

# 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	2007	2008	2007	2008	2007
		£'000	£'000	£'000	£'000	£'000	£'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
<b>Segment assets/liabilities/capital expenditure</b>	<b>422,196</b>	<b>314,544</b>	<b>201,952</b>	<b>188,835</b>	<b>27,433</b>	<b>13,506</b>
Income tax	5,358	–	14,938	17,859		
	<b>427,554</b>	<b>314,544</b>	<b>216,890</b>	<b>206,694</b>		

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
	<b>972,782</b>	<b>831,640</b>	<b>552,702</b>	<b>478,094</b>

### (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
	<b>972,782</b>	<b>831,640</b>	<b>552,702</b>	<b>478,094</b>

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
<b>Financial income</b>		
Bank interest receivable	3,878	1,189
<b>Financial expenses</b>		
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
<b>Deferred tax expense</b>		
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

	2008 £'000	2007 £'000
<b>Tax recognised directly in equity</b>		
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
<b>Amounts recognised as distributions to equity holders in the year:</b>		
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
<b>Amounts proposed as distributions to equity holders:</b>		
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
<b>Number of shares</b>		
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

Group	2008				2007			
	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
<b>Cost</b>								
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
<b>Depreciation</b>								
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
<b>Net book value</b>								
At 31 December	16,085	21,072	1,940	39,097	10,933	14,559	1,657	27,149

## 11. Intangible assets

Group	2008			2007		
	Computer software £'000	Goodwill £'000	Total £'000	Computer software £'000	Goodwill £'000	Total £'000
<b>Cost</b>						
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
<b>Amortisation</b>						
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
<b>Net book value</b>						
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
	<b>1,539</b>	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
<b>Cost</b>		
At 1 January 2008	426,028	426,028
Derecognised on vesting of LTIP's and deferred bonus shares	(1,379)	(1,379)
<b>At 31 December 2008</b>	<b>424,649</b>	<b>424,649</b>

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 Empresa 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	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
<b>Current</b>				
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
<b>Non-current</b>				
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
<b>Current</b>				
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
<b>Non-current</b>				
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
<b>At 1 January 2007</b>	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
<b>At 1 January 2008</b>	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	–	–	–	–	–
<b>At 31 December 2008</b>	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
<b>Authorised</b>				
Ordinary shares of 1p each	5,713	571,250,000	5,713	571,250,000
<b>Allotted, called-up and fully paid</b>				
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
<b>Total 2008</b>	<b>11,090,941</b>	<b>3,141,000</b>	<b>(1,276,768)</b>	<b>(754,231)</b>	<b>12,200,942</b>			
Weighted average exercise price 2008 (£)	2.69	2.80	1.75	3.15	2.79			
<b>Total 2007</b>	<b>14,480,459</b>	<b>2,818,000</b>	<b>(5,676,074)</b>	<b>(531,444)</b>	<b>11,090,941</b>			
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		Company	
	2008 £'000	2007 £'000	2008 £'000	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
<b>Operating cash flow before changes in working capital and provisions</b>	<b>158,081</b>	<b>163,940</b>	<b>323,891</b>	<b>4,307</b>
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)	–	–
<b>Cash generated from operations</b>	<b>185,206</b>	<b>148,663</b>	<b>55,281</b>	<b>41,744</b>

## 21. Cash and cash equivalents

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

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 £'000	2007 £'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 £'000	2007 £'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
	<b>16,559</b>	<b>21,343</b>

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			
	Less than 1 month £'000	1-3 months £'000	3-12 months £'000	More than 12 months £'000
<b>2008</b>				
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			
	Less than 1 month £'000	1-3 months £'000	3-12 months £'000	More than 12 months £'000
<b>2007</b>				
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.

Derivatives Financial Instruments	Contract amounts		Derivatives at fair value	
	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 £'000	2007 £'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 £'000	2007 £'000	2008 £'000	2007 £'000	2008 £'000	2007 £'000
	325,264	4,283	381,457	73,516	340,505	302,242