

Operational

REVIEW



In 2007, we have grown gross profits by 37% and delivered record operating profits of £149m, up 54%. This time last year we described 2006 as a very strong year for the Group, growing gross profits 30% and producing £97m of operating profit. We also said that we would continue with our strategy of expanding organically, gradually diversifying and reducing our dependency upon any single geographic market or individual discipline and that we would accelerate the pace of implementation.

Our results for 2007 confirm that we have followed this through and how successful we have been. Having opened in five countries in 2006, our geographic expansion continued in 2007 with openings in Luxembourg and Argentina. More significantly, we increased our fee generating and support staff by nearly 1,300 people, enabling us to expand existing and open new offices, as well as continuing our discipline roll-out. At the end of 2007, the Group had 5,052 (2006: 3,758) fee generating and support staff, operating from 149 (2006: 133) offices in 25 (2006: 23) countries.

Branding and market positioning

Over the last 30 years, the Group has developed a clear brand strategy for the middle to senior-management professional

	Fee Earners	Offices*	Countries
Michael Page INTERNATIONAL	2,964	91	25
Page Personnel	873	79	8

*In some locations offices are shared.

market. Michael Page International is now a high-profile brand, globally recognised, that enables us to attract consultants, candidates and clients in an ever increasing number of countries.

As a result of the complex variation in legislation relating to how temporary and permanent recruitment is managed in different countries, we developed two brands for the clerical professional market. In the UK, where we were only focused on clerical accounting professionals, the brand was Accountancy Additions. In Europe, where in many countries legislation required us to have a separate business for temporary recruitment, the brand is Page Personnel.

With changes in legislation over recent years, Page Personnel can now operate, as did Accountancy Additions, in both temporary and permanent recruitment. This and our desire to roll-out the brand to other disciplines, as we have successfully done in Europe, has resulted in us clarifying our strategy at this level with one brand. In November 2007, Accountancy Additions was rebranded to Page Personnel Finance and Accounting and during 2007 we launched in the UK two other Page Personnel disciplines, Human Resources and Secretarial.

Both the Michael Page and Page Personnel businesses are significant in terms of countries, office networks and fee earners as illustrated in the chart below left.

Diversification

The objective of our strategy to diversify the business, both geographically and by discipline, while remaining focused on the cyclical recruitment market, is to reduce the dependency upon any one particular market. We believe we have been very successful in implementing this strategy as illustrated in the table below which compares the gross profit from the business today with the position at the end of 2000.

In 2000, nearly 50% of Group gross profit was generated in the UK. In 2007, it was less than 40%, with EMEA now our largest region.

In 2000, nearly 90% of Group gross profit was generated in four countries. In 2007, these same four countries generated two-thirds of Group gross profit.

In 2000, two-thirds of Group gross profit was generated by Finance and Accounting. In 2007, it was just over a half.

	2007	2000
Gross profit	£478.1m	£238.3m
% of gross profit by Region		
EMEA	41%	36%
UK	39%	49%
Asia Pacific	12%	13%
Americas	8%	2%
% of gross profit from four largest countries		
UK	39%	49%
France	13%	25%
Netherlands	7%	6%
Australia	7%	9%
Top 4	66%	89%

	2007	2000
% of gross profit by Discipline		
Finance and Accounting	54%	66%
Marketing, Sales and Retail	19%	21%
Legal, Technology, HR, Secretarial and Other	15%	10%
Engineering, Property & Construction, Procurement & Supply Chain	12%	3%

Continental Europe, Middle East and Africa (EMEA)

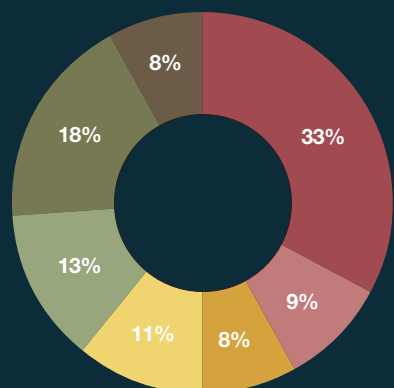
During 2007, the EMEA region achieved strong growth and is now the largest region in the Group, both in terms of gross profit and headcount. Revenue in EMEA increased by 44.0% to £321.1m (2006: £223.0m) and gross profit increased by 55.2% to £196.4m (2006: £126.6m). As a result of the increased revenue and high operational gearing, the region produced an increase of 84.4% in operating profit to £63.0m (2006: £34.2m), a conversion rate of 32.1% (2006: 27.0%). Headcount in the region increased by 640 (45%) during the year to 2,078, with the majority joining existing offices. In a number of locations we have taken larger office space to accommodate the growth and we continued our longer-term investment opening in Luxembourg and starting new offices in Hamburg, Valencia and Bordeaux.

France (33% of EMEA), which remains our second largest and most established business after the UK, had a very successful year growing gross profits by 33% in constant currency. The restructuring of the Michael Page and Page Personnel businesses, following the introduction of the "Borloo" law, is now starting to deliver significant growth with the back drop of stable economic conditions. While the growth in France has been impressive, there remains significant scope for further growth, particularly when recognising that the 2007 gross profits of our French business are still approximately 10% below the gross profits produced in 2000 and 2001.

Elsewhere in the region, collectively, our businesses during 2007 maintained the gross profit growth rate of 2006 at 68%. All countries contributed to this strong growth as we continue our discipline and geographic expansion. In constant currency, the Netherlands (18% of EMEA) grew gross profits by 47%, Germany (13% of EMEA) grew gross profits by 75%, Spain (11% of EMEA) grew gross profits by 59%, Italy (8% of EMEA) grew gross profits by 61% and Switzerland (8% of EMEA) grew gross profits by 116%.



DURING 2007, EMEA ACHIEVED STRONG GROWTH AND IS NOW THE LARGEST REGION IN THE GROUP, BOTH IN TERMS OF GROSS PROFIT AND HEADCOUNT.



EMEA GROSS PROFIT 2007

+33% Growth	France
+99% Growth	Belgium, South Africa, UAE, Sweden, Poland, Portugal, Russia, Ireland, Luxembourg
+61% Growth	Italy
+59% Growth	Spain
+75% Growth	Germany
+47% Growth	Holland
+116% Growth	Switzerland

Growth rates in local currency

The new businesses which opened in 2006 in Moscow, Johannesburg, Dubai and Dublin, together with Luxembourg in 2007, are ahead of plan. They continue to grow rapidly and collectively had 65 staff at the end of 2007.

With operating profits increasing by 84% from an increase in gross profit of 55% and the conversion rate now at 32%, there is little spare capacity within these businesses and future growth in profits will largely be driven by investment in new staff and office space to accommodate them.

United Kingdom

In the UK, revenue increased by 15.4% to £360.4m (2006: £312.4m) and gross profit by 19.4% to £186.0m (2006: £155.8m). Operating profits were £59.4m (2006: £44.3m), an increase of 34.2% and represent a conversion rate of 31.9% (2006: 28.4%). We invested heavily during the year, increasing headcount by 17% to 1,799 and opening new offices in Pall Mall and Canary Wharf in London, Leicester and Aberdeen.

The gross profits of the Finance and Accounting businesses, which generated 51% of UK gross profit, were 11% higher than in 2006. Michael Page Finance, the largest of the three businesses, produced a mixed performance, with good growth in the regions, being held back by below expectation growth in London and the South East. A number of changes have been made to the management structure of these businesses, which should produce an improved performance in 2008. Michael Page Financial Services had a very strong first half of the year with good growth. The "credit crunch" in the latter half of 2007 has impacted certain parts of the banking market and consequently our growth rate slowed, being flat year-on-year in the fourth quarter. During the year we continued to expand the Page Personnel office network from 35 to 37, opening in Swindon and Sheffield.

The combined gross profits of Michael Page Marketing, Michael Page Sales and Michael Page Retail, were 23% higher than in 2006 and, combined, represented 22% of UK gross profit. The Marketing and Sales businesses performed strongly and now operate from 10 and 9 locations respectively. Retail, the smallest of the three businesses, had a tremendous year growing in excess of 40%.

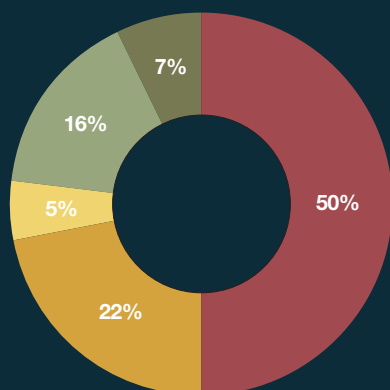
Michael Page Legal, Michael Page Technology, Michael Page Human Resources and Michael Page Secretarial achieved growth of 26% and, combined, represented 16% of UK gross profit. From the Legal business, we created a new business, Michael Page Offshore, which focuses on placing legal, tax and accounting candidates in some of the many offshore tax havens around the world.

The more recently created Michael Page Engineering & Manufacturing, Michael Page Procurement & Supply Chain and Michael Page Property & Construction businesses, grew at over 50% and now represent 7% of UK gross profit. These businesses all grew significantly in 2007 and given the enormous scope for growth in these disciplines, we will continue to invest heavily in them.

I am delighted to report another outstanding year in Scotland, growing gross profit by 50%. In 2007, we opened a new office in Aberdeen and moved into larger offices in Edinburgh. Scotland now represents 5% of UK gross profit.

Asia Pacific

In the Asia Pacific region, revenue was 17.0% higher at £97.8m (2006: £83.6m), gross profit was 27.3% higher at £57.2m (2006: £45.0m) and operating profit increased 22.1% to £20.8m (2006: £17.1m), with a conversion rate of 36.4% (2006: 37.9%). We invested in all the existing offices in the region, increasing headcount by 43% to 632.



UK GROSS PROFIT 2007

- +11% Growth Finance & Accounting
- +23% Growth Marketing, Sales and Retail
- +50% Growth Scotland
- +26% Growth Legal, HR, Technology, Secretarial and Other
- +53% Growth Engineering, Property & Construction, Procurement & Supply Chain

In Australia, (57% of Asia Pacific) gross profit and operating profit grew in constant currency by 23.0% and 7.2% respectively, as anticipated, benefiting from the management and structural changes made in the second half of 2006. We continue to see numerous growth opportunities and with a strong Australian economy, we have increased our headcount in Australia by 46%, a large proportion of which joined during the second half of the year.

In Hong Kong, Sha Tin, Shanghai, Tokyo and Singapore, we achieved another year of substantial gross profit growth, with all locations having a record year. While we continue our discipline roll-out, some less mature offices derive a significant proportion of gross profit from one discipline. This is the case with our Tokyo office, where in the fourth quarter of 2007 our business slowed as the credit crunch impacted on demand in the banking sector. We have an excellent opportunity to expand our business significantly in China and plan to open in Beijing and Shenzhen in the first half of 2008.

The Americas

Revenue for the region was 74.1% higher at £52.4m (2006: £30.1m), gross profit increased by 79.0% to £38.4m (2006: £21.5m), operating profit increased to £6.2m (2006: £1.9m), with a conversion rate of 16.1% (2006: 8.7%). Headcount in the region increased by 59% to 543 and we opened new offices in Hartford, Atlanta, Curitiba, Brazil and our first office in Argentina in Buenos Aires.

In North America, we have continued our rapid expansion of existing and new offices and the discipline roll-out has continued at pace. We now have nine offices and over 280 staff. In Latin America, we now have over 260 staff and in Mexico, which opened in 2006, we are well ahead of plan, with a good level of profits.

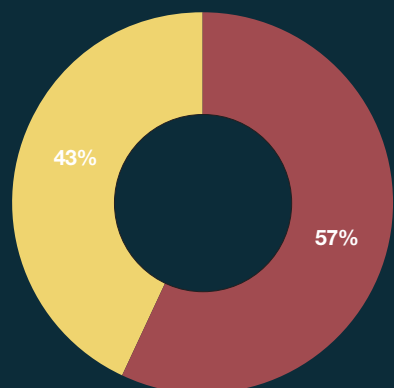
With very limited competition in Latin America, the Americas represents a tremendous long-term opportunity for the Group to expand and we will continue to invest heavily to grow the businesses rapidly. This degree of investment results in the conversion rate in the region being below that of the other regions. However, we anticipate that operating profits will grow at a faster rate than gross profits and the conversion margin will improve over time.

Investment in 2008 and outlook

We made significant investment in 2007, ahead of what was planned at the start of the year, as market conditions remained favourable. We plan further expansion in 2008, with new offices already opened in Montreal, Newcastle, Gothenburg and Seville and new country openings planned in Austria, Turkey and New Zealand. Assuming market conditions remain favourable in the majority of countries in which we operate, these investments, together with our continued expansion of our existing businesses, should see our headcount reach 6,000 by the end of 2008.

An important factor in the success as a business has been our use of technology. Our current recruitment system has supported our growth over the past five years, however, these systems continually develop and the next generation of systems are now available that will facilitate our continued growth. A project is underway throughout the Group to replace the current recruitment system, with a view to the first full implementation taking place early in 2009.

The planned headcount levels, new countries and office openings, will result in an estimated 2008 pre-bonus cost base of approximately £350m, including all share-based charges. Bonuses will continue to be approximately 25% of pre-bonus operating profit.



ASIA PACIFIC GROSS PROFIT 2007

- +23% Growth Australia
- +39% Growth Asia

Growth rates in local currency

While we have identified numerous opportunities to continue our growth, we are mindful of the current and now widely-predicted weakening of global economic activity. All our businesses are formally reviewed and forecasts revised on a quarterly basis. At present there is considerable uncertainty over the extent of any economic slowdown and which region's economies will be most affected. The severity of any slowdown is unlikely to impact significantly on our investment plans for new country and office openings as we believe they represent excellent strategic long-term opportunities. However, a slowdown would impact the headcount growth plans of our more established businesses and in the event of a sustained global economic slowdown, our headcount would not reach 6,000 staff by the end of 2008.

We have an exceptional pool of ambitious and talented people in the Group, in particular at the senior management level, with proven expertise and skills required to launch new or grow existing businesses successfully. This team also has a track record of managing these businesses during recessions and economic slowdowns, while continuing to generate profits and cash. Furthermore, we have a track record in periods of economic slowdown of maintaining our infrastructure and market presence, while continuing to make strategic and measured investments for the longer-term, positioning the business for strong growth when economic conditions improve.

It has always been, and will continue to be, our intention to take decisions and make investments for the longer-term benefit of our stakeholders. If there is a slowdown, we believe that the greater geographic and discipline diversification of the business that we have created since 2000 will make the Group earnings more resilient to a slowing in economic activity when compared to previous slowdowns. I look forward to reporting our progress each quarter as we progress through 2008.



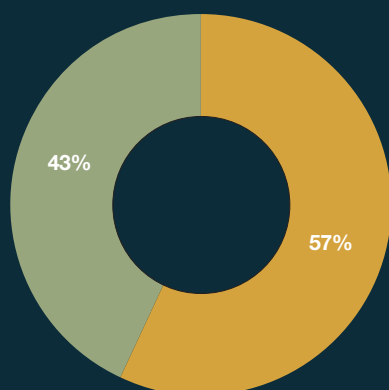
Steve Ingham

Chief Executive

4 March 2008

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**WE HAVE AN
EXCEPTIONAL POOL
OF AMBITIOUS AND
TALENTED PEOPLE
IN THE GROUP.**



THE AMERICAS GROSS PROFIT 2007

- +82% Growth North America
- +89% Growth Latin America

Growth rates in local currency