
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 955m³ landfill space.

A summary is shown in Fig.2. below.

Energy

The total CO² 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 CO². Our average electricity consumption is 154 kWh of electricity per m² of office space. This sits well within benchmarks, which state for an air conditioned office medium electricity consumption should fall between 128kWh/m² and 226kWh/m².

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.

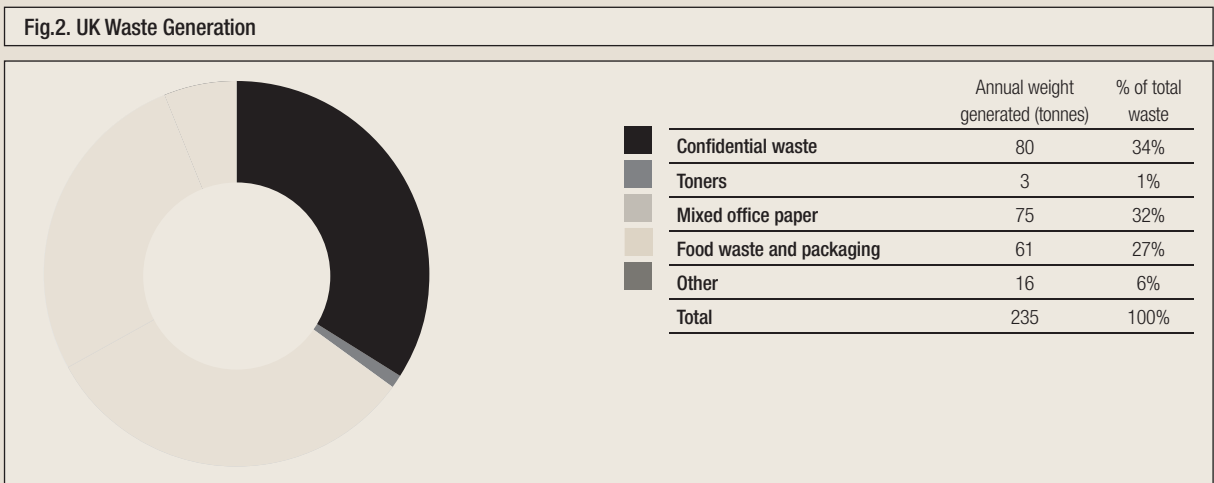
Transport

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 CO².

"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



renewable sources. These sources do not involve the burning of fossil fuels, which produce CO² 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