
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 52 to 83. 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 16 to 29.

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 2007 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:

Review of operations	page 18 to 23
Strategy	page 10 to 13
Key performance indicators	page 27
Future outlook	pages 17, 22 and 23
Risks and uncertainties	pages 28 and 29
Financial review	page 24 to 29
Corporate responsibility	page 34 to 36

Significant agreements

There are no significant agreements that take effect, alter or terminate upon a change of control of the Company following a takeover bid.

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[‡] (appointed 23 May 2007)
- Dr Tim Miller[‡]
- Stephen Puckett
- Hubert Reid[‡]

[‡] Non-Executive Directors

* Senior Independent Director

In accordance with the Company's Articles of Association, Steve Ingham, Dr Tim Miller and Ruby McGregor-Smith will retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election.

Biographical details for all the current Directors are shown on pages 30 and 31.

The beneficial interests of Directors in office at 31 December 2007 in the shares of the Company at 31 December 2007 and at 4 March 2008 are set out in the Remuneration Report on pages 43 to 49.

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 purchased and 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 (previously Section 309B of the Companies Act 1985), were in force throughout the year and are currently in force.



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Results and dividends

The profit for the year after taxation amounted to £101.7m (2006: £65.4m).

A final dividend for 2006 of 4.2 pence per ordinary share was paid on 5 June 2007. An interim dividend of 2.4 pence per ordinary share was paid on 12 October 2007. The Directors recommend the payment of a final dividend for the year ended 31 December 2007 of 5.6 pence per ordinary share on 9 June 2008 to shareholders on the register on 9 May 2008 which, if approved at the Annual General Meeting, will result in a total dividend for the year of 8.0 pence per ordinary share (2006: 6.0 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 2007, the Company renewed its authority to make market purchases of its own ordinary shares up to a maximum of 10% of the issued share capital.

During the year, the Company purchased 11.5m shares which were immediately cancelled. A further 3.5m 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 £0.2m and represented 4.5% of the issued share capital. The shares were purchased for a consideration of £74.9m including expenses. 5.7m shares were also issued to satisfy share options exercised during the year.

Substantial shareholdings

As at 22 February 2008, 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	33,990,190	10.38
Standard Life Investments	30,084,802	9.19
AXA Investment Managers UK Limited	16,305,201	4.98
Barclays plc	16,223,821	4.96
JP Morgan	15,993,951	4.88
Legal & General	13,368,196	4.08

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 2007 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.

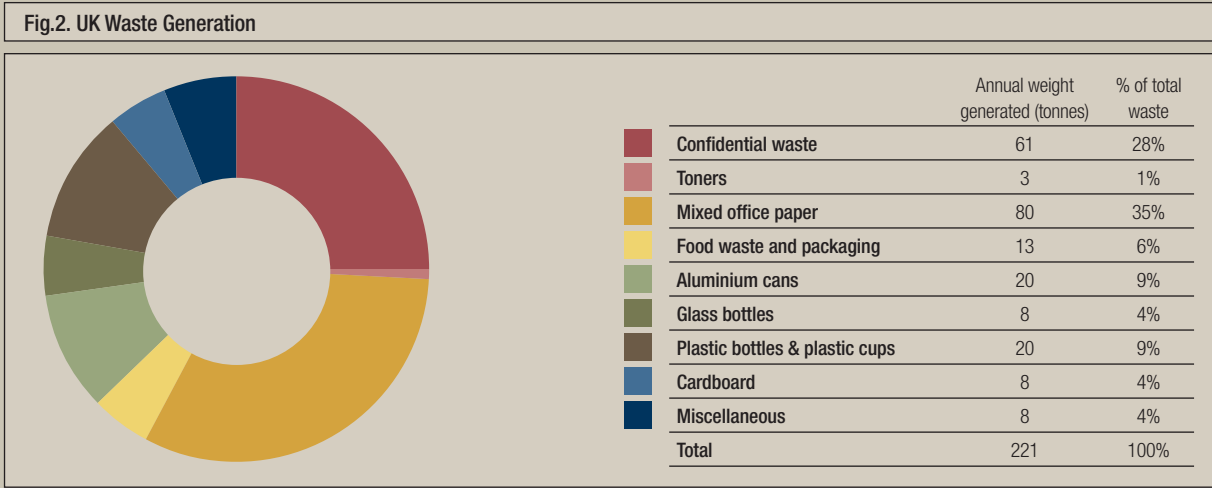
A review is carried out annually in accordance with the guidance as laid down by the Department for Environment, Food and Rural Affairs (DEFRA), and the Global Reporting Initiative (GRI), an independent international institution established to create a common framework for sustainability reporting worldwide.

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 2007 is shown below.

Waste

- 221 tonnes of waste was generated by UK offices. Our current national recycling rate is 24.0% from recycling confidential paper and toner cartridges.
- Through recycling, Michael Page in the UK has saved 2,477 trees and saved a total of 728m³ landfill space.

A summary is shown in Fig.2. below.



Energy

- 6,166,444 kWh of electricity was consumed in the UK, which converts to 1,972 tonnes CO².
- 2,175,150 kWh of gas was consumed in the UK, which converts to 435 tonnes CO².
- Through recycling Michael Page in the UK has saved 49,193 kWh of energy.

Water

- In the UK, Michael Page consumed 29,615 m³ of water.

Transport

- In total, UK employees travelling to and from work converts to 1,100 tonnes 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 2008 we will be working hard to make an even greater effort to reduce our environmental impact.

(b) Charitable donations

The Group made charitable donations of £89,800 during the year (2006: £49,416). 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 Switzerland participated in the Course de L’Escalade in support of the Red Cross, while in Michael Page Germany, a candidate charitable donation programme was introduced in aid of Aktion Mensch, a disability charity. Michael Page France has been working with several charities for a number of years. They have helped young people develop social skills and confidence through “Sport Dans la Ville”, the provision of employment opportunities for older people through “La Fondation de la 2^{ème} Chance” and “Cadraction 78”, the encouragement of employment of people

with disabilities through “hanploi.com”, as well as various other charities involved in issues such as anti-discrimination and cancer. In Holland, a team redecorated rooms for parents to stay when they visit their sick children. They also participated in various cancer related charity events.

In the UK, subject to certain restrictions, the Group matches charitable donations made by employees. In 2007, we nominated Cancer Research UK as our charity of the year. We have sponsored a number of different initiatives and have so far raised approximately £100,000 for the charity.

In the Americas, Michael Page Brazil engaged in a number of charity events, sponsoring a charity auction in aid of ‘Boys and Girls hope worldwide’, sponsorship of a new location in Sao Paulo for the ‘Projeto Guri’ bringing music and culture to poor areas of the city, and ongoing help and support for ‘Gotas de Flor com Amor’, an institution focusing on childrens’ education.

In Asia Pacific, Michael Page Australia provided sponsorship to children via the World Vision charity and held numerous charitable events, supporting a range of charities including the Breast Cancer Foundation, Juvenile Diabetes Foundation and Ronald McDonald House Children’s Charity. In Hong Kong, Michael Page Hong Kong supported children’s cancer charities with a range of events including rickshaw and sedan chair style races.

(c) Employee involvement

Employees are involved in all aspects of the business. Michael Page International is featured in The Sunday Times 100 Best Companies to Work For. The Group has been placed in the Top 100 consistently every year and has recently moved from a 1 star to a 2 star accreditation receiving particular commendations for culture, team spirit, people development and leadership. In addition, the Group has engaged an external organisation to implement on-line exit interviews with a view to enhancing its knowledge of employee engagement and satisfaction issues.

Communication with employees is 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 in both 2006 and 2007, 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 2007, the Group monitored the diversity of its UK employees, 87% of whom to date have completed the voluntary request for information. The analysis indicates a split of 53% female, 46% 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 2008. 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 number of proactive steps to enhance its position on diversity and works closely with a number of clients to share 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 (2006: nil) as the Company does not undertake any transactions with suppliers. The Group's creditor days at the year end were 27 (2006: 23 days).

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements. The Directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards (IFRS) and have also elected to prepare financial statements for the Company

in accordance with IFRS. Company law requires the Directors to prepare such financial statements in accordance with IFRS, the Companies Act 1985 and Article 4 of the IAS Regulation.

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

Directors are also required to:

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

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

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

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

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. This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

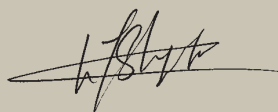
Auditors

Deloitte & Touche 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 23 May 2008, together with explanatory notes, appear in the Notice of Meeting set out on pages 91 to 95.

By order of the Board



Kelvin Stagg

Company Secretary
4 March 2008