

# Michael Page International plc

## Annual Report 2002

## Director of Finance & Information

Hong Kong Based  
Strategic Change Agent  
Package Circa HK\$2.5 Million

Our client is a prominent organization renowned for its track record in Hong Kong, with a multi-billion dollar turnover and numerous awards across the globe. It manages a diverse portfolio of businesses in the commercial and consumer markets. A need has arisen to recruit a senior Finance Director to head up the Finance & IT function.

Individuals from around 100 AEC, Finance Director to be a key member of a well established management team and will interact closely with the Board of Directors and the Executive Director and CFO. The primary responsibilities will include: financial management, HR, IT, internal operations and business management. Crucial to this role will be the ability to manage the Finance & IT function in the respective Business Units and across their boards. An understanding of the operations of the respective Business Units.

Our client is an exclusive partnership of the world's premier private and investment specialists. Their mission is to become the leading global quality network of independent advisors and service companies for wealthy individuals and families. Their clients enjoy access to a seamless international network of advice and support across the spectrum of disciplines related to private wealth management, family office services and direct investment.

## Global Network President & Regional Director EMEA

Zürich M/F

This is a hands-on general management position, reporting to and supervising Asia Pacific. The role requires a dynamic individual with strong negotiation and networking skills. You are likely to be in your mid to late 40's and have regional experience as senior manager or partner of a financial services department of a consulting group / a Big 5 / tax or a law firm / a private bank / or a wealth management company. With a broad experience of general management, you are likely to be currently working in business development / entrepreneurial capacity across EMEA, with a heavy emphasis on marketing, strategic planning and integration initiatives.

Interested applicants should send their curriculum vitae to: (Word only) at: alexander.miller@michaelpage.com

Michael Page

BANKING

## General Counsel

Sydney Based  
Fortune 500 Company  
Attractive Package

With a market capitalization of approximately AU\$20 billion and operations in over 20 countries, this Fortune 500 company has successfully positioned itself through its commitment to innovation, technology, product development, research and marketing support.

Due to rapid growth in the region, the company is looking to appoint its first in-house Counsel. As General Counsel for Australia, reporting to the Managing Director, you will be responsible for all legal matters and will offer general legal support as part of a team throughout Europe and Asia. Based in Sydney, you will advise on managed investments, superannuation, regulatory compliance, insurance, lease practices, corporate governance, employment and litigation matters. As a proactive individual:

• Advise and advise on administrative, compliance, employment, and other matters.  
• In addition to the above, you will be responsible for maintaining the brand's leading position and driving the business forward.

Based in Dubai

In this role you will take full responsibility for leading the Marketing Team across a number of markets / regions and the overall brand's development. This will encompass managing all aspects of above and below the line market research and public relations activity.

This is a senior role within the organisation to gain credibility quickly within the organisation and deliver outstanding results. The successful candidate will have approx 10 years full mix marketing experience and an international FMCG or consumer subsector environment. Already a successful Marketeer

Excellent Package Tax Free

will be a broad and strategic thinker, who is commercially astute and results driven. Ideally, you will have worked abroad for a significant period of time, be culturally sensitive

Zürich - Kloten

Unser Auftraggeber bietet Unternehmen maßgeschneiderte IT-Trainingslösungen und Beratungsleistungen an. Aufgrund des kontinuierlichen Wachstums entsteht eine neue Funktion als

## Leiter(in) Finanzen/Controlling/Administration

Zürich - Kloten M/F

Wir wenden uns an eine unkomplizierte, praktisch orientierte Persönlichkeit mit den Eigenschaften eines Pioniers und „Allrounder-Qualitäten“ im Finanzbereich.

Sie verfügen über eine höhere Ausbildung im Bereich Finanzwesen/Betriebswirtschaft und haben mindestens 2-3 Jahre Praxiserfahrung in einer ähnlichen Position erworben. Zudem bringen Sie das notwendige IT-Flair für die Evaluation und Umsetzung entsprechender Projekte mit.

Sie sind zwischen 27-35 Jahre jung und haben sehr gute Deutsche & Englisch Kenntnisse, Französisch ist ein plus.

## Senior Brand Managers

Our client's business is part of a £1.2 billion turnover company, which has developed its business to be a leader within the branded and own label grocery market. With a tenacious and solution driven company style, working hand in hand with the multiple retailers, our client is set for further growth.

£ Excellent + Car + Benefits

Our client seeks people who can share their vision, passion and drive for growth. You must be a skilled marketer with at least four years Brand Management experience, supported by strong academics and a track record of achievement.

With a commitment for personal development and an unrivalled reputation for training, this is a real opportunity to join one of the UK's leading FMCG businesses.

Please email your CV to: [recruitment@michaelpage.com](mailto:recruitment@michaelpage.com)

## HR Manager

Sydney  
International Company  
\$130,000 Package

This multi-site operation is the world leader in trade distribution. Following structural change, this role focuses on maintaining a strong operational HR function and the improvement of business performance through management team support.

You will report to the Managing Director and be a member of the Executive Board and have the ability to relate across an operationally focused organisation and provide commercial support to the management team, as well as remaining 'hands-on' in regard to employee relations.

You will be tertiary qualified with extensive generalist experience ideally gained within retail or a distribution environment. This role offers a high degree of autonomy and scope to improve existing HR initiatives, while retaining career opportunities provided by a large organisation.

Please contact Kate Stewart on (02) 9254 0256 (9am-7pm) or email your resume to [sydney@michaelpage.com](mailto:sydney@michaelpage.com) quoting ref: SMH/KUS188 or visit our website at [www.michaelpage.com.au](http://www.michaelpage.com.au)

Michael Page

HUMAN RESOURCES

www.michaelpage.com.au

Australia • Belgium • Brazil • France • Germany • Hong Kong • Italy • Japan • Netherlands • Portugal • Singapore • Spain • Sweden • Switzerland • UK • USA

## Head of Risk Management

A unique and exciting opportunity has emerged, working for a well established business leading in capital markets services rapidly across Europe. Our client, a major UK regulated financial institution, is seeking a Head of Risk Management, with a minimum of 10 years experience in risk management and insurance, A&P, and with a minimum of over \$750 million and a market capitalisation of over \$3 billion, has expanded Europe to further develop its structured products business. To that end there are in the process of setting up a London based subsidiary to be the base for setting credit solutions in the EMEA market place.

London, City c £110,000 + Bonus + Benefits

Reporting to the MD of the London business and the CEO of the UK, the Head of Risk will be one of the senior strategic importance. Duties will include:  
• Build, supervise and manage the European Risk Management and Surveillance Function.  
• Manage the European transaction review and credit committee.  
• Develop and implement risk management policies and procedures.  
• Create systems and staff are in place to implement risk policy.  
• Participate in new business development.  
• Assist with all portfolio work.  
• Communicate with senior agencies, investors and regulatory authorities.  
• Manage the UK credit committee.

Michael Page

CITY

www.michaelpage.com

Australia • Belgium • Brazil • France • Germany • Hong Kong • Italy • Japan • Netherlands • Portugal • Singapore • Spain • Sweden • Switzerland • UK • USA

## Directeur des Licences Europe

H/F

Rattaché directement à notre siège californien, votre mission consiste à développer les ventes de licences sur l'ensemble de l'Europe. Pour cela, vous définissez et mettez en place un plan d'actions

Unser Mandat ist ein US-amerikanisches Unternehmen mit Aktivitäten in Nordamerika und Europa. Mit der Entwicklung und Produktion von qualitativ hochwertigen und innovativen Produkten ist es ein zentraler Partner der Automobilindustrie. Mit einem breiten Spektrum an Produkten ist es auf weiteres Wachstum ausgerichtet. Für die Befähigung dieser Aufgabenstellung suchen wir ein

## Chief Financial Controller Europe (m/w)

Anforderungsprofil:  
• Betriebswirtschaftliches Studium mit Schwerpunkt Finanzen / Controlling.  
• Gerne mit internationaler Prägung.  
• 6-8 Jahre Erfahrung im Controlling eines international ausgerichteten Produktionsunternehmens. Eine Basis aus dem Feld der Wirtschaftsprüfung ist vorzuziehen.  
• Kenntnisse aus der Automobil- bzw. Automobilzulieferindustrie sind wünschenswert.  
• Starke Businessorientierung mit hervorragenden Fähigkeiten zur Kommunikation und Präsentation über sämtliche Organisationsstufen.  
• Sehr gute Englischkenntnisse in Wort und Schrift sind ein Muss.  
• Flexible Persönlichkeit mit der Fähigkeit sich in einem internationalen Umfeld zu bewegen

Aufgabenfeld:  
• Gesamtverantwortung für alle europäischen Finanzen  
• Verantwortlich für die Planung-, Budget- und Forecastprozesse sowie für die Themen Cash-Controlling und Steuerung des Working-Capital  
• Durchführung des monatlichen Reporting nach US GAAP  
• Optimierung der Prozesse im Bereich Rechnungslegung und Controlling sowie Weiterentwicklung der Organisation im In- und Outsourcing  
• Effizienzsteigerung durch pro-aktive Beratung der operativen Einheiten inklusive Prozess- und Ergingensgestaltung  
• Vorbereitung und Präsentation von Informationen für Entscheidungen auf Managementebene  
• Internationale Projektarbeit (Einführung IT-Systeme, etc.)

## Head of Department - Tax & Private Client

If you are a visionary partner in the Tax & Private Client field, with a proven track record of team leadership and change management, then this is an exceptional opportunity for you.

London | E Competitive

The client is a leading market practice within litigation, real estate, property, corporate, charities, private client and tax. The firm enjoys a reputation for excellence and is a leading provider of legal services.

partner already operating as a Department Head. In line with the growth strategy for the department, a team would also be of interest. You will work with talented and committed partners and associates in a collaborative

## Sales Manager/in Germany

Anforderungsprofil:

rischen/logistischen Umfeld  
• in der Leitung von Aufbauarbeit  
• 27 und 35 Jahren liegen  
• in England/italien  
• in englischer/italienischer  
• in der Darstellungsfähigkeit  
• in der Arbeitsweise

Aufgabenfeld:

• Direkte Berichtslinie an den Geschäftsführer Europa/Asien  
• Förderung und Aufbau neuer Geschäftsbeziehungen in Deutschland  
• Pflege bestehender Kundenbeziehungen auf höchstem Niveau  
• Identifikation, Aufbau und Implementierung von New Business Channels  
• Einführung und Entwicklung neuer Produkte auf dem Markt  
• Ständige Marktbeobachtung und kontinuierliche Analyse der Ergebnisse  
• Koordination, Lenkung und Verantwortung von Besuch und Arbeitsaufträgen  
• Budgetverantwortung

en, wenn Sie ein extrovertierter "Macher" sind. Sie können aktiv auf Menschen zugehen, betriebswirtschaftlichen Einblicke, Entscheidungsfindungsprozesse oder fachliche Moderationen. Dedikation und Entwicklungsmöglichkeiten im Job Sie zufuhrbereitstellen. Wenden Sie sich für einen ersten vortrallichen Kontakt an Frau Georgina Quinan unter Sie uns gleich unter Angabe der Kennzahl für SI 50/58823 Ihre kompletten Bewerbungsunterlagen per e-mail an [si50@si50.com](mailto:si50@si50.com) oder per Post an Michael Page Sales & Marketing, Hübenerplatz 3, 60333 Frankfurt.

Michael Page

SALES & MARKETING

Frankreich • Großbritannien • Hongkong • Italien • Japan • Niederlande • Portugal • Schweden • Schweiz • Singapur • Spanien • USA

## Controller Europe

Utrecht circa € 75.000,-

Onze opdrachtgever is een van de grootste bouwondernemingsorganisaties in Europa met een primaire focus op ethal. In hetgeen dit vorgevoerde met een € 3,5 miljard is ingesloten uit commerciële vastgoed in Nederland, België, Italië en Spanje. Op de gebied van een sterke Company expertise, met uitgebreide kennis in deze landen, als daar investeringen in vastgoed in landen als België en Spanje. De werkgever zoekt een Controller in Nederland. Het bedrijf is actief in België, Nederland, Italië en Spanje. De Controller zal de financiële en operationele activiteiten van de organisatie over de hele wereld moeten managen. Het bedrijf heeft een sterke focus op de bouwmarkt in Europa. Het bedrijf heeft een sterke focus op de bouwmarkt in Europa. Het bedrijf heeft een sterke focus op de bouwmarkt in Europa.

Taken en verantwoordelijkheden:  
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## Chairman's Statement



As anticipated, 2002 was a challenging year characterised by slowing economies, deteriorating business confidence and political uncertainty. These conditions have impacted directly upon the professional employment markets and consequently on the results of the Group. Given these difficult conditions, our results and financial position are testament to our overall strategy of cautious organic development and the strength of the Michael Page brand, its management, staff, systems and processes.

### Financial highlights

As a consequence of these difficult trading conditions, turnover for the year ended 31 December 2002 was 16.6% lower at £383.5m (2001: £459.5m). Temporary placement activity has been more resilient than permanent and this shift in business mix contributed to a revenue (gross profit) reduction of 21.4% to £192.6m (2001: £245.1m). Given the Group's high operational gearing, operating profit reduced by 49.8% to £32.1m (2001: £64.0m before exceptional items).

Profit before tax was £32.6m (2001: £59.9m before exceptional items) and earnings per share were 5.8p (2001: 10.6p before exceptional items).

Cash flow was again very strong during the year with the Group generating £46.7m (2001: £75.9m) from operating activities. At 31 December 2002 the Group had net cash of £21.4m (2001: £14.3m) after repurchasing for cancellation 11.3m shares at a cost of £13.7m.

### Dividends and share buy back

Despite the reduction in profits, the Board is recommending that the dividend be maintained at last year's level (assuming the shares had been listed for the whole of 2001). A final dividend of 2.3p (2001: 2.3p) per ordinary share is proposed which, together with the interim dividend of 1.1p (2001: 0.275p) per ordinary share paid in October, makes a total dividend for the year of 3.4p (2001: 2.575p) per ordinary share. The final dividend will be paid on 6 June 2003 to those shareholders on the register at 9 May 2003. The total dividend is covered 1.7 times by earnings per share of 5.8p and 2.6 times by cash earnings per share of 9.0p.

In August 2002, following a detailed review of the Group's balance sheet and an assessment of the most appropriate uses for the excess cash generated by the business, we announced our intention to repurchase up to £40m of shares over a 12-month period. To date we have repurchased 11.3m shares at an average price of 121p. Our decision to repurchase followed three consecutive quarters of stable revenue generation of around £50.0m per quarter, and an assumption that conditions would not deteriorate. We have now experienced two slower quarters and as a consequence we cannot now be as definitive about the amount and timing of our repurchase programme. However, we do anticipate share repurchases being an ongoing use of surplus cash and accordingly will be seeking shareholders' consent for a renewal of the repurchase authority at the Annual General Meeting on 22 May 2003.

### Employees

In January 2002 the Group had 2,657 employees. As business activity has slowed, staff numbers have reduced to 2,390 at 31 December 2002. Despite the difficulties of the year, the commitment, loyalty and efforts of the Group's staff have maintained your Company's position as the international leader in the specialist recruitment industry.

### Current trading and future prospects

Activity levels slowed going into the fourth quarter of 2002 and this weakening has continued into the first quarter of 2003. We expect revenue for the first few months of 2003 to be approximately 15% below that of the first two months of 2002.

Recruitment is a business that is highly geared to economic cycles. We have now experienced consecutive years of weakening conditions and lowering of business confidence. Your Board believes that conditions in the professional employment sector should eventually improve as and when we move through the current cycle. We therefore remain committed to continuing to make sensible and cautious decisions and investments for the longer-term benefit of the Group and its shareholders.

A handwritten signature in black ink, appearing to read 'Adrian Montague'.

**Adrian Montague**

Chairman

26 February 2003

## Chief Executive's Review



I am pleased to report our achievements in 2002, a year in which we continued to invest in the business and generated over £32m of profits and £46m of cash from operations.

2002 has, however, been a difficult year, particularly in the second half, and as always, we have maintained our close control over costs. We started the year with 2,657 fee generating and support staff operating from 109 offices in 14 countries. Early in the year we extended our geographical coverage by opening offices in Sweden and Belgium. By 31 December 2002 we had lowered the number of fee generating and support staff to 2,390 and with the reduced headcount, taken the opportunity to rationalise some of our properties whilst maintaining our market presence. At 31 December 2002 we have 107 offices in 16 countries. With the reduced staff levels and after taking account of pay awards in line with inflation made to staff in January 2003, our pre bonus cost base as we start 2003 is just over £12m per month.

### United Kingdom

In the UK, turnover reduced by 18.2% to £203.9m (2001: £249.4m) and revenue by 20.4% to £99.3m (2001: £124.7m). Operating profits were lower at £20.5m (2001: £35.0m before exceptional items). Activity in the UK operations was relatively even during the first half of the year but slowed, particularly into the fourth quarter, as the pick up from the usually quiet summer months was less significant than in previous years.

During 2002 we increased our market presence largely by expanding the non-finance disciplines into existing offices. The Retail and Legal businesses now each operate from seven locations throughout the country. The newer disciplines of Human Resources and Engineering now operate from four and three locations respectively.

The revenues of the finance and accounting businesses of Michael Page Finance, Michael Page City and Accountancy Additions, which generate approximately two thirds of UK revenue, were 19% lower than in 2001. The weakest client sector of these businesses has been financial services, particularly in the City, where many institutions have shed staff and imposed hiring freezes. Accountancy Additions, which specialises in lower level accounting positions, has been least affected by the slowdown. We continue to expand this business with new openings in Birmingham and Coventry. These offices represent the start of a planned network of offices throughout the Midlands.

The revenues of the Michael Page Marketing, Michael Page Sales and Michael Page Retail businesses, which generate approximately 22% of UK revenue, were 22% lower than in 2001. Marketing and Sales, which initially suffered from the downturn in the telecoms and technology sectors, have experienced a weakening in most other sectors. The Retail business has performed better, in line with the general retail sector.

Of the smaller UK businesses Michael Page Technology, not surprisingly given the depressed IT market, was the weakest performer but was still profitable, which we believe is an achievement given current conditions. Michael Page Legal, whilst revenue was lower than in 2001, recorded a stronger second half of 2002. The newer businesses, Michael Page Human Resources and Michael Page Engineering both grew revenue in the year and increased their market presence. All of these businesses provide growth opportunities as they expand into the national network of Michael Page offices.

The Central London Michael Page businesses currently operate from three main locations. The lease of one of these premises has recently expired and consequently at the end of the first quarter of 2003 we will be completing a significant relocation of fee earning and support staff to a new building in Bloomsbury Square. Capital expenditure associated with the new building will be £2.0m in 2003.

## Chief Executive's Review

### Continental Europe

In our Continental European businesses turnover was 17.4% lower at £127.6m (2001: £154.3m) and revenue 27.6% lower at £66.3m (2001: £91.6m). The downturn in activity, particularly in the second half of the year, has been more pronounced in Continental Europe where a greater proportion of permanent placements are made on a retained basis compared to the UK where the majority of assignments are on a contingent basis. The downturn in activity combined with start up losses in Sweden and Belgium resulted in lower operating profits of £5.6m (2001: £22.5m before exceptional items).

France, our second largest geographic market after the UK, has been a particularly tough market with revenue from permanent placements 39.4% lower than 2001. Page Interim, the temporary business, performed better with temporary placements again proving more resilient in depressed markets. During the year we started Michael Page Conseil, a business providing consultants to clients on a contract basis but, unlike our temporary business, the consultants are employees of Michael Page. At 31 December 2002 we employed 105 consultants and they are included as a separate category of staff in our total number of employees.

During the year we opened new offices in Rotterdam, Stockholm and Brussels. Page Interim has also been extended to Germany and The Netherlands.

### Asia Pacific

Turnover for the Asia Pacific operations was 9.0% lower at £46.7m (2001: £51.3m) and revenue was 7.9% lower at £22.9m (2001: £24.9m). These amounts include a full year's contribution from our Tokyo office, which opened in June 2001 and significantly exceeded our expectations by almost breaking even for the year. The lower revenues in the remainder of the region resulted in operating profit reducing to £6.8m (2001: £7.2m before exceptional items).

In Australia the economy has been stronger than in any of our other major markets. However, the global economic slowdown has reduced demand from a large number of our international clients particularly in the banking and financial services, telecoms and IT sectors. This affected our offices in Sydney more so than in Melbourne and Perth where there is a greater proportion of domestic clients. During the year we extended the number of disciplines by starting Human Resources in Sydney and Melbourne, and Engineering in Melbourne.

Our businesses in Hong Kong and Singapore are both heavily dependent on international banking, telecoms and IT clients. Activity levels, particularly in banking, were very low at the start of the year but improved from the end of the first quarter.

We are greatly encouraged by the success of our Tokyo office, which generated over £1m of revenue in the year. Further cautious expansion of our staff numbers is planned for 2003.

### The Americas

Turnover for the region was £5.4m (2001: £4.5m) and revenue increased to £4.1m (2001: £3.9m). The increased revenue was insufficient to prevent the region reporting a further operating loss of £0.7m (2001: £0.7m loss before exceptional items).

In the USA we increased our presence by opening an office in New Jersey at the end of 2001. However, 2002 has proved to be another difficult year and we have not progressed as well as planned. Consequently there were a number of management changes during the summer, including the transfer of one of our most experienced senior executives to New York, as Managing Director. We remain fully committed to the US market and anticipate opening a third office on the East coast during the course of 2003.

Our office in Sao Paulo, Brazil continues to grow and we have now started to develop the market in Rio de Janeiro. The continued weakening of the Brazilian currency has limited the impact of this growing business on the Group's results.

## Chief Executive's Review

### **New IT system**

We have been reviewing our main recruitment software and systems since early 2000. Having completed a thorough review of all possible solutions, we have selected a new system which will be implemented globally throughout 2003 and 2004. The cost of the software, hardware, data conversion and training of all our staff will require an investment of approximately £6m, of which £2.5m will be capital and £3.5m expensed over the two-year period. The implementation of the new system is a further demonstration of our long-term approach which, while impacting short-term profitability, will ultimately improve consultant productivity, our services to clients and candidates, as well as providing the platform to support the growth of our business.

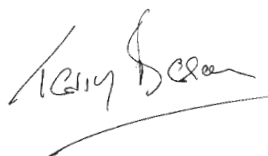
### **Outlook and strategy**

I make no apology for virtually repeating what I said in my review last year. I believe it is one of the Group's greatest strengths that we pursue a consistent approach to managing the business. Our overall strategy remains unchanged. We intend to stay focused on our core competency of specialist recruitment and to grow the Group organically by the expansion of our existing businesses in their local markets, introducing new disciplines in existing geographic markets and by entering new geographic markets.

The main resources we require to achieve our objectives are our people. This is why we invest heavily in their development and training at all levels. We are committed to maintaining a level of resource that will enable us to maintain our market presence and provide the high standards of service expected by both clients and candidates. Whilst affecting profitability in the short-term, this will ensure that we have the resources to continue the organic development and growth of the Group.

The short-term outlook suggests that 2003 will be another challenging year and rigorous cost control remains imperative.

We are determined however, not to enhance short-term profitability at the expense of the Group's long-term prosperity. We remain focused on our core competency of specialist recruitment and are convinced that when conditions improve there are numerous opportunities to profitably expand our business.



**Terry Benson**

Chief Executive

26 February 2003

## Finance Director's Review



### Profit and loss account

#### Turnover

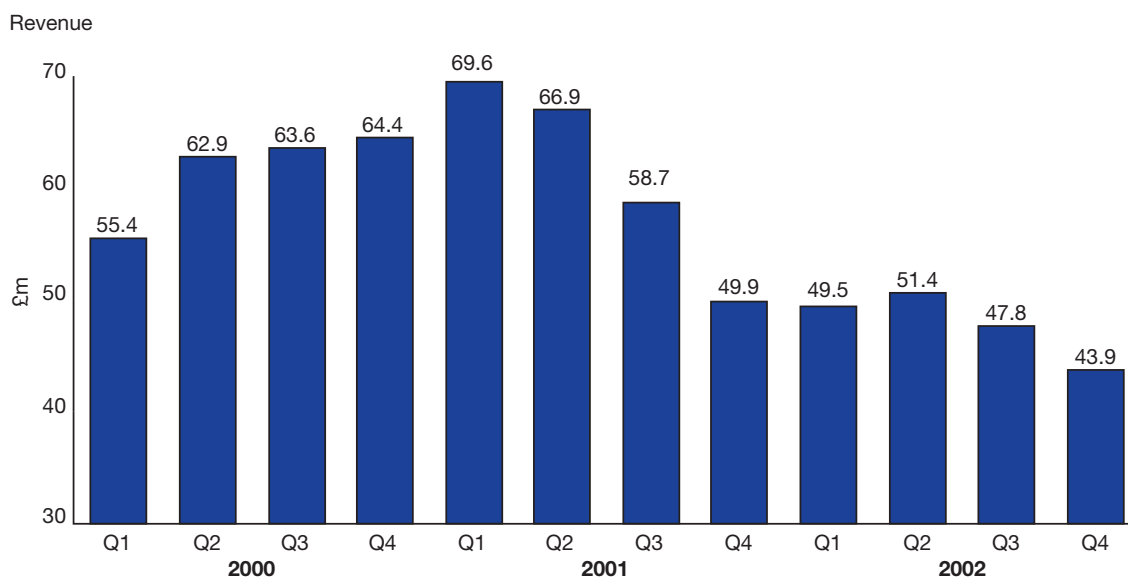
Turnover for the year was 16.6% lower at £383.5m (2001: £459.5m). In the second half of 2002, turnover was 6.2% lower than in the first half reflecting a weakening of economic conditions in the majority of markets in which the Group operates.

Turnover from temporary placements decreased by 6.7% to £242.2m (2001: £259.6m) and represented 63.2% (2001: 57.1%) of Group turnover. This increasing proportion supports the widely held view that activity in temporary placements is less affected than permanent placements in an economic slowdown.

#### Gross profit (revenue)

Revenue for the year decreased by 21.4% to £192.6m (2001: £245.1m) representing an overall gross margin of 50.2% (2001: 53.3%). The percentage reduction in revenue is greater than the reduction in turnover because of the higher proportion of temporary placements in 2002. Revenue from temporary placements was £59.7m (2001: £62.8m) and represented 31.0% (2001: 25.6%) of Group revenue. The gross margin achieved on temporary placements increased marginally to 24.7% (2001: 24.2%).

The graph below plots the Group's quarterly revenue for the last three years. It shows revenue peaking in the first quarter of 2001 at £69.6m and then declining sequentially to £49.5m in the first quarter of 2002. After three relatively stable quarters of around £50m from the fourth quarter of 2001 to the second quarter of 2002, revenue declined into quarters three (£47.8m) and four (£43.9m) of 2002.





## Finance Director's Review

### Operating profit

Administrative expenses in the year were £160.5m (2001: £181.1m before exceptional items). One of the main factors in the reduced expense is the lower profit related bonuses payable to staff. Administrative expenses in the first half of 2002 were £83.0m, reducing to £77.5m in the second half. This reduction in the second half is primarily due to fewer numbers of staff.

The Group's largest category of expenditure is the remuneration of our consultants and support staff. Headcount of the Group was 2,657 at 1 January 2002 and reduced to 2,440 at 30 June. The Group's headcount remained relatively stable during the second half of the year and at 31 December 2002 we employed 2,390 consultants and support staff.

As a result of the revenue decline and the Group's high operational gearing, operating profit was £32.1m (2001: £64.0m before exceptional items). There were no exceptional items in 2002.

### Net interest

The net interest receivable in the year was £0.5m (2001: £4.1m payable). During the year £0.8m of interest was earned on surplus cash balances which were invested in the short-term money market. Interest paid during the year includes interest on loan notes which were repaid in full at the end of December 2002.

### Taxation

Tax on profits before goodwill amortisation was £11.4m (2001: £20.5m before exceptional items), representing an effective tax rate of 35.0% (2001: 34.1% before exceptional items). The rate was higher than the UK corporation tax rate of 30% as a result of non-deductible business expenses, profits arising in higher tax rate jurisdictions, and losses which are unable to be offset against profits in the current year and against which no deferred tax asset has been recognised.

The effective rate increased in 2002 as a result of disallowable expenditure being a greater proportion of taxable profits and higher unrelieved losses.

### Earnings per share and dividends

Basic earnings per share were 5.8p (2001: 11.8p) and adjusted earnings per share before exceptional items were 5.8p (2001: 10.6p). The weighted average number of shares for the year was 366,355,000 (2001: 370,714,000). The 2002 average number of shares was lower than 2001 due to the full year effect of shares held in the employee benefit trust and the impact of the shares repurchased and cancelled during the second half of 2002.

A maintained final dividend of 2.3p (2001: 2.3p) per ordinary share has been proposed by the Directors which, together with the interim dividend of 1.1p (2001: 0.275p) per ordinary share, makes a total dividend for the year of 3.4p (2001: 2.575p) per ordinary share. The final dividend, which amounts to £8.2m, will be paid on 6 June 2003 to those shareholders on the register at 9 May 2003.

### Balance sheet

The Group had net assets of £58.9m at 31 December 2002 (2001: £62.4m) of which £21.4m (2001: £14.3m) is represented by net cash. With retained earnings of £8.9m for the year, the reduction in net assets is solely a consequence of the share repurchase programme. During the year we spent £13.7m buying back 11.3m shares at an average cost of 121p per share.

Capital expenditure is fundamentally driven by the Group's headcount. As headcount reduced during 2002 the amount of capital expenditure on tangible fixed assets net of disposal proceeds was a modest £2.5m (2001: £11.2m). Capital expenditure in 2003 will increase as a result of the fit out costs of the new building in London and the implementation of the new IT system.

## Finance Director's Review

Trade debtors have reduced to £53.2m at 31 December 2002 (2001: £65.7m) reflecting a small improvement in Group debtor days to 51 days (2001: 52 days) and the lower business activity at the end of 2002 when compared to the end of 2001. Within creditors the amount of accruals and deferred income has reduced to £21.4m at 31 December 2002 (2001: £24.7m) primarily because of lower bonus accruals following the fall in profitability.

### Cash flow

At the start of the year the Group had net cash of £14.3m.

During the year the Group generated net cash from operating activities of £46.7m (2001: £75.9m) being £40.5m (2001: £65.9m) of EBITDA and a reduction in working capital requirements of £6.2m (2001: £10.0m).

The principal payments have been:

- The purchase of 11.3m Michael Page International shares for cancellation at a cost of £13.7m;
- £2.5m (2001: £11.2m) of capital expenditure, net of disposal proceeds, on property, infrastructure, information systems and motor vehicles for staff;
- Taxes on profits of £11.5m (2001: £18.1m);
- Dividends of £12.5m (2001: £1.0m).

At 31 December 2002 the Group had net cash balances of £21.4m.

### Treasury management and currency risk

It is the Directors' intention to finance the activities and development of the Group principally from retained earnings and to operate the Group's business while maintaining the net debt/cash position within a relatively narrow band. Cash generated in excess of these requirements will be used to buy back the Company's shares for which renewal of the existing authority is being sought at the forthcoming Annual General Meeting.

Cash surpluses are invested in short-term deposits with any working capital requirements being provided by local overdraft facilities. In addition the Group has a committed £40m facility, which expires on 1 March 2004.

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.



**Stephen Puckett**

Group Finance Director  
26 February 2003

## The Board of Directors

### **Adrian Montague CBE (55)**

Non-Executive Chairman

Adrian Montague is Chairman of British Energy plc and Deputy Chairman of Network Rail Limited. From 1997 to 2001 he held senior posts concerned with the implementation of Government's policies for the involvement of the private sector in the delivery of public services, first as Chief Executive of the Treasury Taskforce and then as Deputy Chairman of Partnerships UK plc. He spent his early career as a solicitor with Linklaters & Paines before joining Kleinwort Benson in 1994. He was appointed Chairman of Michael Page International plc on 22 May 2002.

### **Terry Benson (51)**

Chief Executive

Terry Benson joined Michael Page in 1979 and was appointed to the Board in 1983. In 1986 he was promoted to Managing Director of the Group's marketing recruitment businesses and in January 1988 to Managing Director of the Group. In 1990 he was appointed Chief Executive of the Group.

### **Stephen Box (52)**

Non-Executive Director

Stephen Box qualified as a Chartered Accountant at Coopers & Lybrand where he spent more than 25 years, 15 of these as a partner. From August 1997 to November 2002 he was Finance Director of National Grid. He is a member of the Financial Reporting Review Panel.

### **Stephen Burke (43)**

Managing Director – UK

Stephen Burke joined Michael Page in 1981 and was appointed as a Director of Michael Page International in 1988 with responsibility for development of overseas businesses in the Netherlands and Germany. He returned to the UK in 1996 as Managing Director of Accountancy Additions Ltd and was appointed Managing Director of Michael Page Finance in 1999. He was appointed to his current position in January 2001.

### **Charles-Henri Dumon (44)**

Managing Director – Continental Europe and South America

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

## The Board of Directors

### **Stephen Ingham (40)**

Executive Director – UK Operations

Stephen Ingham joined Michael Page in 1987 as a consultant with Michael Page Marketing and Sales. He was responsible for setting up the London marketing and sales business and was promoted to Operating Director in 1990. He was appointed Managing Director of Michael Page Marketing and Sales in 1994. Subsequently he has taken additional responsibility for Michael Page's Retail, Technology, Human Resources and Engineering businesses. He was promoted to Executive Director of UK Operations in January 2001.

### **Stephen Puckett (41)**

Group Finance Director

Stephen Puckett qualified as a Chartered Accountant with BDO Binder Hamlyn. He joined Wace Group plc in 1988 as Director of Corporate Finance, subsequently being promoted to Group Finance Director in 1991. He was appointed Group Finance Director of Stat Plus Group plc in 2000. He was appointed Group Finance Director of Michael Page in January 2001.

### **Hubert Reid (62)**

Non-Executive Director

Hubert Reid is Chairman of Enterprise Inns plc and the Royal London Mutual Insurance Society Limited, Deputy Chairman of Majedie Investments PLC and a Non-Executive Director of the Taverners Trust PLC. He was previously Managing Director and then Chairman of the Boddington Group plc and Chairman of Ibstock Plc and Bryant Group plc. He was appointed a Non-Executive Director of Michael Page International plc on 25 February 2003.

### **Martin Stewart (39)**

Non-Executive Director

Martin Stewart, who is a qualified Chartered Accountant, was appointed as Chief Financial Officer and a Director of British Sky Broadcasting Plc in May 1998 after serving the company as head of commercial finance from March 1996. Prior to this he was employed at Polygram for five years, latterly at Polygram Filmed Entertainment, where he was Finance Director for two years.

## 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 28 to 50. Details of the Group's future prospects and review of operations are described in the Chairman's Statement, Chief Executive's Review and Finance Director's Review on pages 2 to 8.

### Directors and interests

The following were Directors during the year and held office throughout the year, unless otherwise indicated.

A A Montague\* CBE (Chairman)

T W Benson (Chief Executive)

S J Box†\*

S P Burke

C-H Dumon

S J Ingham

S R Puckett

M Stewart†

The Right Honourable Lord Wakeham PC\* (resigned 31 July 2002)

† Non-Executive Directors \* Senior Independent Director

On 25 February 2003, H V Reid was appointed a Non-Executive Director. In accordance with the Company's Articles of Association he will retire and in addition S J Ingham, S R Puckett and M Stewart will retire by rotation. All retiring Directors being eligible will offer themselves for re-election at the forthcoming Annual General Meeting.

Biographical details for all the current Directors are shown on pages 9 and 10.

The beneficial interests of Directors in office at 31 December 2002 in the shares of the Company at 31 December 2002 and at 26 February 2003 are set out in the Remuneration Report on pages 21 and 22.

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

## Directors' Report

### Results and dividends

The profit for the year after taxation amounted to £21.2m (2001: £43.7m).

An interim dividend of 1.1 pence per ordinary share was paid on 18 October 2002. The Directors recommend the payment of a final dividend for the year ended 31 December 2002 of 2.3 pence per ordinary share on 6 June 2003 to shareholders on the register on 9 May 2003 which, if approved at the Annual General Meeting, will result in a total dividend for the year of 3.4 pence per ordinary share (2001: 2.575 pence).

### Share capital

The authorised and issued share capital of the Company are shown in note 17 of the financial statements.

At the Annual General Meeting held on 22 May 2002 the Company was authorised to make market purchases of its own ordinary shares up to a maximum of 10% of the issued shared capital. During the year the Company purchased for cancellation 11,337,201 ordinary shares with a nominal value of £113,372, representing 3.12% of the issued capital, for a consideration of £13,725,684 including expenses.

The repurchase authority will expire at the forthcoming Annual General Meeting and a resolution will be put to shareholders to renew the authority for a further period of one year.

### Substantial shareholdings

As at 26 February 2003, the Company has been notified of the following interests held in more than 3% of the issued share capital of the Company:

Holder	Number of ordinary shares	% of issued share capital
AXA Investment Managers UK Limited	56,556,776	15.55
Harris Associates	48,069,100	13.22
Fidelity Investment Management Limited	22,429,045	6.17
Capital International Limited	21,048,480	5.79
M&G Investment Management Limited	14,292,733	3.93
Legal & General	11,175,006	3.07

## Directors' Report

### Corporate Social Responsibility

The Board recognises its responsibilities in respect of social, environmental and ethical (SEE) matters. The Directors continually monitor all risks to its businesses, including SEE risks, which may impact the Group's short and long term value. During 2002 no significant SEE risks were identified.

#### (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
- Incorporating the principle of sustainable development.

The Group is in the process of establishing procedures for collecting data on those activities which significantly affect the environment and will measure our performance over time against set objectives and targets.

#### (b) Charitable donations

The Group made charitable donations of £42,377 during the year (2001: £28,735) principally to local charities serving the communities in which the Group operates. Subject to certain restrictions, the Group matches charitable donations made by employees. It is the Group's policy not to make political donations either in the UK or overseas.

#### (c) Employee involvement

Communication with employees is effected through the Company 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.

#### (d) Equal opportunity

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 qualified individuals 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.

## Directors' Report

### (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
- Regularly review health and safety policies and procedures.

### (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 (2001: nil) as the Company does not undertake any transactions with suppliers. The Group's creditor days for the year ended 31 December 2002 were 29 (2001: 30).

### **Auditors**

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

### **Annual General Meeting**

The resolutions to be proposed at the Annual General Meeting to be held on 22 May 2003, together with explanatory notes, appear in the Notice of Meeting set out on pages 53 to 55.

By order of the Board



**R A McBride**  
Company Secretary  
26 February 2003



## Corporate Governance

The Board of Directors is committed to high standards of corporate governance and has applied the principles of corporate governance recommended in Section 1 of the Combined Code for the year ended 31 December 2002.

### Board and committee structure

The Board of Michael Page International plc is the body responsible for corporate governance, establishing policies and objectives, and the management of the Group's resources. It is the Group's policy that the roles of Chairman and Chief Executive are separate. Including the Chairman and Chief Executive, there are currently five Executive and four Non-Executive Directors. The Non-Executive Directors are all regarded by the Board as being independent for Combined Code purposes.

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

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

The Board meets regularly throughout the year. It has a formal schedule of matters reserved to it and delegates specific responsibilities to Committees. Each of the Committees has formal written terms of reference.

The **Audit Committee** comprises the Non-Executive Directors and is chaired by Stephen Box. The Committee meets at least three times a year. Its principal tasks are to review the Group's internal controls, review the scope of the external audit, consider issues raised by the external auditors, and review the half yearly and annual accounts before they are presented to the Board, focusing in particular on accounting policies and compliance, and areas of management judgement and estimates.

The **Nominations Committee** comprises the Non-Executive Directors and is chaired by Adrian Montague. It is responsible for making recommendations to the Board on new appointments.

The **Remuneration Committee** comprises the Non-Executive Directors and is chaired by Adrian Montague. The Committee reviews the Group's policy on the Executive Directors' remuneration and terms of employment, makes recommendations upon this to the Board and other senior executives of the Group, and also approves the provision of policies for the incentivisation of employees including the share option schemes. The Committee meets at least twice a year and is also attended by the Chief Executive except when his own remuneration is under consideration. The Remuneration Report is shown on pages 18 to 24 and includes information on the Directors' service contracts.

### Internal control

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

## Corporate Governance

### Internal control (continued)

The Board has assessed existing risk management and internal control processes during the year ended 31 December 2002 in accordance with the Turnbull guidance. The Board believes it has the procedures in place such that the Group has fully complied for the financial year ended 31 December 2002.

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

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

- ◆ Group organisation. The Board of Directors meets at least ten times a year, focusing mainly on strategic issues, operational and financial performance. There is also a defined policy on matters strictly reserved for the Board. The Managing Director of each operating company is accountable for establishing and monitoring internal controls within that division.
- ◆ Financial reporting. The Group has a comprehensive budgeting system with an annual budget approved by the Board. Detailed monthly reports are produced showing comparisons of results against budget, forecast and the prior year, with performance monitoring and explanations provided for significant variances. The Group reports to shareholders on a half-yearly basis.
- ◆ Quarterly reforecasting. The Group prepares a full year reforecast on a quarterly basis showing, by individual businesses, the results to date and a reforecast against budget for the remaining period up to the end of the year.
- ◆ Audit Committee. There is an established Audit Committee whose activities are previously described.
- ◆ Financial and operational controls. Controls and procedures are documented in policies and procedures manuals. Individual operations complete an annual Self-Certification Statement. Each operational manager, in addition to the finance function for that operation, confirms the adequacy of their systems of internal control and their compliance with Group policies. The Statement also requires the reporting of any significant control issues that have emerged so that areas of Group concern can be identified and experience can be shared.
- ◆ Risk management. Identification of major business risks is carried out at Group level in conjunction with operational management and appropriate steps taken to monitor and mitigate risk.
- ◆ Internal audit activities are performed by members of the head office finance function, who are independent of the operations, throughout the year. Businesses are visited on a rotational basis and their controls are assessed in their effectiveness to mitigate specific risks. In addition, there is a regular review of these risks and changes are made to the risk profile where necessary. All internal audit activities are reported to the Audit Committee. During the year, the Board reviewed internal audit arrangements and concluded that there is currently no need for a separate and distinct internal audit department.

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

## Corporate Governance

### **Relations with shareholders**

Communications with shareholders are given a high priority. The Annual Report and Interim Report are sent to all shareholders. The Group also has a website ([www.michaelpage.co.uk](http://www.michaelpage.co.uk)) with an investor section that contains Company announcements and other shareholder information.

The Group has an on-going programme of dialogue and meetings between the Executive Directors and its major institutional shareholders, where a wide range of relevant issues including strategy, performance, management and corporate governance are discussed.

The Annual Report is designed to present a balanced and understandable view of the Group's activities and prospects. The Chairman's Statement, Chief Executive's Review and Finance Director's Review on pages 2 to 8 provide an assessment of the Group's affairs and position. Institutional shareholders and sector analysts are invited to briefings by the Company at the time of announcing the Company's interim and full year results.

### **Going concern**

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing the accounts. In forming this view, the Directors have reviewed the Group's budget and forecasts for 2003 based on normal business planning and control procedures.

### **Compliance with the Combined Code**

The Directors consider that the Company complies with Section 1 of the Combined Code contained in the Listing Rules, now the responsibility of the Financial Services Authority (formerly the responsibility of the London Stock Exchange). The Group complied in full for the year ended 31 December 2002.

## Remuneration Report

### **Scope and membership of Remuneration Committee**

The Remuneration Committee meets not less than twice a year and comprises all Non-Executive Directors. It is chaired by Adrian Montague. The Chief Executive attends the meetings except when his own remuneration is under consideration. The purpose of the Remuneration Committee is to review, on behalf of the Board, the remuneration policy for the Executive Directors and to determine the level of remuneration, incentives and other benefits, compensation payments and the terms of employment of each Executive Director. It also seeks to provide a remuneration package that aligns the interests of Executive Directors with the shareholders. The Committee has continued to review the remuneration of the Executive Directors with regard to the need to maintain a balance between the constituent elements of salary, incentive and other benefits. It has appointed and receives advice from independent remuneration consultants, New Bridge Street Consultants, and makes comparisons with similar organisations. New Bridge Street Consultants provides no other material services to the Company.

No Directors other than the members of the Remuneration Committee provided material advice to the Committee on Directors' remuneration.

### **Remuneration policy**

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

It is the Company's policy that none of the Executive Directors has a service contract which can be determined by more than 12 months notice. The Non-Executive Directors do not have service contracts with the Company. They are appointed for an initial term of three years and thereafter are subject to re-appointment each year. Additional details of service contracts are shown on page 24.

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

The remuneration agreed by the Committee for the Executive Directors contains the following elements: a base salary and benefits, an annual bonus reflecting Group performance, share options conditional upon achieving performance criteria, and pension benefits.

The following sections provide an outline of the Company's policy during 2002 and for the forthcoming and subsequent years with regard to each component.

#### **Base salary and benefits**

The Committee establishes salaries and benefits by reference to those prevailing in the employment market generally for Executive Directors of comparable status and market value, taking into account the range of incentives described elsewhere in this report, including a performance bonus. Reviews of such base salary and benefits are conducted annually by the Committee having regard to the individual's performance and the performance of the Group.

## Remuneration Report

### Remuneration policy (continued)

#### Performance bonus

##### (a) Cash

Executive Directors are eligible to receive a cash bonus related to the performance of the Group. The terms upon which the bonus is payable are determined annually. The bonus is not pensionable.

##### (b) Deferred shares

For 2003 and subsequent years, a deferred share performance bonus scheme is being introduced for a small number of senior employees, including the Executive Directors. Bonuses under this scheme are payable in deferred bonus shares. A bonus pool will be established each year and used to make market purchases of Michael Page shares through an employee benefit trust. One third of deferred bonus shares will vest a year after the award, a further third after two years with the full amount vesting after three years. On vesting the shares will be capable of transfer from the trust to the individual.

#### Share schemes

##### Restricted Share Scheme

On flotation in 2001, 6% of the issued shares of the Group owned by Spherion Corporation, the Group's previous ultimate parent company, were allocated to the Executive Directors and certain senior executives in a Restricted Share Scheme. Benefits received under the Restricted Share Scheme are not pensionable and the shares will be delivered in March 2004.

##### Executive Share Option Scheme

The Executive Directors and certain key employees are eligible to participate in the Executive Share Option Scheme. No payment is required on the grant of an option and no share options are granted at a discount. Benefits received under the Executive Share Option Scheme will not be pensionable. Share options can only be exercised on the achievement of performance criteria which are disclosed in note 17 of the Financial Statements.

#### Pension benefits

Executive Directors are eligible to participate in a Company pension plan which is a defined contribution scheme. No changes were made to pension arrangements during 2002 and no changes are anticipated in 2003.

## Remuneration Report

### Directors' remuneration

#### Emoluments

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

	<b>2002</b> <b>Salary</b> <b>and fees</b> <b>£'000</b>	<b>2002</b> <b>Benefits</b> <b>(note 3)</b> <b>£'000</b>	<b>2002</b> <b>Bonus</b> <b>£'000</b>	<b>2002</b> <b>Total</b> <b>£'000</b>	<b>2001</b> <b>Total</b> <b>(note 1)</b> <b>£'000</b>
<b>Executive</b>					
T W Benson (note 2)	324	23	260	607	998
S P Burke	216	19	173	408	391
C-H Dumon	216	17	173	406	384
S J Ingham	196	40	157	393	367
S R Puckett	201	40	161	402	353
<b>Non-Executive</b>					
A A Montague	40	-	-	40	19
S J Box	30	-	-	30	23
M Stewart	25	-	-	25	19
Lord Wakeham (resigned 31 July 2002)	29	-	-	29	41
	<u>1,277</u>	<u>139</u>	<u>924</u>	<u>2,340</u>	<u>2,595</u>

The base salaries of the Executive Directors were reviewed in January 2003 and were increased by 3% effective from 1 January 2003.

#### Notes:

1. For all Directors other than Terry Benson, the comparative figures for emoluments in 2001 (including pension contributions) are for a 10 month period relating to the period from the date of appointment.
2. Mr Benson is the highest paid director.
3. Benefits include items such as company car or cash alternative, fuel and medical insurance.

## Remuneration Report

### Directors' remuneration (continued)

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
Pension contributions		
T W Benson	<b>97</b>	95
S P Burke	<b>43</b>	35
C-H Dumon	<b>2</b>	2
S J Ingham	<b>19</b>	16
S R Puckett	<b>19</b>	20
	<hr/>	<hr/>
	<b>180</b>	168
	<hr/> <hr/>	<hr/> <hr/>

### Directors' interests and share ownership requirements

Executive Directors are required to build and hold, as a minimum, a direct beneficial interest in the Company's ordinary shares equal to their respective base salary.

The beneficial interests of the Directors and their families in shares of the Company were as follows:

Director	Direct Holding		Restricted Shares	
	Ordinary shares of 1p		Ordinary shares of 1p	
	31 December 2002	31 December 2001	31 December 2002	31 December 2001
T W Benson	-	-	5,552,673	5,450,512
S P Burke	28,571	28,571	3,063,544	3,007,179
C-H Dumon	14,285	14,285	3,063,544	3,007,179
S J Ingham	28,571	28,571	1,627,507	1,597,564
S R Puckett	114,285	114,285	143,604	140,962
A A Montague*	-	-	-	-
S J Box*	15,000	15,000	-	-
H V Reid*	-	-	-	-
M Stewart*	-	-	-	-

\* Non-Executive Directors

## Remuneration Report

### Directors' interests and share ownership requirements (continued)

The beneficial interests of the Executive Directors and their families in share options of the Michael Page International plc Executive Share Option Scheme at 31 December 2002 were as follows:

		At 1 January 2002	Granted in year	At 31 December 2002	Exercise price (pence)	Period of exercise
<b>T W Benson</b>	2001	3,750,000	-	3,750,000	175	2004-2011
	2002	-	150,000	150,000	186	2005-2012
	2002	-	150,000	150,000	186	2006-2012
		3,750,000	300,000	4,050,000		
<b>S P Burke</b>	2001	1,125,000	-	1,125,000	175	2004-2011
	2002	-	150,000	150,000	186	2005-2012
	2002	-	150,000	150,000	186	2006-2012
		1,125,000	300,000	1,425,000		
<b>C-H Dumon</b>	2001	1,125,000	-	1,125,000	175	2004-2011
	2002	-	300,000	300,000	186	2006-2012
		1,125,000	300,000	1,425,000		
<b>S J Ingham</b>	2001	750,000	-	750,000	175	2004-2011
	2002	-	150,000	150,000	186	2005-2012
	2002	-	150,000	150,000	186	2006-2012
		750,000	300,000	1,050,000		
<b>S R Puckett</b>	2001	750,000	-	750,000	175	2004-2011
	2002	-	150,000	150,000	186	2005-2012
	2002	-	150,000	150,000	186	2006-2012
		750,000	300,000	1,050,000		
		7,500,000	1,500,000	9,000,000		

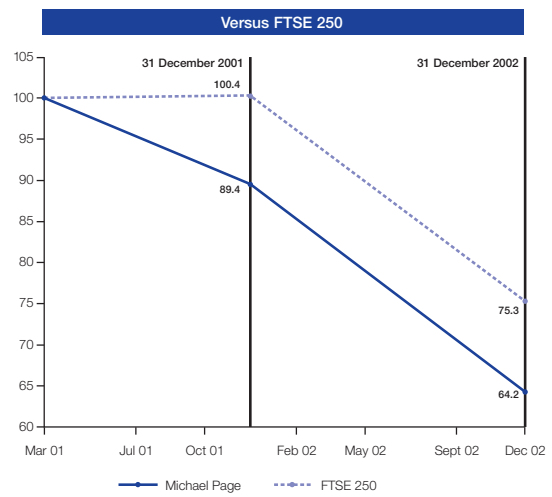
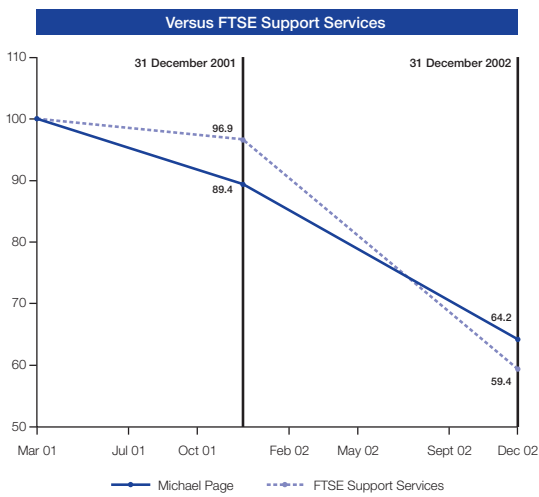
1. The market price of the shares at 31 December 2002 was 109.5p with a range during the year of 104.0p to 212.5p.
2. No options held by Directors lapsed unexercised or were exercised during the period. The options are normally exercisable subject to achieving performance criteria at any time on or after the third, but not later than the tenth anniversary of the date on which the option was granted. The performance criteria are set out in note 17 of the financial statements.



## Remuneration Report

### Total Shareholder Return (TSR)

The graphs below show Total Shareholder Return (TSR) for the Group and the FTSE Support Services index which, as it is the sector in which the Company operates, is considered the most appropriate comparator index in the absence of a more directly representative recognised index. A comparison with the FTSE 250 index is also given. The graphs illustrate TSR for the two financial periods since the date of flotation in 2001.



## Remuneration Report

### Service contracts

All Executive Directors' service contracts contain a 12 month notice period. The service contracts also contain restrictive covenants preventing the Directors from competing with the Group for six months following the termination of employment and preventing the Directors from soliciting key employees, clients and candidates of the employing company and Group companies for 12 months following termination of employment.

Executive	Contract date	Unexpired term	Notice period	Provision for compensation on early termination	Other termination provisions
T W Benson	05/03/01	no specific term	12 months	12 months salary plus other contractual benefits	None
S P Burke	05/03/01	no specific term	12 months	12 months salary plus other contractual benefits	None
C-H Dumon	27/03/01	no specific term	12 months	12 months salary plus other contractual benefits	None
S J Ingham	05/03/01	no specific term	12 months	12 months salary plus other contractual benefits	None
S R Puckett	05/03/01	no specific term	12 months	12 months salary plus other contractual benefits	None

### Non-Executive

A A Montague	27/01/01	14 months	None	None	None
S J Box	27/01/01	14 months	None	None	None
H V Reid	25/02/03	36 months	None	None	None
M Stewart	27/01/01	14 months	None	None	None

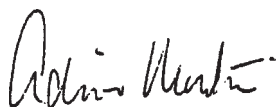
### Annual Resolution

Shareholders will be given the opportunity to approve the Remuneration Report at the Annual General Meeting (Resolution 7) on 22 May 2003.

### Audit Requirement

Within the Remuneration Report, the sections on Directors' remuneration, shareholdings, and pension benefits, on pages 20 to 22 inclusive, are audited. All other sections of the Remuneration Report are unaudited.

On behalf of the Board of Directors



**Adrian Montague**

Chairman  
Remuneration Committee  
26 February 2003

## Statement of Directors' Responsibilities

United Kingdom Company law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial period and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- ♦ select suitable accounting policies and then apply them consistently;
- ♦ make judgements and estimates that are reasonable and prudent;
- ♦ state whether applicable accounting standards have been followed; and
- ♦ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



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

We have audited the financial statements of Michael Page International plc for the year ended 31 December 2002 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses, the statement of accounting policies and the related notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the directors' remuneration report that is described as having been audited.

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

### **Respective responsibilities of directors and auditors**

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. They are also responsible for the preparation of the other information contained in the annual report including the directors' remuneration report. Our responsibility is to audit the financial statements and the part of the directors' remuneration report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

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

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section including the unaudited part of the directors' remuneration report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.



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

### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report described as having been audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

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

### **Opinion**

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2002 and of the profit of the group for the year then ended; and
- the financial statements and part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink that reads 'Deloitte &amp; Touche'. The signature is written in a cursive style and is underlined with a single horizontal line.

Deloitte & Touche  
Chartered Accountants and Registered Auditors  
London

26 February 2003

## Consolidated Profit and Loss Account

### Year ended 31 December 2002

	Note	2002 £'000	2001 £'000
<b>Turnover</b>			
Continuing		<b>383,470</b>	453,794
Discontinued		-	5,753
		<hr/>	<hr/>
<b>Turnover</b>	2	<b>383,470</b>	459,547
Cost of sales	3	<b>(190,822)</b>	(214,467)
		<hr/>	<hr/>
<b>Gross profit</b>	2	<b>192,648</b>	245,080
Administrative expenses	3	<b>(160,512)</b>	(187,061)
		<hr/>	<hr/>
<b>Operating profit</b>			
Continuing		<b>32,136</b>	57,915
Discontinued		-	104
		<hr/>	<hr/>
<b>Operating profit</b>	4	<b>32,136</b>	58,019
Profit on disposal of subsidiary		-	8,417
		<hr/>	<hr/>
<b>Profit on ordinary activities before interest</b>		<b>32,136</b>	66,436
Net interest	6	<b>461</b>	(4,110)
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	2	<b>32,597</b>	62,326
Taxation on profit on ordinary activities	7	<b>(11,443)</b>	(18,673)
		<hr/>	<hr/>
<b>Profit on ordinary activities after taxation being profit for the financial period</b>		<b>21,154</b>	43,653
Equity dividends	8	<b>(12,263)</b>	(9,510)
		<hr/>	<hr/>
<b>Retained profit for the financial period</b>	18	<b>8,891</b>	34,143
		<hr/> <hr/>	<hr/> <hr/>
Basic earnings per share (pence)	9	<b>5.8</b>	11.8
Diluted earnings per share (pence)	9	<b>5.8</b>	11.8
Adjusted earnings per share (pence)	9	<b>5.8</b>	10.6

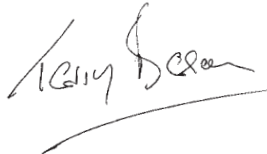
## Balance Sheets

### 31 December 2002

	Note	Group		Company	
		2002 £'000	2001 £'000	2002 £'000	2001 £'000
<b>Fixed assets</b>					
Intangible assets	10	<b>1,635</b>	1,731	-	-
Tangible assets	11	<b>23,505</b>	28,663	-	-
Investments	12	<b>10,000</b>	10,000	<b>431,545</b>	431,545
		<u><b>35,140</b></u>	<u>40,394</u>	<u><b>431,545</b></u>	<u>431,545</u>
<b>Current assets</b>					
Debtors	13	<b>70,743</b>	80,747	<b>3,314</b>	5,487
Cash at bank and in hand	21	<b>22,040</b>	22,104	-	-
		<u><b>92,783</b></u>	<u>102,851</u>	<u><b>3,314</b></u>	<u>5,487</u>
Creditors: Amounts falling due within one year	14	<b>(63,069)</b>	(74,812)	<b>(124,525)</b>	(118,590)
<b>Net current assets/(liabilities)</b>		<u><b>29,714</b></u>	<u>28,039</u>	<u><b>(121,211)</b></u>	<u>(113,103)</u>
<b>Total assets less current liabilities</b>		<u><b>64,854</b></u>	<u>68,433</u>	<u><b>310,334</b></u>	<u>318,442</u>
<b>Provisions for liabilities and charges</b>	15	<b>(6,000)</b>	(6,000)	<b>(6,000)</b>	(6,000)
<b>Net assets</b>	2	<u><u><b>58,854</b></u></u>	<u><u>62,433</u></u>	<u><u><b>304,334</b></u></u>	<u><u>312,442</u></u>
<b>Capital and reserves</b>					
Called up share capital	17	<b>3,637</b>	3,750	<b>3,637</b>	3,750
Capital contribution reserve	18	-	306,487	-	306,487
Capital redemption reserve	18	<b>113</b>	-	<b>113</b>	-
Profit and loss account	18	<b>55,104</b>	(247,804)	<b>300,584</b>	2,205
<b>Equity shareholders' funds</b>		<u><u><b>58,854</b></u></u>	<u><u>62,433</u></u>	<u><u><b>304,334</b></u></u>	<u><u>312,442</u></u>

These financial statements were approved by the Board of Directors on 26 February 2003.

On behalf of the Board of Directors.



T W Benson  
Chief Executive



S R Puckett  
Group Finance Director

## Statement of Total Recognised Gains and Losses

Year ended 31 December 2002

	<b>2002</b>	2001
	<b>£'000</b>	£'000
<b>Profit for the financial year</b>	<b>21,154</b>	43,653
Foreign currency translation differences	<b>1,256</b>	(1,081)
<b>Total recognised gains and losses for the year</b>	<b>22,410</b>	42,572

## Reconciliation of Movements in Shareholders' Funds

Year ended 31 December 2002

	<b>2002</b>	2001
	<b>£'000</b>	£'000
<b>Profit for the financial year</b>	<b>21,154</b>	43,653
Dividends	<b>(12,263)</b>	(9,510)
<b>Retained profit for the financial year</b>	<b>8,891</b>	34,143
Foreign currency translation differences	<b>1,256</b>	(1,081)
	<b>10,147</b>	33,062
Capital contribution	-	168,000
Purchase of own shares for cancellation	<b>(13,726)</b>	-
<b>Opening shareholders' funds/(deficit)</b>	<b>62,433</b>	(138,629)
<b>Closing shareholders' funds</b>	<b>58,854</b>	62,433



## Consolidated Cash Flow Statement

Year ended 31 December 2002

	Note	2002 £'000	2001 £'000
<b>Net cash inflow from operating activities</b>	19	<b>46,657</b>	75,869
<b>Returns on investments and servicing of finance</b>			
Interest received		<b>825</b>	398
Interest paid		<b>(358)</b>	(4,422)
Net cash inflow/(outflow) from returns on investments and servicing of finance		<b>467</b>	(4,024)
<b>Taxation</b>		<b>(11,537)</b>	(18,073)
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		<b>(4,958)</b>	(13,916)
Sale of tangible fixed assets		<b>2,422</b>	2,690
Purchase of own shares by Employee Benefit Trust		-	(10,000)
Net cash outflow from capital expenditure and financial investment		<b>(2,536)</b>	(21,226)
<b>Acquisitions and disposals</b>		-	814
<b>Equity dividends paid</b>		<b>(12,524)</b>	(1,016)
<b>Net cash inflow before financing</b>		<b>20,527</b>	32,344
<b>Financing</b>			
Repayment of loan notes		<b>(5,452)</b>	(915)
Capital contribution		-	168,000
Purchase of own shares for cancellation		<b>(13,726)</b>	-
Repayment of amounts owed to previous parent company		-	(51,531)
Decrease in bank loans		-	(142,000)
<b>Net cash outflow from financing</b>		<b>(19,178)</b>	(26,446)
<b>Increase in net cash in the year</b>	21	<b>1,349</b>	5,898

## Notes to the Accounts

### Year ended 31 December 2002

#### 1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted by the Directors are described below and have been applied consistently throughout the current and prior year.

##### Accounting convention

The accounts have been prepared under the historical cost convention.

##### Basis of consolidation

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 accounts. The Company's profit for the financial year amounted to £5.6m (2001: £4.3m).

In accordance with UITF 13, the results of the Employee Benefit Trust that are under de facto control of the Company have been incorporated in these financial statements.

##### Turnover and income recognition

Turnover, 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:

- ◆ Turnover 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;
- ◆ Turnover from permanent placements, which 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 turnover anticipated, but not invoiced, at the balance sheet date, which is correspondingly accrued on the balance sheet within "Prepayments and accrued income". A general provision is made against accrued income for possible cancellations of placements prior to, or shortly after, the commencement of employment; and
- ◆ Turnover from amounts billed to clients for expenses incurred on their behalf (principally advertisements) and is recognised when the expense is incurred.

##### Cost of sales

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

##### Gross profit

Gross profit is represented by turnover less cost of sales and consists of the total of placement fees of permanent candidates, the margin earned on the placement of temporary candidates and advertising income. It is referred to by management as revenue.

##### Goodwill

Since 31 December 1997, goodwill arising on acquisitions (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) has been capitalised and classified as an asset at cost on the balance sheet and amortised over its estimated useful economic life of 20 years. Goodwill arising on acquisitions prior to 31 December 1997 has been written off against reserves and will be charged or credited in the profit and loss account on subsequent disposal of the business to which it related.

## Notes to the Accounts

### Year ended 31 December 2002

#### 1. Accounting policies (continued)

##### Foreign exchange

Transactions in foreign currencies are translated into sterling at the rates of exchange prevailing at the dates the transactions were made. Exchange differences on these items are dealt with in the profit and loss account. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at rates ruling at that date. Translation differences are dealt with in the statement of total recognised gains and losses.

Accounts of overseas operations are translated using the closing rate method. Profits, losses and cash flows of overseas operations are translated at the average exchange rate applicable to the period, whereas assets and liabilities of overseas subsidiaries are translated at the rates ruling at the period end. Unrealised gains and losses arising on these transactions are dealt with in the statement of total recognised gains and losses.

##### Tangible fixed assets

Tangible fixed assets 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

##### Investments

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

##### Taxation

The charge for taxation is provided at rates of corporation tax ruling during the accounting period.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on unremitted earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

##### 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 profit and loss account represent the contributions payable by the Group to the funds during each period.

##### Leased assets

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

## Notes to the Accounts

### Year ended 31 December 2002

#### 2. Segmental analysis

(a) Turnover and gross profit by geographic region		Turnover		Gross Profit	
		2002 £'000	2001 £'000	2002 £'000	2001 £'000
United Kingdom	continuing operations	<b>203,868</b>	243,614	<b>99,274</b>	122,769
	discontinued operations	-	5,753	-	1,919
		<b>203,868</b>	249,367	<b>99,274</b>	124,688
Continental Europe	continuing operations	<b>127,551</b>	154,335	<b>66,334</b>	91,644
Asia Pacific	Australia continuing operations	<b>39,187</b>	43,041	<b>16,380</b>	17,667
	Other continuing operations	<b>7,503</b>	8,265	<b>6,536</b>	7,212
		<b>46,690</b>	51,306	<b>22,916</b>	24,879
Americas	continuing operations	<b>5,361</b>	4,539	<b>4,124</b>	3,869
		<b>383,470</b>	459,547	<b>192,648</b>	245,080

The above analysis by destination is not materially different to analysis by origin. The amounts stated above derive from the Group's single activity of recruitment consultancy.

(b) Turnover and gross profit by discipline		Turnover		Gross Profit	
		2002 £'000	2001 £'000	2002 £'000	2001 £'000
Finance and accounting	continuing operations	<b>277,818</b>	333,324	<b>126,477</b>	159,049
Marketing and sales	continuing operations	<b>54,590</b>	67,581	<b>38,740</b>	51,429
Other	continuing operations	<b>51,062</b>	52,889	<b>27,431</b>	32,683
	discontinued operations	-	5,753	-	1,919
		<b>51,062</b>	58,642	<b>27,431</b>	34,602
		<b>383,470</b>	459,547	<b>192,648</b>	245,080

## Notes to the Accounts

### Year ended 31 December 2002

#### 2. Segmental analysis (continued)

<b>(c) Profit before interest, taxation and exceptional items by geographic region</b>		<b>2002</b>	2001
		<b>£'000</b>	£'000
United Kingdom	continuing operations	<b>20,487</b>	34,926
	discontinued operations	-	104
		<hr/>	<hr/>
		<b>20,487</b>	35,030
Continental Europe	continuing operations	<b>5,567</b>	22,453
Asia Pacific	Australia continuing operations	<b>5,796</b>	5,998
	Other continuing operations	<b>1,033</b>	1,245
		<hr/>	<hr/>
		<b>6,829</b>	7,243
Americas	continuing operations	<b>(747)</b>	(707)
		<hr/>	<hr/>
<b>Profit before interest, taxation and exceptional items</b>		<b>32,136</b>	64,019
Exceptional items		-	2,417
		<hr/>	<hr/>
<b>Profit before interest and taxation</b>		<b>32,136</b>	66,436
Net interest		<b>461</b>	(4,110)
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		<b>32,597</b>	62,326
		<hr/> <hr/>	<hr/> <hr/>

Net interest has not been allocated, recognising the head office's role and responsibility in allocating financial resources.

<b>(d) Net assets/(liabilities) by geographic region</b>		<b>2002</b>	2001
		<b>£'000</b>	£'000
United Kingdom		<b>40,264</b>	30,413
Continental Europe		<b>17,166</b>	26,384
Asia Pacific	Australia	<b>3,825</b>	5,305
	Other	<b>340</b>	1,588
		<hr/>	<hr/>
		<b>4,165</b>	6,893
Americas		<b>(2,741)</b>	(1,257)
		<hr/>	<hr/>
		<b>58,854</b>	62,433
		<hr/> <hr/>	<hr/> <hr/>

## Notes to the Accounts

### Year ended 31 December 2002

#### 3. Cost of sales and administrative expenses

	<b>Total</b>	Continuing operations	Discontinued operations	Total
	<b>2002</b>	2001	2001	2001
	<b>£'000</b>	£'000	£'000	£'000
<b>Cost of sales</b>	<b>190,822</b>	210,633	3,834	214,467
<b>Administrative expenses</b>	<b>160,512</b>	185,246	1,815	187,061

Cost of sales and administrative expenses for the year ended 31 December 2002 all result from continuing activities. Included within 2001 administrative expenses are £6.0m of exceptional items all relating to continuing operations.

#### 4. Operating profit

	<b>2002</b>	2001
	<b>£'000</b>	£'000
Operating profit is stated after charging:		
Staff costs (note 5)	<b>98,527</b>	108,822
Depreciation of tangible fixed assets - owned	<b>7,971</b>	7,364
Amortisation of goodwill	<b>96</b>	306
Auditors' remuneration:		
audit fees	<b>287</b>	271
other services (taxation services)	<b>236</b>	41
Loss on disposal of tangible fixed assets	<b>262</b>	159
Operating lease rentals:		
land and buildings	<b>10,684</b>	9,732
plant and machinery	<b>332</b>	118

The increase in auditors' remuneration for other services is the result of the appointment of Deloitte & Touche as tax advisors to the Group during the year. This follows the transaction between Andersen, the previous tax advisors, and Deloitte & Touche during the year.

## Notes to the Accounts

### Year ended 31 December 2002

#### 5. Employee information

The average number of employees (including Executive Directors) during the year and total number of employees (including Executive Directors) at 31 December 2002 were as follows:

	<b>2002</b>	2001	<b>2002</b>	2001
	<b>Average No.</b>	Average No.	<b>Total No.</b>	Total No.
Management	<b>127</b>	140	<b>114</b>	151
Client services	<b>1,407</b>	1,601	<b>1,361</b>	1,507
Administration	<b>937</b>	1,024	<b>915</b>	999
	<hr/> <b>2,471</b>	<hr/> 2,765	<hr/> <b>2,390</b>	<hr/> 2,657
Consultants for contract hire	<b>53</b>	-	<b>105</b>	-
	<hr/> <b>2,524</b>	<hr/> 2,765	<hr/> <b>2,495</b>	<hr/> 2,657
	<hr/> <hr/> <b>2,524</b>	<hr/> <hr/> 2,765	<hr/> <hr/> <b>2,495</b>	<hr/> <hr/> 2,657

Employment costs (including Directors' emoluments) comprised:

	<b>2002</b>	2001
	<b>£'000</b>	£'000
Wages and salaries	<b>82,477</b>	91,388
Social security costs	<b>12,480</b>	12,730
Other pension costs	<b>3,570</b>	4,704
	<hr/> <b>98,527</b>	<hr/> 108,822
	<hr/> <hr/> <b>98,527</b>	<hr/> <hr/> 108,822

Details of Directors' remuneration for the year are provided in the audited part of the Directors' Remuneration Report on pages 20 to 22.

#### 6. Net interest

	<b>2002</b>	2001
	<b>£'000</b>	£'000
Bank interest payable	<b>(283)</b>	(3,303)
Interest payable to former parent company	-	(991)
Loan note interest payable	<b>(81)</b>	(214)
	<hr/> <b>(364)</b>	<hr/> (4,508)
Bank interest receivable	<b>825</b>	398
	<hr/> <b>461</b>	<hr/> (4,110)
	<hr/> <hr/> <b>461</b>	<hr/> <hr/> (4,110)

## Notes to the Accounts

### Year ended 31 December 2002

#### 7. Taxation on profits on ordinary activities

	<b>2002</b>	2001
	<b>£'000</b>	£'000
<b>(a) Analysis of charge in period</b>		
UK Corporation tax at 30% for the year	<b>9,964</b>	11,906
Adjustments in respect of prior periods	<b>(296)</b>	346
Overseas corporation tax	<b>3,516</b>	8,734
	<hr/>	<hr/>
Total current tax charge (Note 7 (b))	<b>13,184</b>	20,986
<b>Deferred taxation</b>		
Origination and reversal of timing differences	<b>(1,741)</b>	(2,313)
	<hr/>	<hr/>
Taxation on profit on ordinary activities	<b>11,443</b>	18,673
	<hr/> <hr/>	<hr/> <hr/>

The tax assessed for the period differs from the standard rate of corporation tax in the UK (30%). The differences are explained below.

#### (b) Factors affecting the taxation charge for the period

	<b>2002</b>	2001
	<b>£'000</b>	£'000
Profit on ordinary activities before taxation	<b>32,597</b>	62,326
	<hr/>	<hr/>
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 30%	<b>9,779</b>	18,698
Effects of:		
Disallowable items	<b>676</b>	500
Capital allowances in excess of depreciation	<b>13</b>	(187)
Unrelieved overseas losses	<b>1,178</b>	515
Other timing differences	<b>1,481</b>	526
Profit on disposal of Crone Corkill Group plc	-	(2,525)
National Insurance and social security liabilities on Restricted Share Scheme	-	1,800
Higher tax rates on overseas earnings	<b>353</b>	1,313
Adjustment to tax charge in respect of prior periods	<b>(296)</b>	346
	<hr/>	<hr/>
Current tax charge for the period (Note 7 (a))	<b>13,184</b>	20,986
	<hr/> <hr/>	<hr/> <hr/>



## Notes to the Accounts

### Year ended 31 December 2002

#### 7. Taxation on profits on ordinary activities (continued)

##### (c) Factors affecting future taxation charges

Provision has not been made for taxation on unremitted earnings of Group companies overseas as the earnings are continually reinvested and, accordingly, no taxation is expected to be payable on them in the foreseeable future. Unremitted earnings may be liable to overseas taxes and UK taxation (after allowing for double taxation relief) if they were to be distributed as dividends.

In the overseas jurisdictions where the Group currently operates, tax rates are generally higher than those in the UK.

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 £2,812,000 in respect of tax losses of overseas companies. These tax losses are available to offset future taxable profits in the respective jurisdictions.

#### 8. Dividends

	<b>2002</b>	2001
	<b>£'000</b>	£'000
Interim dividend of 1.1p per ordinary share (2001: 0.275p)	<b>4,030</b>	1,016
Proposed final dividend of 2.3p per ordinary share (2001: 2.3p)	<b>8,233</b>	8,494
Total dividend of 3.4p per ordinary share (2001: 2.575p)	<b>12,263</b>	9,510

#### 9. Earnings per ordinary share

Earnings per share have been calculated on the following bases:

	<b>Basic and diluted EPS</b>	<b>Exceptional items</b>	<b>Adjusted EPS</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Year ended 31 December 2002</b>			
Profit after taxation	<b>21,154</b>	-	<b>21,154</b>
Average shares (number '000)	<b>366,355</b>	-	<b>366,355</b>
EPS (pence)	<b>5.8</b>	-	<b>5.8</b>
<b>Year ended 31 December 2001</b>			
Profit after taxation	43,653	(4,217)	39,436
Average shares (number '000)	370,714	-	370,714
EPS (pence)	11.8	-	10.6

There is no dilutive effect of unexercised share options.

## Notes to the Accounts

### Year ended 31 December 2002

#### 10. Intangible assets

<b>Group</b>	<b>Goodwill £'000</b>
<b>Cost</b>	
At 1 January 2002 and 31 December 2002	<b>1,876</b>
<b>Amortisation</b>	
At 1 January 2002	145
Charge for the year	96
At 31 December 2002	<b>241</b>
<b>Net book value</b>	
At 31 December 2002	<b>1,635</b>
At 31 December 2001	1,731

#### 11. Tangible fixed assets

<b>Group</b>	<b>Leasehold improvements £'000</b>	<b>Furniture, fixtures and equipment £'000</b>	<b>Motor vehicles £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 1 January 2002	11,786	25,766	8,989	46,541
Additions	900	2,120	1,938	4,958
Disposals	(929)	(932)	(3,599)	(5,460)
Foreign currency translation	191	342	240	773
At 31 December 2002	<b>11,948</b>	<b>27,296</b>	<b>7,568</b>	<b>46,812</b>
<b>Depreciation</b>				
At 1 January 2002	3,484	11,917	2,477	17,878
Charge for the year	1,735	4,224	2,012	7,971
Disposals	(342)	(755)	(1,679)	(2,776)
Foreign currency translation	37	165	32	234
At 31 December 2002	<b>4,914</b>	<b>15,551</b>	<b>2,842</b>	<b>23,307</b>
<b>Net book value</b>				
At 31 December 2002	<b>7,034</b>	<b>11,745</b>	<b>4,726</b>	<b>23,505</b>
At 31 December 2001	8,302	13,849	6,512	28,663

## Notes to the Accounts

### Year ended 31 December 2002

#### 12. Investments

Company	Subsidiary undertakings £'000	Own shares £'000	Total £'000
<b>Cost</b>			
At 1 January 2002 and 31 December 2002	<b>421,545</b>	<b>10,000</b>	<b>431,545</b>

The Company's principal subsidiary undertakings at 31 December 2002, 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
Accountancy Additions Limited	United Kingdom	Recruitment consultancy
Michael Page International (France) SA	France	Recruitment consultancy
Page Interim SA	France	Recruitment consultancy
Michael Page International (Espana) SA	Spain	Recruitment consultancy
Page Interim (Espana) SA	Spain	Recruitment consultancy
Michael Page International Italia Srl	Italy	Recruitment consultancy
Page Interim Italia SpA	Italy	Recruitment consultancy
Michael Page International (Deutschland) GmbH	Germany	Recruitment consultancy
Michael Page International (Nederland) BV	Netherlands	Recruitment consultancy
Michael Page International (Belgium) NV/SA	Belgium	Recruitment consultancy
Michael Page International (Sweden) AB	Sweden	Recruitment consultancy
Michael Page International (Australia) Pty Limited	Australia	Recruitment consultancy
Michael Page International (Hong Kong) Limited	Hong Kong	Recruitment consultancy
Michael Page International (Brasil) SC Ltda	Brazil	Recruitment consultancy
Michael Page International Portugal Lda	Portugal	Recruitment consultancy
Michael Page International (Japan) KK	Japan	Recruitment consultancy
Michael Page International (Switzerland) SA	Switzerland	Recruitment consultancy
Michael Page International Inc*	United States	Recruitment consultancy
Michael Page International Pte Limited*	Singapore	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 operated 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.

## Notes to the Accounts

### Year ended 31 December 2002

#### 12. Investments (continued)

##### Group

5,714,286 ordinary shares were acquired by the Employee Benefit Trust on flotation in 2001 at a cost of £10.0m as a hedge against National Insurance and social security liabilities payable in respect of the Restricted Share Scheme and the Executive Share Option Scheme. This holding represents 1.57% of the called up share capital and at 31 December 2002 had a market value of £6.3m (2001: £8.9m). Dividend income on these shares has been waived by the Employee Benefit Trust.

#### 13. Debtors

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
<b>Amounts falling due within one year</b>				
Trade debtors	<b>53,244</b>	65,722	-	-
Other debtors	<b>2,684</b>	2,757	<b>1,494</b>	3,687
Prepayments and accrued income	<b>11,289</b>	10,238	<b>20</b>	-
	<b>67,217</b>	78,717	<b>1,514</b>	3,687
<b>Amounts falling due after more than one year</b>				
Deferred taxation (see note 16)	<b>2,198</b>	461	<b>1,800</b>	1,800
Prepayments and accrued income	<b>1,328</b>	1,569	-	-
	<b>70,743</b>	80,747	<b>3,314</b>	5,487

#### 14. Creditors: Amounts falling due within one year

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Loan notes	-	5,452	-	5,452
Bank overdrafts	<b>668</b>	2,305	<b>1,775</b>	-
Trade creditors	<b>4,296</b>	5,297	-	-
Amounts owed to Group companies	-	-	<b>114,268</b>	104,461
Corporation tax	<b>3,215</b>	3,309	-	-
Other tax and social security	<b>18,298</b>	20,193	-	-
Other creditors	<b>6,949</b>	5,021	<b>187</b>	-
Accruals and deferred income	<b>21,410</b>	24,741	<b>62</b>	183
Dividends payable	<b>8,233</b>	8,494	<b>8,233</b>	8,494
	<b>63,069</b>	74,812	<b>124,525</b>	118,590

## Notes to the Accounts

### Year ended 31 December 2002

#### 15. Provisions for liabilities and charges

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
National Insurance and social security liabilities on Restricted Share Scheme expected to crystallise in March 2004	<b>6,000</b>	6,000	<b>6,000</b>	6,000

#### 16. Deferred taxation

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Deferred taxation (asset)/provision is as follows:				
Capital allowances in excess of depreciation	<b>439</b>	378	-	-
Other timing differences	<b>(2,637)</b>	(839)	<b>(1,800)</b>	(1,800)
	<b>(2,198)</b>	(461)	<b>(1,800)</b>	(1,800)
At 1 January	<b>(461)</b>	1,757	<b>(1,800)</b>	522
Deferred tax credit in profit and loss account for period	<b>(1,741)</b>	(2,313)	-	(1,800)
Transfer	-	-	-	(522)
Foreign currency translation	<b>4</b>	95	-	-
At 31 December	<b>(2,198)</b>	(461)	<b>(1,800)</b>	(1,800)

#### 17. Called up share capital

	2002 £'000	2001 £'000
<b>Authorised</b>		
571,250,000 ordinary shares of 1p each	<b>5,713</b>	5,713
<b>Allotted, called up and fully paid</b>		
363,662,799 ordinary shares of 1p each (2001: 375,000,000 ordinary shares of 1p each)	<b>3,637</b>	3,750
At 1 January	<b>3,750</b>	50
Transfer from capital contribution reserve	-	3,700
Cancellation of own shares	<b>(113)</b>	-
At 31 December	<b>3,637</b>	3,750

During the year 11,337,201 ordinary shares of 1p were purchased for cancellation by the Company at a cost of £13,725,684 including expenses.

## Notes to the Accounts

### Year ended 31 December 2002

#### 17. Called up share capital (continued)

##### Share options

At 31 December 2002 the following options had been granted and remained outstanding in respect of the Company's ordinary shares of 1p under the Michael Page International plc Executive Share Option Scheme.

Year of grant	Balance at 1 January 2002	Granted in year	Lapsed in year	No. of shares outstanding	Exercise price per share	Exercise period
2001 (Note 1)	31,593,728	-	2,316,964	29,276,764	175p	March 2004 - March 2011
2002 (Note 2)	-	3,040,000	113,750	2,926,250	186p	March 2005 - March 2012
2002 (Note 2)	-	4,460,000	178,750	4,281,250	186p	March 2006 - March 2012

No options were exercised in the year.

##### Note 1 Pre flotation options

On flotation, options over 33,750,000 (9%) ordinary shares were granted to the Executive Directors and employees. As at 31 December 2002, options over 29,276,764 (8%) ordinary shares remain outstanding. These options are subject to the following performance conditions:

- (a) 55.6% of an individual's option entitlement will normally only be exercisable to the extent that Earnings Per Share (EPS) targets have been satisfied over a period of 3 to 10 years. None of these options will vest unless EPS has grown in line with the UK Retail Prices Index (RPI) plus an average of 5% per annum. At that point 33.3% of this portion of the options vest. If EPS growth is higher than this level, vesting increases on a sliding scale basis until 100% of this portion of the options vest where EPS growth matches RPI plus an average of 10% per annum;
- (b) 44.4% of 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 five years. At that point 33.3% 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.

##### Note 2 Other options

In addition to the pre flotation options, further options may be granted over a maximum of 10% of the issued share capital.

On 14 March 2002, options over 7,500,000 ordinary shares were granted in two tranches to the Executive Directors and 203 employees at an exercise price of 186p. The first tranche of options is exercisable, under normal circumstances, between 3 and 10 years from the date of grant. The second tranche is exercisable, under normal circumstances, between 4 and 10 years from the date of grant. 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 (as defined) of at least 3% per annum above the growth in the retail price index. The 2001 earnings per share of 10.6p is the base for the first tranche of options. The 2002 earnings per share of 5.8p is the base for the second tranche of options.

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.

## Notes to the Accounts

### Year ended 31 December 2002

#### 18. Reserves

	Group			Company		
	Capital contribution reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000	Capital contribution reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000
At 1 January 2002	306,487	-	(247,804)	306,487	-	2,205
Retained profit for the year	-	-	8,891	-	-	5,618
Foreign currency translation differences	-	-	1,256	-	-	-
Purchase and cancellation of shares	(13,726)	113	-	(13,726)	113	-
Reserve transfer	(292,761)	-	292,761	(292,761)	-	292,761
<b>At 31 December 2002</b>	<b>-</b>	<b>113</b>	<b>55,104</b>	<b>-</b>	<b>113</b>	<b>300,584</b>

The deficit brought forward on the profit and loss account arose following the acquisition of the Michael Page Group PLC in 1997. Goodwill of £311.7m arising on this acquisition was written off directly to reserves in accordance with the accounting policy set out in note 1.

The entire capital contribution reserve arose from cash injections by the Group's previous ultimate parent company, Spherion Corporation. These reserves are distributable and accordingly have been transferred to the profit and loss account during the year.

#### 19. Reconciliation of operating profit to net cash inflow from operating activities

	2002 £'000	2001 £'000
Operating profit	<b>32,136</b>	58,019
Depreciation and amortisation charges	<b>8,067</b>	7,670
Loss on sale of fixed assets	<b>262</b>	159
Decrease in debtors	<b>10,349</b>	17,289
Decrease in creditors	<b>(4,157)</b>	(7,268)
Net cash inflow from operating activities	<b>46,657</b>	75,869

## Notes to the Accounts

### Year ended 31 December 2002

#### 20. Reconciliation of net cash flow to movement in net cash

	<b>2002</b>	2001
	<b>£'000</b>	£'000
Increase in cash in the year	<b>1,349</b>	5,898
Decrease in debt financing	<b>5,452</b>	212,894
Foreign exchange movements	<b>224</b>	(468)
	<hr/>	<hr/>
Movement in net cash in year	<b>7,025</b>	218,324
Opening net cash/(debt)	<b>14,347</b>	(203,977)
	<hr/>	<hr/>
Closing net cash	<b>21,372</b>	14,347
	<hr/> <hr/>	<hr/> <hr/>

#### 21. Analysis of net cash

	At 31 December 2001 £'000	Cash flow £'000	Foreign exchange movements £'000	At 31 December 2002 £'000
Cash at bank and in hand	22,104	(356)	292	<b>22,040</b>
Bank overdrafts	(2,305)	1,705	(68)	<b>(668)</b>
	<hr/>	<hr/>	<hr/>	<hr/>
	19,799	1,349	224	<b>21,372</b>
Loan notes due within one year	(5,452)	5,452	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total net cash	14,347	6,801	224	<b>21,372</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>



## Notes to the Accounts

### Year ended 31 December 2002

#### 22. Financial instruments

The Group's financial instruments comprise borrowings, cash and liquid resources plus various items such as trade debtors and trade creditors which arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Group's operations.

The Group has opted to exclude all financial risk disclosures relating to short term debtors and creditors with the exception of currency risk.

The main exposures arising from the Group's financial instruments are currency and liquidity risk.

An explanation of the Group's treasury policy is included in the Finance Director's review on page 8.

#### (a) Currency exposures of financial assets and liabilities

The extent to which Group companies have monetary assets and liabilities, excluding intercompany balances, in currencies other than their local currency is shown in the tables below.

As at 31 December 2002	Net foreign currency monetary assets/(liabilities)				
	Sterling £'000	US\$ £'000	EU currencies £'000	Other currencies £'000	Total 2002 £'000
Functional currency of Group operation	-	-	459	-	459
Sterling	-	-	-	-	-
US dollar	-	-	-	-	-
EU currencies	-	-	-	-	-
Other currencies	-	-	(46)	47	1
Total	-	-	413	47	460

As at 31 December 2001	Net foreign currency monetary assets/(liabilities)				
	Sterling £'000	US\$ £'000	EU currencies £'000	Other currencies £'000	Total 2001 £'000
Functional currency of Group operation	-	11	35	-	46
Sterling	-	-	-	-	-
US dollar	-	-	-	-	-
EU currencies	-	-	-	-	-
Other currencies	-	-	-	(231)	(231)
Total	-	11	35	(231)	(185)

## Notes to the Accounts

### Year ended 31 December 2002

#### 22. Financial instruments (continued)

##### (b) Maturity of financial liabilities

The maturity profile of the carrying value of the Group's and Company's financial liabilities, other than short term creditors and accruals, as at 31 December was as follows:

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Less than one year	<b>668</b>	6,244	<b>1,775</b>	5,452

##### (c) Borrowing facilities

The Group and Company has the following undrawn committed borrowing facilities available at 31 December 2002.

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Less than one year	<b>2,956</b>	1,676	-	-
Between one and two years	<b>40,659</b>	33,500	<b>40,659</b>	33,500
Total	<b>43,615</b>	35,176	<b>40,659</b>	33,500

The facilities have been arranged to help finance the expansion of the Group's activities around the world.

##### (d) Financial assets and liabilities

(i) Assets excluding short term debtors:

	Group 2002 £'000	Group 2001 £'000
Cash	<b>22,040</b>	22,104

## Notes to the Accounts

### Year ended 31 December 2002

#### 22. Financial instruments (continued)

##### (ii) Liabilities including interest rate risk profile

The Group does not consider the interest rate risk as significant. The interest rate profile of the Group's financial liabilities, excluding short term creditors at 31 December was as follows:

	<b>Floating rate liabilities 2002 £'000</b>	Floating rate liabilities 2001 £'000
Currency		
Sterling	-	5,452
Others	<b>668</b>	2,305
	<hr/>	<hr/>
Total	<b>668</b>	7,757
	<hr/> <hr/>	<hr/> <hr/>

All the Group's creditors falling due within one year (other than bank and other borrowings) have been excluded from the above table by either applying the exemption granted by Financial Reporting Standard 13 relating to other short term items, or because they do not meet the definition of a financial liability, such as balances relating to taxation.

The benchmark rates for determining floating rate liabilities are based on relevant national LIBOR equivalents.

#### (e) Fair value of financial assets and liabilities

The fair value of financial assets and liabilities is not materially different to the book value.

#### 23. Commitments and contingent liabilities

##### Operating lease commitments

At 31 December 2002 the Group was committed to make the following payments in the next financial year in respect of non-cancellable operating leases

	<b>Land and buildings</b>		<b>Other</b>	
	<b>2002</b>	2001	<b>2002</b>	2001
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Leases which expire:				
Within one year	<b>2,343</b>	1,312	<b>273</b>	23
Within two to five years	<b>3,724</b>	4,924	<b>97</b>	85
After five years	<b>4,532</b>	3,704	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>10,599</b>	9,940	<b>370</b>	108
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

At 31 December 2002, the Company had an no annual commitments under non-cancellable operating leases (2001: nil).

## Notes to the Accounts

### Year ended 31 December 2002

#### **23. Commitments and contingent liabilities (continued)**

##### **Capital commitments**

The Group had capital commitments of £2,531,000 as at 31 December 2002 (2001 - £335,000)

##### **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 2002 amounted to £3,439,929 (2001 - £4,772,515).

#### **24. Related party transactions**

Details of Directors' shareholdings and share options are shown on pages 21 and 22.

The Group is taking advantage of the exemption granted by paragraph 3(c) of Financial Reporting Standard No. 8 "Related Party Disclosures" not to disclose transactions with group companies which are related parties.

## Shareholder Information and Advisers

### Annual General Meeting

To be held on 22 May 2003 at 12.00 noon at 39-41 Parker Street, London, WC2B 5LN. Every shareholder is entitled to attend and vote at the meeting.

### Final dividend for the year ended 31 December 2002

To be paid (if approved) on 6 June 2003 to shareholders on the register on 9 May 2003.

### Company secretary

R A McBride

### Company number

3310225

### Registered office

39-41 Parker Street  
London  
WC2B 5LN

Tel: 020 7831 2000

Fax: 020 7269 2280

### Auditors

Deloitte & Touche  
180 Strand  
London WC2R 1BL

### Solicitors

Herbert Smith  
Exchange House  
Primrose Street  
London EC2A 3TR

### Registrars

Capita IRG  
The Registry  
34 Beckenham Road  
Beckenham, Kent BR3 4TU

### Brokers

Schroder Salomon Smith Barney  
33 Canada Square  
Canary Wharf  
London E14 5LB

### Key dates

Ex-Dividend date	7 May 2003
Record date	9 May 2003
Annual General Meeting	22 May 2003
Payment of final ordinary dividend	6 June 2003
Interim results announcement	18 August 2003

## Five Year Summary Profit and Loss Account

	1998 £'000	1999 £'000	2000 £'000	2001 £'000	<b>2002 £'000</b>
<b>Turnover</b>	277,357	356,252	458,065	459,547	<b>383,470</b>
<b>Gross profit</b>	146,939	181,670	246,329	245,080	<b>192,648</b>
<b>Operating profit</b>	45,949	56,217	74,102	58,019	<b>32,136</b>
<b>Profit on ordinary activities before taxation</b>	31,276	42,211	58,536	62,326	<b>32,597</b>
<b>Profit for the financial period</b>	19,382	27,258	37,008	43,653	<b>21,154</b>
Basic and diluted earnings per share (pence)	5.2	7.3	9.9	11.8	<b>5.8</b>
Adjusted earnings per share (pence)	5.2	7.3	9.9	10.6	<b>5.8</b>

## Annual General Meeting Notice of Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at 39-41 Parker Street, London WC2B 5LN on Thursday 22 May 2003 at 12 noon for the following purposes:

1. To receive and approve the reports of the directors and auditors and accounts for the year ended 31 December 2002.
2. To declare a final dividend on the ordinary share capital of the Company for the year ended 31 December 2002 of 2.3p per share.
3. To re-elect S.J. Ingham as a director of the Company (note 2)
4. To re-elect S.R. Puckett as a director of the Company (note 2)
5. To re-elect M. Stewart as a director of the Company (note 2)
6. To re-elect H.V. Reid as a director of the Company (note 2)
7. To propose the following ordinary resolution:

That the director's remuneration report for the year ended 31 December 2002 be received and approved.

8. To re-appoint Deloitte & Touche as auditors of the Company to hold office until the conclusion of the next Annual Meeting at a remuneration to be fixed by the directors.
9. To propose the following ordinary resolution:

That the directors be and are hereby generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 (the "Act") to exercise all powers of the Company to allot relevant securities (as defined in Section 80 (2) of the Act) up to an aggregate nominal amount of £1,212,209 to such persons upon such conditions as the directors may determine, such authority to expire at the conclusion of the next Annual General Meeting of the Company save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted in pursuance of such an offer or agreement as if the authority conferred hereby had not expired (note 4).

10. To propose the following special resolution:

That the directors be and are hereby empowered pursuant to Section 95 of the Companies Act 1985 (the "Act") to allot equity securities (as defined in Section 94 of the Act) for cash pursuant to the authority conferred by resolution 9 above as if Section 89 (1) of the Act did not apply to such allotment provided that this power shall be limited to:

- (a) the allotment of equity securities in connection with a rights issue and so that for this purpose "rights issue" means an offer of equity securities open for acceptance for a period fixed by the directors to holders of equity securities on the register on a fixed record date in proportion to their respective holdings of such securities or in accordance with the rights attached thereto but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of any overseas territory or requirements of any recognised regulatory authority or stock exchange in any country or any matter whatever, and

## Annual General Meeting Notice of Meeting

(b) the allotment (other than within the authority conferred in sub paragraph (a) above) of equity securities for cash up to an aggregate nominal amount of £181,831:

and shall expire at the conclusion of the next Annual General Meeting of the Company when the general authority under Resolution 9 shall expire, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted in pursuance of such an offer or agreement as if the authority conferred hereby had not expired (note 5).

11. To propose as special business the following special resolution:

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

(a) the maximum number of ordinary shares hereby authorised to be purchased is 36,366,280.

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

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

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

(e) the Company may conclude a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be exercised wholly or partly after the expiry of such authority and may make a purchase of ordinary shares in pursuance of any such contract as if the authority hereby conferred had not expired (note 6).

By order of the Board



**R. A. McBride**

Secretary  
39-41 Parker Street  
London  
WC2B 5LN

Registered in England No. 3310225

26th February 2003



## Annual General Meeting Notice of Meeting

### Notes

1. Any member entitled to attend and vote at the meeting may appoint another person, whether a member or not, as his proxy to attend and on a poll, to vote instead of him. A form of proxy is enclosed for this purpose and to be valid must be deposited with the Company's registrars together with any power of attorney or other authority under which it is signed, not less than 48 hours before the time appointed for the meeting. Completion and return of the form of proxy will not preclude a member from attending and voting at the meeting.
2. Messrs Ingham, Puckett and Stewart retire by rotation and are seeking reappointment at the Annual General Meeting. H.V. Reid was appointed after the last Annual General Meeting and must therefore retire and seek re-appointment at this Annual General Meeting. Biographical information on each of the directors is contained on pages 9 and 10 of the annual report and accounts.
3. The register of directors' interests required to be kept under section 325 of the Act will be available for inspection by members at the registered office of the Company on any weekday during normal business hours from the date of this announcement until the day of the Annual General Meeting and at the place of the meeting not less than 15 minutes before the meeting commences and after the meeting concludes.
4. This authority is in respect of 33% of the issued share capital of the Company and is in accordance with the recommendations of the Association of British Insurers ("ABI"). It is the directors' intention to seek renewal of this authority annually. The directors have no present intention of exercising this authority.
5. This authority is in respect of 5% of the issued share capital of the Company and is in accordance with the recommendations of the ABI. It is the directors' intention to seek renewal of this authority annually. The directors have no present intention of exercising this authority.
6. This authority is in respect of 10% of the issued share capital of the Company and the power given by this resolution will only be exercised if the directors are satisfied that any purchase will increase the Earnings per Share of the Ordinary Share Capital in issue after the purchase and accordingly, that the purchase is in the interests of shareholders. If the Company buys any ordinary shares under this authority they will be cancelled.
7. To have the right to attend and vote at the meeting (and also for the purpose of calculating how many votes a person may cast), a person must have his/her name entered on the register of members by no later than 48 hours before the time of the meeting. Changes to entries on the register after this time shall be disregarded in determining the rights of any person to attend or vote (and the number of votes they may cast) at the meeting or adjourned meeting.



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