### Identity of related parties

The Group has a related party relationship with its Directors and members of the Executive Board, and subsidiaries (Note 12).

### Transactions with key management personnel

Key management personnel are deemed to be the Directors and members of the Executive Board. The remuneration of Directors and members of the Executive Board is determined by the Remuneration Committee having regard to the performance of individuals and market trends. For transactions with Directors see the Remuneration Report on pages 40 to 47. Over and above these transactions, equity settled transactions for the year were £0.9m (2007: £2.2m). Transactions with the remaining members of the Executive Board are disclosed below:

| | 2008<br>£'000 | 2007<br>£'000 |
|---|---|---|
| Short-term employee benefits | 2,232 | 746 |
| Pension costs - defined contribution plans | 142 | 40 |

The increase in emoluments in the current year represents members being on the Executive Board for a full year and an increase in the bonus award, as well as awards made under the Michael Page Executive Share Option Scheme.

In addition to their salaries, the Group also provides non-cash benefits to members of the Executive Board, and contributes to a post-employment defined contribution pension plan on their behalf, details of which are given in Note 1.

Transactions between the Group and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation. Details of transactions between the parent company and subsidiary undertakings are shown below.

| | Dividends received | | Amounts owed by related parties | | Amounts owed to related parties | |
|---|---|---|---|---|---|---|
| | 2008<br>£'000 | 2007<br>£'000 | 2008<br>£'000 | 2007<br>£'000 | 2008<br>£'000 | 2007<br>£'000 |
| | 325,264 | 4,283 | 381,457 | 73,516 | 340,505 | 302,242 |

# Shareholder

## INFORMATION AND ADVISERS

**Annual General Meeting**

To be held on 22 May 2009 at 12.00 noon at Page House, The Bourne Business Park, 1 Dashwood Lang Road, Addlestone, Weybridge, Surrey, KT15 2QW. Every shareholder is entitled to attend and vote at the meeting.

**Final dividend for the year ended 31 December 2008**

To be paid (if approved) on 8 June 2009 to shareholders on the register on 8 May 2009.

**Company secretary**

Kelvin Stagg

**Company number**

3310225

**Registered office, domicile and legal form**

The Company is a limited liability company incorporated and domiciled within the United Kingdom.
The address of its registered office is:

Page House, The Bourne Business Park, 1 Dashwood Lang Road
Addlestone, Weybridge, Surrey KT15 2QW

Tel: 01932 264144
Fax: 01932 264297

**Auditors**

Deloitte LLP
Chartered Accountants
2 New Street Square
London EC4A 3BZ

**Solicitors**

Herbert Smith LLP
Exchange House
Primrose Street
London EC2A 2HS

**Registrars**

Capita Registrars Ltd
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire HD8 0LA

**Joint Corporate Brokers**

Citigroup
33 Canada Square
Canary Wharf
London E14 5LB

Deutsche Bank
Winchester House
1 Great Winchester Street
London EC2N 2DB

**Bankers**

HSBC Bank plc
West End Business
Banking Centre
70 Pall Mall
London SW1Y 5GZ

ABN AMRO Bank N.V.
Corporate Clients
De Entree 99
1101 HE Amsterdam
The Netherlands

**Key dates**

| | |
|---|---|
| Ex-Dividend date | 6 May 2009 |
| Record date | 8 May 2009 |
| Annual General Meeting | 22 May 2009 |
| Payment of proposed final ordinary dividend | 8 June 2009 |
| Interim results announcement | 17 August 2009 |

## Memorandum and Articles of Association

The following summarises certain provisions of the Company's Memorandum and Articles of Association and applicable English Law. The summary is qualified in its entirety by reference to the Companies Act 1985 of Great Britain ("the Act"), as amended, and the Company's Articles of Association.

### Objects and purposes

The Company is incorporated under the name Michael Page International plc and is registered in England and Wales with registered number 3310225. The Memorandum of Association of the Company provides that the Company's principal object is to carry on business as a general commercial company and to carry out the other objects more particularly set out in the Memorandum of Association of the Company.

### Share capital

The authorised share capital of the Company currently consists of 571,250,000 ordinary shares of 1p each. As at 31 December 2008, 321,990,067 ordinary shares have been allotted, called-up and fully paid (see Note 18, Notes to the Accounts).

### Alteration of capital

The Company may from time to time by ordinary resolution:

(a) increase its share capital by new shares of such amount as the resolution prescribes;

(b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

(c) subject to the provisions of the Act, sub-divide its shares, or any of them, into shares of a smaller amount than is fixed by the memorandum;

(d) determine that, as between the shares resulting from such a sub-division, any of them may have any preference or advantage as compared with the others; and

(e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled.

Subject to the provisions of the Act, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account, in any way.

### Purchase of own shares

Subject to the provisions of the Act, the Company may purchase its own shares, including redeemable shares. The Company proposes to renew its authority to purchase its own shares for another year in item 10 of the Annual General Meeting notice.

### General meetings and voting rights

The Directors may call general meetings whenever and at whatever time and location they so determine. Subject to the provisions of the Act, an annual general meeting and an extraordinary general meeting called to pass a special resolution shall be called by at least 21 clear days' notice, and all other extraordinary general meetings shall be called by at least 14 days' notice. Two persons entitled to vote upon the business to be transacted shall be a quorum.

The Articles of Association provide that subject to any rights or restrictions attached to any shares, on a show of hands every member shall have one vote, and on a poll every member shall have one vote for every share of which he is a holder. On a poll, votes may be given either personally or by proxy or (in the case of a corporate member) by a duly authorised representative. No member shall be entitled to vote in respect of any share held by him if any call or other sum payable by him to the Company remains unpaid.

If a member or any person appearing to be interested in shares held by a member has been duly served with a notice under Section 793 of the Companies Act 2006 (previously Section 212 of the Act) and is in default for the prescribed period in supplying to the Company information thereby required, unless the Directors otherwise determine, the member shall not be entitled in respect of the default shares to be present or to vote (either in person or by representative or proxy) at any general or class meeting of the Company or on any poll or to exercise any other right confirmed by membership in relation to such meeting or poll. In certain circumstances, any dividend due in respect of the default shares shall be withheld and certain certificated transfers may be refused.

A member entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way. A proxy need not be a member. A member may appoint more than one proxy to attend on the same occasion. This does not preclude the member from attending and voting at the meeting or at any adjournment of it.

**Limitations and non-resident or foreign shareholders**

English law treats those persons who hold the shares and are neither UK residents nor nationals in the same way as UK residents or nationals. They are free to own, vote on and transfer any shares they hold.

**Variation of rights**

Subject to the Act, if at any time the capital of the Company is divided into different classes of shares, the rights attached to any class of may be varied either:

(a) in such manner (if any) as may be provided by those rights; or

(b) in the absence of any such provision, with the consent in writing of the holders of three-quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class

but not otherwise, and may be so varied either whilst the Company is a going concern or during, or in contemplation of, a winding-up. At every such separate general meeting the necessary quorum shall be at least two persons together holding or representing by proxy at least one-third in nominal value of the issued shares of the class (but at any adjourned meeting any holder of shares of the class present in or by proxy shall be a quorum). Unless otherwise expressly provided by the rights attached to any class of shares, those rights shall be deemed not to be varied by the purchase by the Company of any of its own shares.

**Dividend rights**

Holders of the Company's ordinary shares may by ordinary resolution declare dividends but no such dividend shall exceed the amount recommended by the Directors. If, in the opinion of the Directors, the profits of the Company available for distribution justify such payments, the Directors may, from time to time, pay interim dividends on the shares of such amounts and on such dates and in respect of such periods as they think fit. The profits of the Company available for distribution and resolved to be distributed shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion of the period in respect of which the dividend is paid. The members may, at a general meeting declaring a dividend upon the recommendation of the Directors, direct that it shall be satisfied wholly or fully by the distribution of assets.

No dividend shall be paid otherwise than out of profits available for distribution as specified under the provisions of the Act.

Any dividend unclaimed after a period of twelve years from the date of declaration of such dividend shall, if the Directors so resolve, be forfeited and shall revert to the Company.

**Calls on shares**

Subject to the terms of allotment, the Directors may make calls upon members in respect of any amounts unpaid on their shares (whether in respect of nominal value or premium) and each member shall pay to the Company as required by the notice the amount called on his shares.

**Transfer of shares**

Any member may transfer all or any of his shares in certificated form by instrument of transfer in the usual common form or in any other form which the Directors may approve. The transfer instrument shall be signed by or on behalf of the transferor and, except in the case of fully-paid shares, by or on behalf of the transferee.

Where any class of share is for the time being a participating security, title to shares of that class which are recorded as being held in uncertificated form, may be transferred by the relevant system concerned.

The Directors may in their absolute discretion and without giving any reason refuse to register any transfer of shares (being shares which are not fully paid or on which the Company has a lien), provided that if the share is listed on the Official List of the UK Listing Authority such refusal does not prevent dealings in the shares from taking place on an open and proper basis.

The Directors may also refuse to register a transfer of shares unless the transfer instrument:

(a) is lodged at the registered office, or such other place as the Directors may appoint, accompanied by the relevant share certificate(s);

(b) is in respect of only one class of share; and

(c) is in favour of not more than four persons jointly.

The Directors of the Company may refuse to register the transfer of a share in uncertificated form to a person who is to hold it thereafter in certificated form in any case where the Company is entitled to refuse (or is excepted from the requirements) under the Uncertificated Securities Regulations 2001 to register the transfer; and they may refuse to register any such transfer in favour of more than four transferees.

Subject to the Uncertificated Securities Regulations, the registration of transfers of shares or of any class of shares may be suspended at such times and for such periods (not exceeding thirty days in any year) as the Directors may determine.

**Directors**

The Company's Articles of Association provide for a Board of Directors, consisting of (unless otherwise determined by the Company by ordinary resolution) not fewer than two Directors, who shall manage the business of the Company. The Directors may exercise all the powers of the Company, subject to the provisions of the Act, the Memorandum of Association, the Articles of Association and any directions given by special resolution. If the quorum is not fixed by the Directors, the quorum shall be two.

The Directors may delegate any of their powers to:

(a) any managing director, any director holding any other executive office, or any other director;

(b) any committee consisting of one or more directors and (if thought fit) one or more other persons, but a majority of members of the committee shall be directors and no resolution of the committee shall be effective unless a majority of those present when it is passed are directors; and

(c) to any local board or agency for managing any of the affairs of the Company either in the United Kingdom or elsewhere,

and such delegation may include authority to sub-delegate all or any of the powers delegated, may be subject to conditions and may be revoked or varied.

The Directors may also, by power of attorney or otherwise, appoint any person, whether nominated directly or indirectly by the Directors, to be the agent of the Company for such purposes and subject to such conditions as they think fit, and may delegate any of their powers to such an agent.

The Articles of Association place a general prohibition on a Director voting on any resolution concerning a matter in which he has, directly or indirectly, a material interest (other than an interest in shares, debentures or other securities of, or otherwise in or through the Company), unless his interest arises only because the case falls within one or more of the following:

(a) the giving to him of a guarantee, security, or indemnity in respect of money lent to, or an obligation incurred by him for the benefit of, the Company or any of its subsidiary undertakings;

(b) the giving to a third party of a guarantee, security, or indemnity in respect of an obligation of the Company or any of its subsidiary undertakings for which the Director has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;

(c) his interest arises by virtue of his being, or intending to become a participant in the underwriting or sub-underwriting of an offer of any shares in or debentures or other securities of the Company for subscription, purchase or exchange;

(d) any arrangement for the benefit of the employees and directors and/or former employees and directors of the Company or any of its subsidiaries and/or the members of their families or any person who is or was dependent on such persons, including but without being limited to a retirement benefits scheme and an employees' share scheme, which does not accord to him any privilege or advantage not generally accorded to employees and/or former employees to whom the arrangement relates;

(e) any transaction or arrangement with any other company in which he is interested, directly or indirectly, provided that he is not the holder of or beneficially interested in at least one per cent of any class of shares of that company (or of any other company through which his interest is derived), and is not entitled to exercise at least one per cent of the voting rights available to members of the relevant company; and

(f) the purchase or maintenance for any Director or Directors of insurance against liability.

If a question arises at a Directors' meeting as to the right of a Director to vote, the question may be referred to the Chairman of the meeting (or if the Director concerned is the Chairman, to the other Directors at the meeting), and his ruling in relation to any Director (or, as the case may be, the ruling of the majority of the other Directors in relation to the Chairman) shall be final and conclusive.

The Act requires a Director of a company who is in any way interested in a contract or a proposed contract with the company to declare the nature of his interest at a meeting of the Directors of the company. The definition of "interest" now includes the interests of spouses, children, companies and trusts.

**Borrowing powers of the Directors**

The Directors shall restrict the borrowings of the Company and exercise all powers of control exercisable by the Company in relation to its subsidiary undertakings so as to secure (as regards subsidiary undertakings so far as by such exercise they can secure) that the aggregate principal amount (including any premium payable on final repayment) outstanding of all money borrowed by the Group (excluding amounts borrowed by any member of the Group from any other member of the Group), shall not at any time, save with the previous sanction of an ordinary resolution of the Company, exceed an amount equal to three times the aggregate of:

(a) the amount paid up on the share capital of the Company; and

(b) the total of the capital and revenue reserves of the Group, including any share premium account, capital redemption reserve, capital contribution reserve and credit balance on the profit and loss account, but excluding sums set aside for taxation and amounts attributable to outside shareholders in subsidiary undertakings of the Company and deducting any debit balance on the profit and loss account, all as shown in the latest audited consolidated balance sheet and profit and loss account of the Group, but adjusted as may be necessary in respect of any variation in the paid up share capital or share premium account of the Company since the date of that balance sheet and further adjusted as may be necessary to reflect any change since that date in the companies comprising the Group.

**Director's appointment and removal**

At each AGM, there shall retire from office by rotation:

(a) all Directors of the Company who held office at the time of the two preceding AGMs and who did not retire by rotation at either of them; and

(b) such additional number of Directors as shall, when aggregated with the number of Directors retiring under paragraph (a) above, equal either one third of the number of Directors, in circumstances where the number of Directors is three or a multiple of three, or in all other circumstances, the whole number which is nearest to but does not exceed one-third of the number of Directors (the "Relevant Proportion") provided that:

    (i) the provisions of this paragraph (b) shall only apply if the number of Directors retiring under paragraph (a) above is less than the Relevant Proportion; and

    (ii) subject to the provisions of the Act and to the relevant provisions of these Articles of Association, the Directors to retire under this paragraph (b) shall be those who have been longest in office since their last appointment or reappointment, but as between persons who became or were last reappointed Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

If the Company, at the meeting at which a director retires by rotation, does not fill the vacancy the retiring Director shall, if willing to act, be deemed to have been reappointed unless a resolution not to fill the vacancy or not to reappoint that Director is passed.

Subject to the Act, the Company may, by extraordinary resolution, remove a director before the expiration of his period of office (without prejudice to any claim for damages for breach of any contract of service between the director and the Company) and, subject to the Articles of Association, may by ordinary resolution, appoint another person instead of him. The newly appointed person shall be subject to retirement at the same time as if he had become a director on the day on which the director in whose place he is appointed was last appointed or reappointed as a Director.

A Director shall be disqualified from holding office if:

(a) he ceases to be a director under the provisions of the Act or he becomes prohibited by law from being a Director;

(b) he becomes bankrupt or makes an arrangement or composition with his creditors generally;

(c) he is, or may be suffering from mental disorder in certain circumstance;

(d) he resigns his office by notice in writing to the Company;

(e) in the case of an Executive Director, his appointment as such is terminated or expires and the Directors resolve that his office be vacated;

(f) he is absent from Directors' meetings for more than six consecutive months and the Directors resolve that his office be vacated; or

(g) he is requested in writing by all the other Directors to resign.

No person shall be disqualified from being appointed or re-appointed as a Director and no Director shall be requested to vacate that office by reason of his attaining the age of seventy or any other age.

There is no requirement of share ownership for a Director's qualification.

**Amendments to the Articles of Association**

Subject to the Act and the Memorandum of Association, the Articles of Association of the Company can be altered by special resolution of the members.

**Winding-up**

If the Company is wound up, the liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by law:

(a) divide among the members in kind the whole or any part of the assets of the Company and, for that purpose, set such values as he deems fair upon any property to be divided and determine how the division shall be carried out between the members; and

(b) vest the whole or any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but no member shall be compelled to accept any assets upon which there is a liability.

# Summary

## 5 YEAR SUMMARY INCOME STATEMENT

| | 2004<br>£'000 | 2005<br>£'000 | 2006<br>£'000 | 2007<br>£'000 | 2008<br>£'000 |
|---|---|---|---|---|---|
| Revenue | 433,731 | 523,810 | 649,060 | 831,640 | **972,782** |
| Gross profit | 210,641 | 267,581 | 348,817 | 478,094 | **552,702** |
| Operating profit | 38,858 | 66,519 | 97,367 | 149,432 | **140,501** |
| Profit before tax | 38,859 | 66,136 | 96,959 | 147,441 | **140,056** |
| Profit attributable to equity holders | 34,336 | 49,630 | 65,447 | 101,734 | **97,339** |
| Conversion | 18.4% | 24.9% | 27.9% | 31.3% | **25.4%** |
| Basic earnings per share (pence) | 9.8 | 14.8 | 19.6 | 31.1 | **30.3** |

# AGM

## NOTICE OF MEETING

This Notice of Annual General Meeting is important and requires your immediate attention. If you have any doubts as to the action you should take, you are recommended to seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all your ordinary shares in Michael Page International plc, please send this document, together with the accompanying documents to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Notice is hereby given that the Annual General Meeting of the Company will be held at Page House, The Bourne Business Park, 1 Dashwood Lang Road, Addlestone, Weybridge, Surrey KT15 2QW on 22 May 2009 at 12.00 noon for the following purposes:

1. To receive and adopt the reports of the Directors and auditors and accounts for the year ended 31 December 2008.
2. To declare a final dividend on the ordinary share capital of the Company for the year ended 31 December 2008 of 5.12p per share.
3. To re-elect Stephen Puckett as a director of the Company (Note 6)
4. To re-elect Hubert Reid as a director of the Company (Note 6)
5. To propose the following ordinary resolution:

   That the Directors' Remuneration Report for the year ended 31 December 2008 be received and approved.
6. To re-appoint Deloitte LLP as auditors of the Company to hold office until the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Directors.
7. To propose the following ordinary resolution: That in accordance with section 366 and 367 of the Companies Act 2006 (the '2006 Act') the Company, and all companies that are subsidiaries of the Company at the date on which this resolution 7 is passed or during the period when this resolution 7 has effect, be generally and unconditionally authorised to:

   (a) make political donations to political parties (or independent election candidates), as defined in the 2006 Act, not exceeding £25,000 in total;

   (b) make political donations to political organisations other than political parties, as defined in the 2006 Act, not exceeding £25,000 in total; and

   (c) incur political expenditure, as defined in the 2006 Act, not exceeding £25,000 in total;

   during the period commencing on the date of passing this resolution and ending on the date of the AGM of the Company in 2010 provided that the authorised sum referred to in paragraphs (a), (b) and (c) above, may be comprised of one or more amounts in different currencies which, for the purposes of calculating the said sum, shall be converted into pounds sterling at the exchange rate published in the London edition of the Financial Times on the date on which the relevant donation is made or expenditure incurred (or the first business day thereafter) or, if earlier, on the day in which the Company enters into any contract or undertaking in relation to the same (Note 7).
8. To propose the following special resolution:

   That the directors be and they are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 to exercise all the powers of the Company to allot:

   (a) relevant securities (within the meaning of section 80(2) of that Act) up to an aggregate nominal amount of £1,062,637; and

(b) relevant securities comprising equity securities (within the meaning of section 94 of that Act) up to a further aggregate nominal amount of £1,062,637 provided that they are offered by way of a rights issue to holders of ordinary shares on the register of members at such record date as the directors may determine where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be practicable) to the respective numbers of ordinary shares held, or deemed to be held, by them on any such record date and to other holders of equity securities entitled to participate therein, subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter,

provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, on 21 August 2010, save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require relevant securities to be allotted after such expiry and the directors shall be entitled to allot relevant securities pursuant to any such offer or agreement as if this authority had not expired; and all unexercised authorities previously granted to the directors to allot relevant securities be and are hereby revoked.

9. To propose the following special resolution:

That the directors be and they are hereby empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities (within the meaning of section 94 of that Act) for cash pursuant to the authority conferred by Resolution 8 above as if section 89(1) of that Act did not apply to any such allotment provided that this power shall be limited to:

(a) the allotment of equity securities in connection with an offer of securities (but in the case of the authority granted under paragraph (b) of Resolution 8 by way of rights issue only) in favour of the holders of ordinary shares on the register of members at such record date as the directors may determine where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be practicable) to the respective numbers of ordinary shares held or deemed to be held by them on any such record date, subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter; and

(b) the allotment (otherwise than pursuant to sub-paragraph (a) above) to any person or persons of equity securities up to an aggregate nominal amount of £161,006,

and shall expire upon the expiry of the general authority conferred by Resolution 8 above, save that the Company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and the directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.

10. To propose the following special resolution:

That pursuant to the Company's Articles of Association and Section 166 of the Companies Act 1985 (the "Act"), the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 163(3) of the Act) of ordinary shares of 1p each in the capital of the Company provided that:

(a) the maximum number of ordinary shares hereby authorised to be purchased is 48,269,495 representing approximately 14.99% of the issued ordinary share capital of the Company as at 28 February 2009;

(b) the minimum price which may be paid for each ordinary share is 1 pence;

(c) the maximum price which may be paid for each ordinary share is in respect of an ordinary share contracted to be purchased on any day, an amount equal to 105% of the average of the mid-market quotations for an ordinary share of the company as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is contracted to be purchased;

(d) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company after the date of passing this resolution, unless such authority is renewed, varied or revoked prior to such time; and

(e) the Company may conclude a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be exercised wholly or partly after the expiry of such authority and may make a purchase of ordinary shares in pursuance of any such contract as if the authority hereby conferred had not expired (Note 10).

11. Resolution 11 is proposed as a special resolution. It is proposed that Article 48 of the Articles of Association of the Company be amended by replacing Article 48 in its entirety with the following:

    "Subject to the provisions of the Acts, an annual general meeting and all other general meetings of the Company shall be called by at least such minimum period of notice as is prescribed under the Acts. The notice shall specify the place, the date and the time of meeting and the general nature of the business to be transacted, and in the case of an annual general meeting shall specify the meeting as such. Subject to the provisions of these articles and to any rights or restrictions attached to any shares, notices shall be given to all members, to all persons entitled to a share in consequence of the death or bankruptcy of a member and to the directors and auditors of the Company."

12. Resolution 12 is proposed as a special resolution that a general meeting other than an annual general meeting, may be called on not less than 14 clear days notice.

The Board consider that all the proposals to be considered at the Annual General Meeting are likely to promote the success of the Company and are in the best interests of the Company and it's shareholders as a whole. The Directors unanimously recommend that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings.

By order of the Board

**Kelvin Stagg**
Company Secretary
Page House, 1 Dashwood Lang Road
Addlestone, Weybridge, Surrey, KT15 2QW

Registered in England No. 3310225
5 March 2009

**Notes**

1. **A member entitled to attend and vote at the meeting may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the meeting. A member can appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.**
2. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Your proxy will vote as you instruct and must attend the meeting for your vote to be counted. Details of how to appoint the Chairman or another person as your proxy using the proxy form are set out in the notes to the proxy form. Appointing a proxy does not preclude you from attending the Meeting and voting in person. If you attend the Meeting in person, your proxy appointment will automatically be terminated.
3. A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (a "Nominated Person"). The rights to appoint a proxy can not be exercised by a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.
4. In order to be valid an appointment of proxy must be returned (together with any authority under which it is executed) to the Company's Registrars not less than 48 hours before the time of the meeting.
   (a) Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only persons entered on the register of members of the Company at 6.00 p.m. on 20 May 2009 (or, if the meeting is adjourned, at 6.00 p.m. on the date which is two days prior to the adjourned meeting) shall be entitled to attend and vote at the meeting or adjourned meeting. Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote (and the number of votes they may cast) at the meeting or adjourned meeting.
5. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID number – RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
6. Stephen Puckett and Hubert Reid will retire by rotation and are seeking re-appointment at the Annual General Meeting. Biographical information on each of the Directors is contained on page 27 of the annual report and accounts. In accordance with A.7.2 of the Combined Code, the Chairman confirms that, following formal performance evaluation, the above named individuals' performances remain to be effective and demonstrate commitment to the role.
7. For the purpose of this resolution, 'political donations', 'political organisations' and 'political expenditure' have the meanings given to them in Section 363-365 of the 2006 Act.

   In accordance with its Business Principles, it is the Company's policy not to make contributions to political parties. There is no intention to change it. However, what constitutes a 'political party', a 'political organisation', 'political donations' or 'political expenditure' under the Companies Act 2006 is not easy to decide as the legislation is capable of wide interpretation. Sponsorship, subscriptions, payment of expenses, paid leave for employees fulfilling public duties, and support for bodies representing the business community in policy review or reform, among other things, may fall within this.

Therefore, notwithstanding that the Company has no intention of making any political donation or incurring any political expenditure in respect of any political party, political organisation or independent election candidate, the Board has decided to put forward Resolution 7 to renew the authority granted by shareholders at the last AGM of the Company. This will allow the Company to continue to support the community and put forward its views to wider business and Government interests without running the risk of being in breach of the law. As permitted under the 2006 Act, Resolution 7 has also been extended to cover any of these activities by the Company's subsidiaries.

8. In December 2008, the Association of British Insurers ("ABI") revised its guidelines on directors' authority to allot shares (in line with the recommendations of the report issued in November 2008 by the Rights Issue Review Group). The ABI's guidelines previously stated that the directors' general authority to allot shares should be limited to an amount equal to one-third of the Company's issued share capital. The new guidelines state that ABI members will permit, and treat as routine, resolutions seeking authority to allot shares representing up to two-thirds of the Company's issued share capital. The guidelines provide that the extra routine authority (that is the authority to allot shares representing the additional one-third of the Company's issued share capital) can only be used to allot shares pursuant to a fully pre-emptive rights issue.

   In light of these revised guidelines, the Board considers it appropriate that directors be granted authority to allot shares in the capital of the Company up to a maximum nominal amount of 2,125,275 representing the new guideline limit of approximately 66% of the Company's issued ordinary share capital as at 28 February 2009 (the latest practicable date prior to publication of this letter). Of this amount 106,263,732 shares (representing approximately 33% of the Company's issued ordinary share capital) can only be allotted pursuant to a rights issue. The power will last until the conclusion of the next AGM in 2010.

   The directors have no present intention of exercising this authority.

   As at the date of this letter the Company does not hold any ordinary shares in the capital of the Company in treasury.

9. Resolution 9 will give the directors authority to allot shares in the capital of the Company pursuant to the authority granted under Resolution 8 above for cash without complying with the pre-emption rights in the Companies Act 1985 in certain circumstances. In the light of the new ABI guidelines described in relation to Resolution 8 above, this authority will permit the directors to allot:

   (a) shares up to a nominal amount of £2,125,275 (representing two-thirds of the company's issued share capital) on an offer to existing shareholders on a pre-emptive basis. However unless the shares are allotted pursuant to a rights issue (rather than an open offer), the directors may only allot shares up to a nominal amount of £1,062,637 (representing one-third of the company's issued share capital) (in each case subject to adjustments for fractional entitlements and overseas shareholders); and

   (b) shares up to a maximum nominal value of £161,006, representing approximately 5% of the issued ordinary share capital of the Company as at 28 February 2009 (the latest practicable date prior to publication of this letter) otherwise than in connection with an offer to existing shareholders.

   The directors have no present intention of exercising this authority.

   The directors confirm their intention to follow the provisions of the Pre-emption Group's Statement of Principles regarding cumulative usage of authorities within a rolling three-year period. The Principles provide that companies should not issue for cash shares representing in excess of 7.5% of the Company's issued share capital in any rolling three-year period, other than to existing shareholders, without prior consultation with shareholders.

10. This authority is in respect of 14.99% of the issued share capital of the Company and the power given by this resolution will only be exercised if the Directors are satisfied that any purchase will increase the Earnings per Share of the Ordinary Share Capital in issue after the purchase and accordingly, that the purchase is in the interests of shareholders. It is the intention that shares purchased under this authority be cancelled, but in order to respond properly to the Company's capital requirements and prevailing market conditions, the directors will need to reassess at the time of any and each actual purchase whether to hold the shares in treasury or cancel them, provided it is permitted to do so.

11. To have the right to attend and vote at the meeting or adjourned meeting (and also for the purpose of calculating how many votes a person may cast), a person must have his/her name entered on the register of members by no later than 6.00pm on 20 May 2009 (or if the meeting is adjourned, at 6.00pm on the date which is two days prior to the adjourned meeting). Changes to entries on the register after this time shall be disregarded in determining the rights of any person to attend or vote (and the number of votes they may cast) at the meeting or adjourned meeting.

12. Resolution 11 deals with the convening of general meetings and the length of notice required to convene general meetings and is in line with the relevant provisions of the Companies Act 2006. In particular, a general meeting (other than the annual general meeting) to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.
13. Resolution 12 is a resolution to allow the Company to hold general meetings (other than AGMs) on 14 days notice. For general meetings other than AGMs the minimum notice period permitted by the Companies Act 2006 is currently 14 days (rather than the 21 days notice previously required by the old articles and the Companies Act 1985). The 2006 Act provisions relating to meetings are due to be amended with effect from August 2009, as a result of the UK implementation of the EU Shareholder Rights Directive. One of the amendments to be made will, in accordance with the Directive, increase the minimum notice period for listed company general meetings to 21 days, but with an ability for companies to reduce this period back to 14 days (other than for AGMs) provided that two conditions are met. The first condition is that the company offers facilities for shareholders to vote by electronic means. It is not yet clear what this will require and the details will be set out in the final regulations when published. The second condition is that there is an annual resolution of shareholders approving the reduction in the minimum notice period from 21 days to 14 days. The board is therefore proposing Resolution 12 as a special resolution to approve 14 days as the minimum period of notice for all general meetings of the Company other than AGMs. The approval will be effective until the Company's next AGM, when it is intended that the approval be renewed.
14. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.
15. As at 4 March 2009 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 322,034,920 ordinary shares. The Employee Benefit Trust holds 3,020,284 ordinary shares of the Company carrying no voting rights. No shares are held in treasury. Therefore the total voting rights in the Company are 319,014,636.
16. Members satisfying the thresholds in section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting; or (b) any circumstances connected with an auditor of the Company ceasing to hold office since the last Annual General Meeting, that the members propose to raise at the meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on its website.
17. Copies of the directors' service contracts with the Company, and the terms and conditions of the Non-Executive Directors are available for inspection at the registered office of the Company during usual business hours (Saturdays, Sundays and public holidays excepted) and will be available at the place of the meeting from 9.00am until its conclusion.

**Statement of Directors' responsibilities**

The Directors are responsible for preparing the Annual Report and the financial statements. The Directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards (IFRS) and have also elected to prepare financial statements for the Company in accordance with IFRS. Company law requires the Directors to prepare such financial statements in accordance with IFRS, the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards.

Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' report and Directors' remuneration report and operating and financial review which comply with the requirements of the Companies Act 1985.

The directors are responsible for the maintenance and integrity of the company's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Cautionary statement**

This Annual Report and Accounts has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The Annual Report and Accounts should not be relied on by any other party or any other purpose.

This Annual Report and Accounts contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

**Statement of Directors' responsibilities in accordance with the Disclosure and Transparency Rules**

The Directors confirm that, to the best of their knowledge:

a) the Group financial statements, which have been prepared in accordance with IFRS as adopted by the EU and IFRS as issued by the IASB, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and

b) the Business review section contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

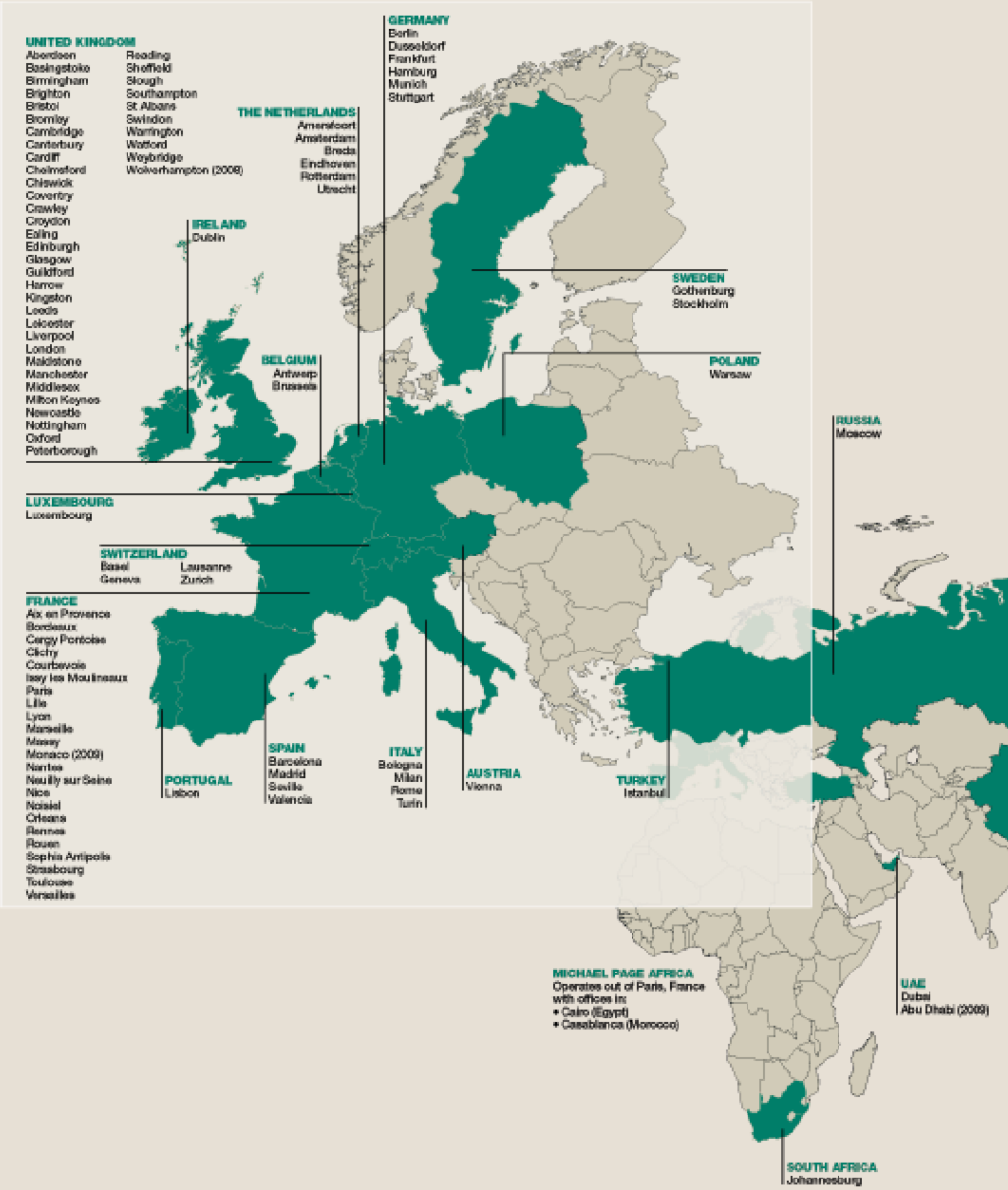
On behalf of the Board

**S Ingham**
Chief Executive
5 March 2009

**S Puckett**
Group Finance Director
5 March 2009

# Our office locations

YEAR ENDED 31 DECEMBER 2008



## GROWING ENTIRELY ORGANICALLY, RATHER THAN BY MERGERS OR ACQUISITIONS, WE NOW HAVE OVER 4,900 PEOPLE IN 163 OFFICES IN 28 COUNTRIES WORLDWIDE.