5 March 2020

PageGroup

Full Year Results for the Year Ended 31 December 2019

PageGroup plc ("PageGroup"), the specialist professional recruitment company, announces its full year results for the year ended 31 December 2019.

Financial summary	**2019**	**2018**	**Change**	**Change CC***
Revenue	£1,653.9m	£1,549.9m	+6.7%	+7.0%
Gross profit	£855.5m	£814.9m	+5.0%	+5.0%
Operating profit	£146.7m	£142.5m	+3.0%	+2.2%
Profit before tax	£144.2m	£142.3m	+1.4%	
Basic earnings per share	32.2p	32.5p	-0.9%	
Diluted earnings per share	32.2p	32.4p	-0.6%	
Total dividend per share (excl. special dividend)	13.70p	13.10p	+4.6%	
Total dividend per share (incl. special dividend)	26.43p	25.83p		

2019 operating profit includes benefit of IFRS 16 of £1.9m

HIGHLIGHTS*

- Group gross profit up 5.0% to £855.5m, a record year for the Group
- Operating profit up 2.2% to £146.7m
- Conversion rate** down to 17.1% (2018: 17.5%)
- Gross profit per fee earner up 1.5% to £140.4k (2018: £138.3k)
- Record gross profit in 19 countries
- Net decrease of -89 fee earners (-1.5%); total headcount of 7,698
- Final dividend of 9.40 pence per share, an increase of 4.4%
- Total ordinary dividend increased 4.6% to 13.70p
- £40.7m special dividend paid in October of 12.73p per share

**At constant currency - all growth rates in constant currency at prior year rates unless otherwise stated*
***Operating profit as a percentage of gross profit*

Commenting on the results and the outlook, Steve Ingham, Chief Executive Officer of PageGroup, said:

“2019 was a record year for the Group with gross profit, operating profit and profit before tax all increasing. Today the Board has also proposed an increase in the final dividend of 4.4% to 9.4p reflecting confidence in the long-term strategic progress of the Group.

“Due primarily to the tough trading conditions seen in a number of the Group’s markets, some of which are historically among the highest conversion markets in the Group, our conversion rate decreased slightly to 17.1%. EPS also declined marginally to 32.2p.

“The slowing growth that we saw in the second half of 2019, caused by a number of macro-economic challenges, have continued in the first two months of this year. In addition, we have seen the emergence of COVID-19 in Greater China. This, combined with the existing challenges, led Group gross profit to decline by -3% in these first two months.

“In our market-leading Greater China business, where COVID-19 first emerged, we have around 550 people across 9 offices, we reacted swiftly in challenging circumstances, recognising that the health and safety of our employees, candidates and clients was our top priority. With consultants continuing to work via home access, we were able to maintain contact with both candidates and clients. After periods of office closure in some cities, we had over 90% of consultants back in our offices by the end of February. Business was transacted using a range of technologies and while there was almost no face to face contact, in the first two months we were still able to deliver gross profit at c. 65% compared to 2019.

“Looking forward, in Greater China, many of our clients have not been able to return to work with the same speed and therefore we expect a significant impact in March, one of our largest months of the year, and potentially beyond. With COVID-19 now impacting other markets around the world, it is too early to estimate the impact on the Group’s operations. We will continue to monitor the situation closely and will provide updates as necessary.

“PageGroup continues to have a flexible and highly diversified business model that enables us to react quickly to changes in market conditions. We are clear market leaders in many of our markets, with a highly experienced senior management team, which, we believe, positions us well to take advantage of all opportunities during 2020.

“We will continue to focus on driving profitable growth, while progressing our strategic investments towards our Vision of 10,000 headcount, £1bn of gross profit and £200m - £250m of operating profit.”

Analyst meeting

The Company will be presenting to a meeting of analysts at 10.15am today at

FTI Consulting
200 Aldersgate
Aldersgate Street
London EC1A 4HD

If you are unable to attend in person, you can also follow the presentation on the following link:

https://www.investis-live.com/pagegroup/5e4abaf015f73f0b0065a8be/suak

Please use the following dial-in numbers to join the conference:

United Kingdom (Local)	020 3936 2999
All other locations	+44 20 3936 2999

Please quote the access code 47 18 45 to gain access to the call

The presentation and a recording of the meeting will be available on the Company's website later today at

https://www.page.com/investors/investor-library.aspx

Enquiries:

PageGroup plc	**+44 (0) 1932 264446**
Steve Ingham, Chief Executive Officer	
Kelvin Stagg, Chief Financial Officer	
FTI Consulting	**+44 (0) 20 3727 1340**
Richard Mountain/Susanne Yule	

MANAGEMENT REPORT

CAUTIONARY STATEMENT

This Management Report has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed.

This Management Report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward looking information.

GROUP STRATEGY

At PageGroup we have a clear strategic vision. We aim to be the leading specialist recruiter in each of the markets in which we operate. We have sought to achieve this by developing a significant market presence in major global economies, as well as targeting new markets where we see the greatest potential for long-term gross profit growth at attractive conversion rates.

We offer our services across a broad range of disciplines and specialisms, solely within the professional recruitment market. Our origins are in permanent recruitment, but a quarter of our gross profit is in temporary placements, where local culture and market conditions allow. We focus on opportunities where our industry and market expertise can set us apart from our competition. This enables us to offer a premium service that is valued by clients and attracts the highest calibre of candidates.

Our mix of permanent to temporary recruitment reflects the balance of our business mix, both in terms of brands, where Michael Page, our largest brand, operating at higher salary levels, has a naturally higher level of permanent recruitment, as well as our geographic mix. We are market leaders in regions such as Latin America, Greater China and South East Asia, where we are also seeing the emergence of the white-collar temporary recruitment market.

PageGroup is focused on delivering against three key objectives to achieve its strategic vision and provide sustainable financial returns. These are: 1) to look for organic, high-margin and diversified growth; 2) to position the business to be scalable efficiently and highly flexible to reflect market conditions; and 3) as a people-oriented, organically driven business, to nurture and develop talent and skills which are fundamental to us achieving long-term sustainable growth.

We therefore invest significantly in our people, as the recruitment, retention and development of the best talent available is central to our ability to grow the business and to manage our resources through economic cycles. Investment in the business has been focused on developing the long-term sustainability of the business and is supported by significant balance sheet strength and cash flow generation.

Organic, scalable growth

Our strategy is to grow organically, achieved by drawing upon the skill and experience of proven PageGroup management, ensuring we have the best and most experienced home-grown talent in each key role. Our team-based structure and profit share business model is highly scalable. The small size of our specialist teams means we can increase headcount rapidly to achieve growth when market conditions are favourable.

Conversely, when market conditions tighten, these entrepreneurial, profit-sharing teams reduce in size, largely through natural attrition. Consequently, our cost base contracts in downturns. Our strategy for organic growth has served the business well over the 43 years since its inception and we believe it will continue to do so. We have grown from a small, single-discipline recruitment company operating in one country to a large multidiscipline, multinational business, operating in 36 countries represented by our four key brands of Page Executive, Michael Page, Page Personnel and Page Outsourcing.

Diversification by region and discipline

Our strategy is to expand and diversify the Group by industry sectors, professional disciplines, geography and level of focus, be it Page Executive, Michael Page, Page Personnel or Page Outsourcing, with the objective of being the leading specialist recruitment consultancy in each of our chosen markets.

As recruitment is a cyclical business, impacted significantly by the strength of economies, diversification is an important element of our strategy as it reduces our dependency on individual businesses or markets, thereby increasing the resilience of the Group. This strategy is pursued entirely through the organic growth of existing and new teams, offices, disciplines and countries, maintaining a consistent team and meritocratic culture as we grow.

Talent and skills development

We recognise that it is our people who are at the heart of everything we do, particularly as an organically grown business where ensuring we have a talent pool with experience through economic cycles and across both geographies and disciplines is critical. Investing in our people is, therefore, a vital element of our strategy. We seek to find the highest calibre staff from a diverse range of backgrounds and then do our very best to retain them through offering a fulfilling career and an attractive working environment.

This includes a team-based structure, a profit share business model and continuous training and career development, often internationally. Our strong track record of internal career moves and promotion from within means that people who join us know that they could be our future senior managers and main Board Directors.

Diversity and inclusion are key to our culture and the success of our business. It is not just an item on our to-do list, it’s an inherent part of our culture and our business. We are a people business – the people who work here, the companies we do business with, the candidates whose lives we change for the better on a daily basis, and the communities and individuals we help as we give back to others. Understanding the values and cultural differences of our employees helps them reach their potential as we build a stronger, more successful business. A business which reflects society and the clients and candidates whose lives we change.

Sustainable growth

When we invest in a new business, be it a new country, a new office or a new discipline, we do so for the long term. Our organic and team-based business model allows us to grow strongly when market conditions are favourable, enabling us to increase our fee earner headcount investment rapidly. Conversely, downturns in the general economy of a country or in specific industries will inevitably have a knock-on effect on the recruitment market. However, it has been our practice in the past, and remains our intention, to maintain our presence in our chosen markets through these downturns, while closely controlling our cost base. In this way, we can retain our highly capable management teams in whom we have invested. Normally, we find that we gain market share during downturns, which positions our business for market-leading rates of growth when the economy improves. Pursuing this approach means that we carry spare capacity during downturns, which can have a negative effect on profitability in the short term. A strong balance sheet is, therefore, essential to support the business at these times.

Our strategic priorities comprise the following:

- increase the scale and diversification of PageGroup by organically growing existing and new teams, offices, disciplines, brands and countries;
- manage the business with a team and meritocratic culture, while delivering a consistent and high-quality client and candidate experience;
- invest through cycles in our Large, High Potential markets of Germany, Greater China, Latin America, South East Asia and the US to achieve scale and a market leading position;
- manage our fee earner headcount in all other markets to reflect prevailing market conditions, by adding selectively to geographies and disciplines where there is positive growth momentum, while reducing headcount where the outlook for growth or fee earner productivity is weak;
- focus on operational support consistency; and
- focus on succession planning and international career paths to encourage retention and development of key staff.

The main factors that could affect the business and the financial results are described in the "Principal Risks and Uncertainties" section in the PageGroup plc 2019 Annual Report and Accounts, which will be available to shareholders in April 2020.

GROUP RESULTS

GROSS PROFIT		**Reported**			**CC**
Year-on-year	**% of Group**	**2019 (£m)**	**2018 (£m)**	**%**	**%**
EMEA	49%	418.3	394.3	+6.1%	+7.0%
Asia Pacific	19%	163.3	161.2	+1.3%	-0.3%
Americas	16%	138.8	121.0	+14.7%	+13.8%
UK	16%	135.1	138.4	-2.4%	-2.4%
Total	**100%**	**855.5**	**814.9**	**+5.0%**	**+5.0%**
Permanent	75%	643.8	621.7	+3.5%	+3.3%
Temporary	25%	211.7	193.2	+9.6%	+10.4%

At constant exchange rates, the Group's revenue increased 7.0% and gross profit increased 5.0% for the year ended 31 December 2019. At reported rates, revenue increased 6.7% to £1,653.9m (2018: £1,549.9m) and gross profit increased 5.0% to £855.5m (2018: £814.9m).

The Group’s revenue mix between temporary and permanent placements was 61:39 (2018: 59:41) and for gross profit our permanent to temporary ratio was 75:25 (2018: 76:24). Revenue from temporary placements comprises the salaries of those placed, together with the margin charged. This margin on temporary placements increased slightly to 21.1% in 2019 (2018: 21.0%). Overall, pricing remained relatively stable across all regions, although a stronger pricing environment was experienced in markets and disciplines where there were increased instances of candidate shortages.

Our Large, High Potential markets category increased gross profit by 9% in constant currencies and achieved a record gross profit of £298.1m, now representing 35% of the Group. This was achieved despite the tougher trading conditions in Greater China, due to trade tariff uncertainty in Mainland China and social unrest in Hong Kong. Excluding Greater China, growth was 16%.

Total Group headcount decreased by 74 in the year to close at 7,698. This comprised a net decrease of 89 fee earners (-1.5%) and an increase of 15 operational support staff (+0.9%). Our fee earner headcount responded to the increasingly tough market conditions seen as the year progressed, with macro-economic uncertainties in many of our markets. Our operational support headcount increased to support our strategic transformation projects, although many of these came to an end towards the end of the year, with a net reduction of 37 in Q4. As a result of these movements, our fee earner to operational support staff ratio was 78:22 (2018: 79:21). In total, administrative expenses increased 5.4% to £708.8m (2018: £672.4m). The Group's operating profit from trading activities totalled £146.7m (2018: £142.5m), an increase of 2.2% in constant currencies and 3.0% in reported rates.

OPERATING PROFIT AND CONVERSION RATES

The Group's organic growth model and profit-based team bonus ensures cost control remains tight. Approximately three-quarters of costs were employee related, including wages, bonuses, share-based long-term incentives, and training & relocation costs.

Depreciation and amortisation for the year totalled £57.5m (2018: £19.7m), the increase being due to £36.6m of additional depreciation as a result of IFRS 16. Amortisation relating to our operating system, PRS, was £6.2m (2018: £6.9m).

Our fee earner to operational support staff ratio was 78:22, as we reduced our fee earner headcount in response to the more challenging trading conditions seen across many of the Group’s markets.

The Group’s conversion rate for the year of 17.1% was a decline from 17.5% in 2018. This was due primarily to the tough trading conditions seen in a number of the Group’s markets, many of which have the highest conversion rates in the Group.

In EMEA, conversion was broadly flat on 2018 at 21.6%. This was a combination of more challenging macro-economic conditions, offset by our continued focus on conversion. In the UK, the conversion rate increased from 9.7% to 12.8% as we managed our cost base in response to the continued Brexit uncertainty. In Asia Pacific, conversion fell to 12.1% (2018: 16.6%), mainly due to the tougher trading conditions as a result of the trade tariff uncertainty in Mainland China and social unrest in Hong Kong. The Americas’ conversion rate was broadly in line with 2018 at 13.9%. This was our fastest growing region, benefiting from our investment in its two Large, High Potential markets.

A net interest charge of £2.4m was primarily due to an IFRS 16 interest charge of £2.0m. Excluding IFRS 16, the net interest charge of £0.4m reflected borrowing facility charges, partially offset by interest income, albeit in the continued low interest rate environment.

Earnings per share and dividends

In 2019, basic earnings per share decreased -0.9% to 32.2p (2018: 32.5p), due to an increase in the effective tax rate from 27.1% to 28.3%. Diluted earnings per share, which includes the dilutive effect of share options, decreased -0.6% to 32.2p (2018: 32.4p).

The Group's strategy is to operate a policy of financing the activities and development of the Group from our retained earnings and to maintain a strong balance sheet position. We first use our cash to satisfy our operational and investment requirements and to hedge our liabilities under the Group's share plans. We then review our liquidity over and above these requirements to make returns to shareholders, firstly by way of an ordinary dividend.

Our policy is to grow this ordinary dividend over the course of the economic cycle, in line with our long-term growth rate. We believe this will enable us to sustain the level of ordinary dividend payments during a downturn as well as to increase it during more prosperous times.

Cash generated in excess of these first two priorities will be returned to shareholders through supplementary returns, using special dividends or share buybacks.

In line with the growth rates and increase in operating profits, a final dividend of 9.40p (2018: 9.00p) per ordinary share is proposed. When taken together with the interim dividend of 4.30p (2018: 4.10p) per ordinary share, this is an increase in the total dividend for the year of 4.6% over 2018 to 13.70p per ordinary share.

The proposed final dividend, which amounts to £30.2m, will be paid on 19 June 2020 to shareholders on the register as at 22 May 2020, subject to shareholder approval at the Annual General Meeting on 4 June 2020.

After consultation with our shareholders, we also paid a special dividend of 12.73p per share (2018: 12.73p per share) on 9 October 2019, totalling £40.7m. We will continue to monitor our cash position in 2020 and will make returns to shareholders in line with the above policy.

Cash flow and balance sheet

Cash flow in the year was strong, with £194.1m (2018: £131.7m) generated from operations. The closing cash balance was £97.8m at 31 December 2019, broadly in line with the prior year. The movements in the Group's cash flow in 2019 reflected the underlying trading conditions, with a £15.9m increase in working capital.

The Group had a £50m invoice financing arrangement, £30m revolving credit facility and £21m uncommitted overdraft facilities to support cash flows across its operations and ensure rapid access to funds should they be required. None of these were in use at the year end.

Income tax paid in the year was £37.0m (2018: £41.0m) and net capital expenditure in 2019 was £24.6m (2018: £24.4m). Spending on software increased from 2018 as we completed the roll-out of our new Global Finance System and commenced the implementation of our new Customer Connect operating system. Spending on property, plant and equipment decreased, with no significant office moves in the year, as well as a reduction in our fee earner headcount.

Dividend payments were up on the prior year at £83.5m (2018: £81.3m). The generally lower share price in 2019 meant that there was a decrease in cash receipts from share option exercises, with £7.2m in 2019, compared to £26.9m in 2018. In 2019, £10.0m (2018: £11.6m) was also spent on the purchase of shares by the Employee Benefit Trust to satisfy future obligations under our employee share plans.

The most significant item in our balance sheet was trade receivables, which amounted to £271.1m at 31 December 2019 (2018: £288.2m), comprising permanent fees invoiced and salaries and fees invoiced in the temporary placement business, but not yet paid. Day's sales in debtors at 31 December 2019 were 52 days (2018: 54 days).

EUROPE, MIDDLE EAST AND AFRICA (EMEA)

EMEA is the Group's largest region, contributing 49% of the Group's gross profit in the year. With operations in 17 countries, PageGroup has a strong presence in the majority of EMEA markets and is the clear leader in specialist permanent recruitment in the two largest, France and Germany. Across the region, permanent placements accounted for 68% and temporary placements 32% of gross profit.

The region includes four of our Large, Proven markets, France, Spain, Italy and the Netherlands, across which there is a broad range of competition. EMEA also includes Germany, one of the Group's Large, High Potential markets, which has low penetration rates (markets where less than 30% of recruitment is outsourced) and significant growth potential, particularly in temporary recruitment. In addition, there are markets such as Poland, Turkey and Africa, which are less developed, with limited competition, but are increasingly looking for professional recruitment services.

EMEA	**£m**		**Growth rates**	
(49% of Group in 2019)	**2019**	**2018**	**Reported**	**CC**
Gross Profit	418.3	394.3	+6.1%	+7.0%
Operating Profit	90.3	85.6	+5.5%	+6.5%
Conversion Rate (%)	21.6%	21.7%		

In 2019, the EMEA region saw market conditions deteriorate as the year progressed, despite this, 9 countries delivered record gross profit for the year. In constant currencies, revenue increased 9.0% on 2018 and gross profit increased by 7.0%. In reported rates, revenue in the region was up 8.1% to £861.8m (2018: £797.4m), and gross profit increased 6.1% to £418.3m (2018: £394.3m).

Our largest businesses in the region, France and Germany, together representing half of the region by gross profit, grew 4% and 20% respectively, for the full year in constant currencies. Michael Page Interim in Germany, which is mainly focussed on technology and where we continue to invest heavily in temporary and contracting recruitment, grew 38%. Elsewhere we saw good growth in Benelux of +9%, Italy +10% and Spain +5%, despite macro-economic uncertainty across the region.

The Middle East and Africa, which represented 4% of the region, grew 1%, with tougher trading conditions in Africa.

2019 operating profit increased 5.5% to £90.3m (2018: £85.6m), with the conversion rate broadly flat at 21.6% (2018: 21.7%). The region has the highest conversion rate in the Group, though was slightly moderated by more challenging macro-economic conditions as the year progressed.

Headcount across the region increased by 18 (+0.5%) to 3,317 at the end of 2019 (2018: 3,299). We continued to invest in markets where we saw growth, such as Germany, offset by managing down our headcount where we saw more challenging conditions.

ASIA PACIFIC

Asia Pacific represented 19% of the Group's gross profit in 2019, with 76% of the region being Asia and 24% Australasia. Other than in the financial centres of Hong Kong, Singapore and Tokyo, the Asian market is generally highly under-developed and offers attractive opportunities in both international and domestic markets at good conversion rates. Two of our Large, High Potential markets, Greater China and South East Asia, are in this region. With a highly experienced management team, over 1,300 staff and limited competition, the size of the opportunity in Asia is significant. Across Asia, driven by cultural attitudes towards white collar temporary recruitment, permanent placements accounted for 94% and temporary placements 6% of gross profit.

Australasia is a mature, well-developed and highly competitive recruitment market. PageGroup has a meaningful presence in permanent recruitment in the majority of the professional disciplines and major cities in Australia and New Zealand. Page Personnel has a growing presence and significant potential to expand and grow market share.

ASIA PACIFIC	£m		Growth rates	
(19% of Group in 2019)	**2019**	**2018**	**Reported**	**CC**
Gross Profit	163.3	161.2	+1.3%	-0.3%
Operating Profit	19.8	26.8	-26.0%	-28.7 %
Conversion Rate (%)	12.1%	16.6%		

In Asia Pacific, in constant currencies, revenue increased 1.7% and gross profit decreased by -0.3%. In reported rates, revenue increased 2.5% to £273.4m (2018: £266.7m), while gross profit rose 1.3% to £163.3m (2018: £161.2m).

In Asia, representing 14% of the Group, gross profit declined -1%. Greater China declined -10% with trade tariff uncertainty impacting confidence, as well as social unrest in Hong Kong. South East Asia was up 6% on the prior year, with strong performances in our newer countries of Indonesia, Thailand and Vietnam, offset by tougher trading conditions in Singapore, which was impacted by the contagion from trade tariff uncertainty. India, where we now have around 160 fee earners, delivered a record year with growth of 32%. Japan, where we invested heavily in fee earners, saw growth of 11% and delivered a record year. This was despite tougher trading conditions in the second half of the year, particularly amongst our international clients. Australia grew 3%, with tougher trading in New South Wales.

Operating profit decreased -26.0% to £19.8m (2018: £26.8m), with the conversion rate down at 12.1% (2018: 16.6%). Operating profit and conversion rate in the region were impacted by our continued investments in the two large, high potential markets, as well as investments in new offices in Bangalore and Canberra, the Nikkei market in Japan and new disciplines in Page Personnel Australia. Operating profit was also impacted by tougher trading conditions as a result of the trade tariff uncertainty in Mainland China, which also affected other markets in Asia, as well as the social unrest in Hong Kong.

Headcount across the region declined by -30 (-1.8%), ending the year at 1,679 (2018: 1,709). Our fee earner headcount in Greater China decreased in response to the tougher trading conditions, but we continued to invest elsewhere, particularly in India and Japan.

THE AMERICAS

The Americas represented 16% of the Group's gross profit in 2019, being North America (59% of the region) and Latin America (41% of the region). The US and Latin America are two of the Large, High Potential markets in our growth strategy. The US, where we have eight offices, has a well-developed recruitment industry, but in many disciplines, especially technical, there is limited national competition of any scale. PageGroup's breadth of professional specialisms and geographic reach is uncommon and provides a competitive advantage. Latin America is a highly under-developed region, where PageGroup enjoys the market leading position with around 800 employees in six countries and 13 offices. There are few international competitors and none with regional scale. Across Latin America, permanent placements accounted for 87% of gross profit and temporary placements 13%.

AMERICAS	£m		Growth rates	
(16% of Group in 2019)	**2019**	**2018**	**Reported**	**CC**
Gross Profit	138.8	121.0	+14.7%	+13.8%
Operating Profit	19.3	16.7	+15.2%	+8.1%
Conversion Rate (%)	13.9%	13.8%		

In constant currencies, revenue increased by 18.9% and gross profit increased by 13.8%. In reported rates, revenue increased by 19.0% to £205.1m (2018: £172.3m) while gross profit increased 14.7% to £138.8m (2018: £121.0m).

In North America, our gross profit increased by 13% in constant currencies. The US grew 17%, despite a weaker financial services sector in New York. Our strategy of diversification continued, with particularly strong performances from our regional offices of Boston, Chicago, Houston, Los Angeles and Philadelphia. We increased our US fee earner headcount by 14% compared to last year, as we continued to invest in this Large, High Potential market.

In Latin America, gross profit was up 14% year-on-year in constant currencies. Our business in Brazil delivered growth of 14%, with Mexico, our largest country in Latin America, delivering a record year, with growth of 20%. Elsewhere, the other four countries in the region, with a headcount of over 300, saw growth of 10%, collectively, despite tougher trading conditions in Chile in the second half of the year due to political and social unrest.

Operating profit increased 15.2% to £19.3m (2018: £16.7m), with a conversion rate of 13.9% (2018: 13.8%). The Americas was our fastest growing region. However, the conversion rate was broadly flat on the prior year as improvements in growth and productivity in most markets were offset by our continued investment in the two Large, High Potential markets in the region, as well as the challenging Financial Services market in New York and social unrest in Chile. Headcount across the region increased by 48 (+3.6%) in 2019 to 1,376 (2018: 1,328).

UNITED KINGDOM

The UK represented 16% of the Group's gross profit in 2019, operating from 26 offices covering all major cities. It is a mature, highly competitive and sophisticated market with the majority of vacant positions being outsourced to recruitment firms. PageGroup has a market leading presence in permanent recruitment across the UK and a growing presence in temporary recruitment. In the UK, permanent placements accounted for 69% and temporary placements 31% of gross profit.

The UK business operates under the four brands of Michael Page, Page Personnel, Page Executive and Page Outsourcing, with representation in 13 specialist disciplines via the Michael Page brand. There remains opportunity to roll-out new discipline businesses under the lower salary-level Page Personnel brand, which now represents 26% of UK gross profit.

UK	**£m**		
(16% of Group in 2019)	**2019**	**2018**	**Growth rate**
Gross Profit	135.1	138.4	-2.4%
Operating Profit	17.3	13.4	+28.9%
Conversion Rate (%)	12.8%	9.7%	

In the UK, revenue was flat on 2018 at £313.6m (2018: £313.5m), whereas gross profit declined -2.4% to £135.1m (2018: £138.4m), reflecting a slight swing to temporary recruitment as a result of the continued economic uncertainty.

The UK experienced challenging market conditions throughout the year due to continued Brexit uncertainty impacting candidate and client confidence. Page Personnel, which represents a quarter of the UK, grew 2% and delivered a record year. Michael Page, which is focused on more senior opportunities and was impacted to a greater extent by the uncertainty, declined -4%.

Despite these challenging market conditions, operating profit increased 28.9% to £17.3m (2018: £13.4m) with the conversion rate increasing to 12.8% (2018: 9.7%). While some of the improvement in profitability was through tight control of our cost base, partly as a result of the reduction in headcount, our Customer First initiative that was implemented in 2018, also led to an increase in our conversion rate during the year. Customer First restructured the business, moving from operating on a discipline to a regional basis, to more closely align with our customers. This had the effect of increasing productivity and repeat business, a reduction in travel and drove a reduction in the UK management team.

Headcount decreased to 1,326 at the end of December 2019 (2018: 1,436). Our fee earner headcount reduced by 86 (8.6%) in response to the challenging trading conditions seen throughout the year.

OTHER FINANCIAL ITEMS

Foreign exchange

Foreign exchange had a negligible impact on the Group's results for the year. However, if 2019 results were restated at current exchange rates, this would reduce Group gross profit by c. £15m and operating profit by c. £3m. In addition, current rates also remain substantially below pre-Brexit levels.

IFRS 16 – Leases

The Group is reporting under the new accounting standard, IFRS 16, for the first time. Under IFRS 16, the straight-line rental expense of £38.5m has been replaced with a depreciation charge in respect of the right of use assets of £36.6m. This has resulted in an increase to EBITDA of £38.5m and an increase to EBIT of £1.9m. An interest charge in respect of the lease liabilities of £2.0m has also been recognised resulting in a decrease in Profit Before Tax of £0.1m.

Taxation

The tax charge for the year was £40.8m (2018: £38.6m). This represented an effective tax rate of 28.3% (2018: 27.1%). The rate is higher than the effective UK rate for the calendar year of 19% (2018: 19%) principally due to the impact of higher tax rates in overseas countries and to a lesser extent disallowable expenditure. There are some countries in which the tax rate is lower than the UK, but the impact is small either because the countries are not significant contributors to Group profit, or the tax rate difference is not significant.

In 2019, the tax rate was impacted primarily by higher tax in overseas countries (+4.0%), tax on share-based payments (+0.8) and other permanent differences (+1.0%), principally employee related expenditure and entertainment expenses.

The tax charge for the year reflects the Group's tax strategy, which is aligned to business goals. It is PageGroup's policy to pay its fair share of taxes in the countries in which it operates and deal with its tax affairs in a straightforward, open and honest manner. The Group's tax strategy is set out in detail on our website in the Investor section under "Responsibilities".

Share options and share repurchases

At the beginning of 2019 the Group had 10.6m share options outstanding, of which 4.3m had vested, but had not been exercised. During the year, options were granted over 1.9m shares under the Group's share option plans. Options were exercised over 1.7m shares, generating £7.2m in cash, and options lapsed over 0.5m shares. At the end of 2019, options remained outstanding over 10.3m shares, of which 4.2m had vested, but had not been exercised. During 2019, 2.2m shares were purchased for the Group's Employee Benefit Trust, and no shares were cancelled (2018: 2.2m shares were purchased and no shares were cancelled).

Audit tender

The Company last tendered its audit services in 2011. In accordance with good governance practices, this year the Company will undertake a competitive tender for its external audit services and currently plans to announce the outcome of the process ahead of the Annual General Meeting on 4 June 2020.

KEY PERFORMANCE INDICATORS (KPIs)

KPI	Definition, method of calculation and analysis
	Financial
Gross profit growth	**How measured:** Gross profit growth represents revenue less cost of sales expressed as the percentage change over the prior year. It consists principally of placement fees for permanent candidates and the margin earned on the placement of temporary candidates. **Why it's important:** This metric indicates the degree of income growth in the business. It can be impacted significantly by foreign exchange movements in our international markets. Consequently, we look at both reported and constant currency metrics. **How we performed in 2019:** Gross profit increased 5.0% in both constant currencies and reported rates. This was a slowing from the 15.9% in constant currencies in 2018. **Relevant strategic objective:** Organic growth
Gross profit diversification	**How measured:** Total gross profit from: a) geographic regions outside the UK; and b) disciplines outside of Accounting & Financial Services, each expressed as a percentage of total gross profit. **Why it's important:** These percentages give an indication of how the business has diversified its revenue streams away from its historical concentrations in the UK and from the Accounting & Financial Services disciplines. **How we performed in 2019:** Geographies: the percentage increased to 84.2% from 83.0% in 2018, demonstrating a high degree of diversification. This reflects relatively stronger trading in the majority of our overseas businesses, with more challenging conditions in the UK due to Brexit related uncertainty. Disciplines: the percentage decreased slightly to 65.1% (2018: 65.2%), impacted by tougher trading conditions in our Marketing, Sales and Retail discipline category. **Relevant strategic objective:** Diversification
Ratio of gross profit generated from permanent	**How measured:** Gross profit from each type of placement expressed as a percentage of total gross profit. **Why it's important:** This ratio reflects both the current stage of the economic cycle and our geographic spread, as a number of countries

and temporary placements	culturally have minimal temporary placements. It gives a guide as to the operational gearing potential in the business, which is significantly greater for permanent recruitment. **How we performed in 2019**: The ratio decreased slightly to 75:25 (2018: 76:24), with stronger growth in temporary recruitment due to the macro-economic uncertainty in a number of our markets. **Relevant strategic objective:** Diversification
Basic earnings per share (EPS)	**How measured:** Profit for the year attributable to the Group's equity shareholders, divided by the weighted average number of shares in issue during the year. **Why it's important:** This measures the underlying profitability of the Group and the progress made against the prior year. **How we performed in 2019**: The Group saw a -0.9% fall in Basic EPS to 32.2p, due to an increase in the effective tax rate from 27.1% to 28.3%. **Relevant strategic objective:** Sustainable growth
Cash	**How measured:** Cash and short-term deposits **Why it's important:** The level of cash reflects our cash generation and conversion capabilities and our success in managing our working capital. It determines our ability to reinvest in the business, to return cash to shareholders and to ensure we remain financially robust through cycles. **How we performed in 2019:** Cash increased to £97.8m (2018: £97.7m). This was after dividend payments of £83.5m (including a special dividend of £40.7m). **Relevant strategic objective:** Sustainable growth
Strategic	
Fee earner headcount growth	**How measured:** Number of fee earners and directors involved in revenue-generating activities at the year end, expressed as the percentage change compared to the prior year. **Why it's important:** Growth in fee earners is a guide to our confidence in the business and macro-economic outlook, as it reflects our expectations as to the level of future demand for our services above the existing capacity currently within the business. **How we performed in 2019:** Fee earner headcount declined by 89, or -1.5% in the year, resulting in 6,027 fee earners at the end of the year. Our fee earner headcount reduced in markets where we saw more challenging trading conditions, such as Greater China and the

	UK. However, we continued to invest in markets where we saw the strongest growth such as Germany, India and the US. **Relevant strategic objective:** Sustainable growth
Gross profit per fee earner	**How measured:** Gross profit divided by the average number of fee-generating staff, calculated on a rolling monthly average basis. **Why it's important:** This is our indicator of productivity, which is affected by levels of activity in the market, capacity within the business and the number of recently hired fee earners who are not yet at full productivity. Currency movements can also impact this figure. **How we performed in 2019:** Productivity increased 1.5% to £140.4k (2018: £138.3k). This was as a result of our focus on productivity through our COO office, partially offset by more challenging trading conditions in a number of the Group's key markets. **Relevant strategic objective:** Organic growth
Fee earner: support staff headcount ratio	**How measured:** The percentage of fee earners compared to operational support staff at the year end, expressed as a ratio. **Why it's important:** This reflects the operational efficiency in the business in terms of our ability to grow the revenue-generating platform at a faster rate than the staff needed to support this growth. **How we performed in 2019:** The ratio decreased to 78:22 from 79:21 in 2018. This was driven by a decline in our fee earner headcount of 89, in response to the more challenging trading conditions in many of our markets. Our operational support staff headcount increased by 15 to support strategic transformation programmes. A number of these programmes came to an end in the year, with a reduction of 37 operational support staff in Q4. **Relevant strategic objective:** Sustainable growth
Conversion rate	**How measured:** Operating profit (EBIT) expressed as a percentage of gross profit. **Why it's important:** This reflects the level of fee-earner productivity and the Group's effectiveness at controlling costs in the business, together with the degree of investment being made for future growth. **How we performed in 2019:** The Group's conversion rate decreased to 17.1% (2018: 17.5%), due to more challenging trading conditions seen across a number of the Group's markets, many of which normally have the highest conversion rates in the Group. **Relevant strategic objective:** Sustainable growth
People	

Employee engagement index	**How measured:** A key output of the employee surveys undertaken periodically within the business. **Why it's important:** A positive working environment and motivated team helps productivity and encourages retention of key talent within the business. **How we performed in 2019:** We recorded an 83% positive score for employee engagement in the latest Employee Survey in 2019. This was a combination of questions, including: how valued our people felt; how proud they were to work for PageGroup; and the level of trust and recognition they received for their work. **Relevant strategic objective:** Sustainable growth
Management experience	**How measured:** Average tenure of front-office management measured as years of service for directors and above. **Why it's important:** Experience through the economic cycle and across both geographies and disciplines is critical for an organic cyclical business operating across the globe. Our organic business model relies on an experienced management pool to enable flexibility in resourcing and senior management succession planning. **How we performed in 2019:** The average tenure of the Group's management increased from 12.0 years to 12.5 years, with the largest increase in EMEA. **Relevant strategic objective:** Talent and skills development
Total GHG emissions	**How measured:** Direct and Indirect GHG emissions calculated in line with the UK Government's 2019 DEFRA reporting standards. Principally based on data from a sample of our offices, covering 70% of the Group by headcount, and extrapolated for the Group as a whole. **Why it's important:** The emissions calculations look at the CO2e impact of our operations in absolute terms. **How we performed in 2019:** Direct GHG emissions relating to the combustion of fuel increased by 9.3% to 2,054 tonnes CO2e, while Indirect GHG emissions, through the purchase of energy such as electricity, decreased by 18.2% to 4,413 tonnes. **Relevant strategic objective:** Sustainable growth.
Intensity values of GHG emissions	**How measured**: Intensity values for GHG emissions are based on property and vehicle energy-derived emissions per 1,000 headcount. Headcount is viewed as being the most representative metric for PageGroup's activity levels and is unaffected by issues such as business mix or foreign exchange variations. **Why it's important:** Intensity values help to normalise the GHG metrics and place them in the context of the Group's changing business profile, particularly in terms of increases in headcount. It

	helps to identify where progress has been made on emissions reduction. **How we performed in 2019:** Energy-derived emissions were reduced by 10.3% compared with 2018, largely due to a decrease in headcount, along with changes in fuel sources and improvements in office energy efficiencies. **Relevant strategic objective:** Sustainable growth.

The source of data and calculation methods year-on-year are on a consistent basis, including changes resulting from the use of 2019 DEFRA conversion factors. The movements in KPIs are in line with expectations.

Steve Ingham
Chief Executive Officer

Kelvin Stagg
Chief Financial Officer

4 March 2020

Consolidated Income Statement
For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Revenue	3	**1,653,948**	1,549,941
Cost of sales		**(798,498)**	(735,039)
Gross profit	3	**855,450**	814,902
Administrative expenses		**(708,781)**	(672,439)
Operating profit	3	**146,669**	142,463
Financial income	4	**494**	631
Financial expenses	4	**(2,918)**	(819)
Profit before tax	3	**144,245**	142,275
Income tax expense	5	**(40,800)**	(38,572)
Profit for the year		**103,445**	103,703
Attributable to:			
Owners of the parent		**103,445**	103,703
Earnings per share			
Basic earnings per share (pence)	8	**32.2**	32.5
Diluted earnings per share (pence)	8	**32.2**	32.4

The above results all relate to continuing operations

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2019

	2019 £'000	2018 £'000
Profit for the year	**103,445**	103,703
Other comprehensive income/(loss) for the year		
Items that may subsequently be reclassified to profit and loss:		
Currency translation differences	**(14,842)**	4,359
Loss on hedging instruments	**(939)**	(988)
Total comprehensive income for the year	**87,664**	107,074
Attributable to:		
Owners of the parent	**87,664**	107,074

Consolidated Balance Sheet
As at 31 December 2019

	Note	2019 £'000	2018 £'000
Non-current assets			
Property, plant and equipment	9	**31,925**	35,564
Right-of-use assets	2	**120,246**	-
Intangible assets - Goodwill and other intangible		**2,087**	2,019
- Computer software		**36,967**	31,377
Deferred tax assets		**18,915**	17,487
Other receivables	10	**15,036**	12,746
		225,176	99,193
Current assets			
Trade and other receivables	10	**365,555**	349,111
Current tax receivable		**13,008**	17,206
Cash and cash equivalents	12	**97,832**	97,673
		476,395	463,990
Total assets	3	**701,571**	563,183
Current liabilities			
Trade and other payables	11	**(215,811)**	(204,353)
Lease liabilities	2	**(29,139)**	-
Current tax payable		**(19,110)**	(20,145)
		(264,060)	(224,498)
Net current assets		**212,335**	239,492
Non-current liabilities			
Other payables	11	**(11,613)**	(19,474)
Deferred tax liabilities		**(2,038)**	(630)
Lease liabilities	2	**(99,473)**	-
		(113,124)	(20,104)
Total liabilities	3	**(377,184)**	(244,602)
Net assets		**324,387**	318,581
Capital and reserves			
Called-up share capital		**3,286**	3,284
Share premium		**99,507**	98,502
Capital redemption reserve		**932**	932
Reserve for shares held in the employee benefit trust		**(47,662)**	(50,673)
Currency translation reserve		**19,375**	34,217
Retained earnings		**248,949**	232,319
Total equity		**324,387**	318,581

Consolidated Statement of Changes in Equity
For the year ended 31 December 2019

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Reserve for shares held in the employee benefit trust £'000	Currency translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2018	**3,268**	**92,677**	**932**	**(58,931)**	**29,858**	**202,253**	**270,057**
Currency translation differences	-	-	-	-	4,359	-	4,359
Net income recognised directly in equity	-	-	-	-	4,359	-	4,359
Loss on hedging instruments	-	-	-	-	-	(988)	(988)
Profit for the year ended 31 December 2018	-	-	-	-	-	103,703	103,703
Total comprehensive income for the year	-	-	-	-	4,359	102,715	107,074
Purchase of shares held in employee benefit trust	-	-	-	(11,567)	-	-	(11,567)
Exercise of share plans	16	5,825	-	-	-	21,072	26,913
Reserve transfer when shares held in the employee benefit trust vest	-	-	-	19,825	-	(19,825)	-
Credit in respect of share schemes	-	-	-	-	-	7,048	7,048
Credit in respect of tax on share schemes	-	-	-	-	-	368	368
Dividends	-	-	-	-	-	(81,312)	(81,312)
	16	5,825	-	8,258	-	(72,649)	(58,550)
Balance at 31 December 2018 and 1 January 2019	**3,284**	**98,502**	**932**	**(50,673)**	**34,217**	**232,319**	**318,581**
Loss on adoption of IFRS 16 (note 2)	-	-	-	-	-	(1,450)	(1,450)
Balance at 1 January 2019 (restated)	**3,284**	**98,502**	**932**	**(50,673)**	**34,217**	**230,869**	**317,131**
Currency translation differences	-	-	-	-	(14,842)	-	(14,842)
Net expense recognised directly in equity	-	-	-	-	(14,842)	-	(14,842)
Loss on hedging instruments	-	-	-	-	-	(939)	(939)
Profit for the year ended 31 December 2019	-	-	-	-	-	103,445	103,445
Total comprehensive (loss)/income for the year	-	-	-	-	(14,842)	102,506	87,664
Purchase of shares held in employee benefit trust	-	-	-	(10,000)	-	-	(10,000)
Exercise of share plans	2	1,005	-	-	-	6,236	7,243
Reserve transfer when shares held in the employee benefit trust vest	-	-	-	13,011	-	(13,011)	-
Credit in respect of share schemes	-	-	-	-	-	5,790	5,790
Credit in respect of tax on share schemes	-	-	-	-	-	28	28
Dividends	-	-	-	-	-	(83,469)	(83,469)
	2	1,005	-	3,011	-	(84,426)	(80,408)
Balance at 31 December 2019	**3,286**	**99,507**	**932**	**(47,662)**	**19,375**	**248,949**	**324,387**

Condensed Consolidated Statement of Cash Flows
For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Profit before tax		**144,245**	142,275
Depreciation and amortisation charges		**57,500**	19,661
Loss on sale of property, plant and equipment, and computer software		**21**	281
Share scheme charges		**5,790**	7,043
Net finance costs		**2,424**	181
Operating cash flow before changes in working capital		**209,980**	169,441
Increase in receivables		**(37,934)**	(49,278)
Increase in payables		**22,036**	11,534
Cash generated from operations		**194,082**	131,697
Income tax paid		**(36,960)**	(41,001)
Net cash from operating activities		**157,122**	90,696
Cash flows from investing activities			
Purchases of property, plant and equipment		**(9,615)**	(15,668)
Purchases of intangible assets		**(16,735)**	(9,944)
Proceeds from the sale of property, plant and equipment, and computer software		**1,740**	1,204
Interest received		**494**	631
Net cash used in investing activities		**(24,116)**	(23,777)
Cash flows from financing activities			
Dividends paid		**(83,469)**	(81,312)
Interest paid		**(953)**	(818)
Lease liability principal repayment		**(38,215)**	-
Issue of own shares for the exercise of options		**7,243**	26,913
Purchase of shares into the employee benefit trust		**(10,000)**	(11,567)
Net cash used in financing activities		**(125,394)**	(66,784)
Net increase in cash and cash equivalents		**7,612**	135
Cash and cash equivalents at the beginning of the year		**97,673**	95,605
Exchange (loss)/gain on cash and cash equivalents		**(7,453)**	1,933
Cash and cash equivalents at the end of the year	12	**97,832**	97,673

Notes to the consolidated preliminary results
For the year ended 31 December 2019

1. Corporate information

PageGroup plc (the "Company") is a limited liability company incorporated in Great Britain and domiciled within the United Kingdom whose shares are publicly traded. The consolidated preliminary results of the Company as at and for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group").

The consolidated preliminary results of the Group for the year ended 31 December 2019 were approved by the Directors on 4 March 2020. The Annual General Meeting of PageGroup plc will be held at the registered office, Page House, The Bourne Business Park, 1 Dashwood Lang Road, Addlestone, Surrey, KT15 2QW on 4 June 2020 at 9.30am.

2. Accounting policies

Basis of preparation
Whilst the information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ("IFRSs") as adopted for use in the European Union and as issued by the International Accounting Standards Board, this announcement does not itself contain sufficient information to comply with IFRSs.

The consolidated financial statements comprise the financial statements of the Group as at 31 December 2019 and are presented in UK Sterling and all values are rounded to the nearest thousand (UK £'000), except when otherwise indicated.

Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Management Report. The Management Report also includes a summary of the Group's financial position, its cash flows and its borrowing facilities.

The directors believe the Group is well placed to manage its business risks successfully. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current committed facilities.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Nature of financial information
The financial information contained within this preliminary announcement for the 12 months to 31 December 2019 and 12 months to 31 December 2018 do not comprise statutory financial statements for the purpose of the Companies Act 2006, but are derived from those statements. The statutory accounts for PageGroup plc for the 12 months to 31 December 2018 have been filed with the Registrar of Companies and those for the 12 months to 31 December 2019 will be filed following the Company's Annual General Meeting.

The auditors' reports on the accounts for both the 12 months to 31 December 2019 and 12 months to 31 December 2018 were unqualified and did not include a statement under Section 498 (2) or (3) of the Companies Act 2006.

The Annual Report and Accounts will be available for shareholders in April 2020.

New accounting standards, interpretations and amendments adopted by the Group
The accounting policies adopted in the preparation of the condensed consolidated preliminary results are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019.

We have completed our review and implementation of "IFRS 16 - Leases" with the impact being explained in note a).

The Group also adopted IFRIC Interpretation 23 - Uncertainty over Income Tax Treatment. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. The adoption of IFRIC 23 did not have a material impact on the Group's results.

The Group applies judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

a) Adoption of IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. A lessee can choose to apply the standard using either a full retrospective approach or a modified retrospective approach.

The Group adopted IFRS 16 using the modified retrospective method of adoption, with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively, with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the practical expedient on transition allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), lease contracts for which the underlying asset is of low value ('low-value assets') and to exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application. Hindsight was used in determining the lease term for those contracts where an option exists to extend or terminate the lease.

The adoption under the Modified Retrospective approach is a combination of both the Modified (a) and Modified (b) method, depending on the specific lease. In both cases a full restatement of comparatives is not necessary. Under both methods the lease liability is equal to the discounted future lease payments using a discount rate at the date of initial application. Under Modified (a) method the right-of-use asset is calculated on a retrospective basis and an adjustment to reserves is made on transition. Under Modified (b) method the right-of-use asset is equal to the lease liability with no reserve adjustment required.

The effect of adopting IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

Impact on the Condensed Consolidated Statement of Financial Position (increase/(decrease)) as at 1 January 2019

	£000's
Right-of-use assets	126,189
Prepayments	(2,214)
Total Assets	**123,975**
Liabilities	
Lease liabilities	(134,479)
Deferred Income	9,054
Total Liabilities	**(125,425)**
Equity	**1,450**

The opening reserve adjustment of £1.45m was originally disclosed as £2.1m in the 2019 Interim announcement. The change in value was due to further analysis over the lease portfolio.

b) Nature of the effect of adoption of IFRS 16

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The £126.2m right of use asset recognised on transition related to Property leases for offices rented (£110.6m), Motor Vehicles of (£15.2m) and Other Assets of (£0.4m). The right-of-use assets for 21 of our most significant property leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of the incremental borrowing rate at the date of initial application. The right-of-use assets for the remaining leases were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

c) Amounts recognised in the Condensed Consolidated Statement of Financial Position and Condensed Consolidated Income Statement

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

Amounts recognised in the Condensed Consolidated Statement of Financial Position and Condensed Consolidated Income Statement

	2019
Condensed Consolidated Income Statement	**£'000**
Depreciation expense (included in Administrative expenses)	(36,600)
Rental expenses (included in Administrative expenses)	38,496
Operating profit	**1,896**
Finance costs	(1,965)
Profit before tax	**(69)**

	Right-of-use Assets				Lease Liabilities
	Property £'000	**Motor Vehicles £'000**	**Other Equipment £'000**	**Total £'000**	**Total £'000**
As at 1 January 2019	**110,558**	**15,192**	**439**	**126,189**	**(134,479)**
Additions	27,866	7,034	774	**35,674**	(35,768)
Disposals	(577)	-	-	**(577)**	667
Depreciation expense	(27,639)	(8,545)	(416)	**(36,600)**	-
Interest expense	-	-	-	**-**	(1,965)
Payments	-	-	-	**-**	38,215
Foreign exchange	(4,440)	-	-	**(4,440)**	4,718
As at 31 December 2019	**105,768**	**13,681**	**797**	**120,246**	**(128,612)**

d) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

- **Right-of-use assets**
  The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

- **Lease liabilities**
  At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

  In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

- **Short-term leases and leases of low-value assets**
  The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below $5,000). Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

- **Judgement in determining the lease term of contracts with renewal options**
  The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

  The Group has the option, under some of its leases to lease the assets for additional terms of three to ten years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

3. Segment reporting

All revenues disclosed are derived from external customers.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment operating profit represents the profit earned by each segment including allocation of central administration costs. This is the measure reported to the Group's Board, the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance.

(a) Revenue, gross profit and operating profit by reportable segment

	Revenue		**Gross Profit**	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
EMEA	**861,827**	797,427	**418,328**	394,337
Asia Pacific	**273,437**	266,724	**163,255**	161,158
Americas	**205,074**	172,265	**138,791**	121,015
United Kingdom	**313,610**	313,525	**135,076**	138,392
	1,653,948	1,549,941	**855,450**	814,902

	Operating Profit	
	2019	**2018**
	£'000	**£'000**
EMEA	**90,333**	85,586
Asia Pacific	**19,810**	26,765
Americas	**19,268**	16,720
United Kingdom	**17,258**	13,392
Operating profit	**146,669**	142,463
Financial expense	**(2,424)**	(188)
Profit before tax	**144,245**	142,275

The above analysis by destination is not materially different to analysis by origin.

The analysis below is of the carrying amount of reportable segment assets, liabilities and non-current assets. Segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The individual reportable segments exclude current income tax assets and liabilities. Non-current assets include property, plant and equipment, computer software, goodwill and other intangible.

(b) Segment assets, liabilities and non-current assets by reportable segment

	Total Assets		Total Liabilities	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
EMEA	**294,597**	246,687	**196,473**	131,948
Asia Pacific	**119,110**	115,220	**45,832**	29,803
Americas	**111,649**	63,012	**53,288**	22,308
United Kingdom	**163,207**	121,058	**62,481**	40,398
Segment assets/liabilities	**688,563**	545,977	**358,074**	224,457
Income tax	**13,008**	17,206	**19,110**	20,145
	701,571	563,183	**377,184**	244,602

	Property, Plant & Equipment		Intangible Assets	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
EMEA	**12,732**	13,654	**2,818**	3,171
Asia Pacific	**5,560**	7,161	**495**	481
Americas	**7,471**	8,495	**162**	190
United Kingdom	**6,162**	6,254	**35,579**	29,554
	31,925	35,564	**39,054**	33,396

The below analysis in note (c) relates to the requirement of IFRS 15 to disclose disaggregated revenue streams.

(c) Revenue and gross profit generated from permanent and temporary placements

	Revenue		Gross Profit	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Permanent	**649,948**	629,136	**643,787**	621,746
Temporary	**1,004,000**	920,805	**211,663**	193,156
	1,653,948	1,549,941	**855,450**	814,902

The below analyses in notes (d) revenue and gross profit by discipline (being the professions of candidates placed) and (e) revenue and gross profit by strategic market have been included as additional disclosure over and above the requirements of IFRS 8 “Operating Segments”.

(d) Revenue and gross profit by discipline

	Revenue		Gross Profit	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Accounting and Financial Services	**662,458**	610,219	**298,648**	283,721
Legal, Technology, HR, Secretarial and Other	**442,648**	402,321	**212,244**	196,774
Engineering, Property & Construction, Procurement & Supply Chain	**359,216**	345,654	**203,275**	194,562
Marketing, Sales and Retail	**189,626**	191,747	**141,283**	139,845
	1,653,948	1,549,941	**855,450**	814,902

(e) Revenue and gross profit by strategic market

	Revenue		Gross Profit	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Large, Proven markets	**962,424**	935,800	**426,178**	419,102
Large, High Potential markets	**478,950**	414,245	**298,139**	270,311
Small and Medium, High Margin markets	**212,574**	199,896	**131,133**	125,489
	1,653,948	1,549,941	**855,450**	814,902

4. Financial income / (expenses)

	2019 £'000	2018 £'000
Financial income		
Bank interest receivable	**494**	631
Financial expenses		
Bank interest payable	**(953)**	(598)
Interest on discounting of French construction participation tax	**-**	(221)
Interest on lease liabilities	**(1,965)**	-
	(2,918)	(819)

5. Taxation

Tax on profit was £40.8m (2018: £38.6m). This represented an effective tax rate of 28.3% (2018: 27.1%). The rate is higher than the effective UK Corporation Tax rate for the year of 19.0% (2018: 19.0%) due to profits and disallowable items of expenditure being generated in countries where corporation tax rates are higher than in the UK.

6. Dividends

	2019 £'000	2018 £'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2018 of 9.00p per ordinary share (2017: 8.60p)	**28,978**	27,433
Interim dividend for the year ended 31 December 2019 of 4.30p per ordinary share (2018: 4.10p)	**13,759**	13,117
Special dividend for the year ended 31 December 2019 of 12.73p per ordinary share (2018: 12.73p)	**40,732**	40,762
	83,469	81,312
Amounts proposed as distributions to equity holders in the year:		
Proposed final dividend for the year ended 31 December 2019 of 9.40p per ordinary share (2018: 9.00p)	**30,154**	29,171

The proposed final dividend had not been approved by the Board at 31 December and therefore has not been included as a liability. The comparative final dividend at 31 December 2019 was also not recognised as a liability in the prior year.

The proposed final dividend of 9.40p (2018: 9.00p) per ordinary share will be paid on 19 June 2020 to shareholders on the register at the close of business on 22 May 2020.

7. Share-based payments

In accordance with IFRS 2 “Share-based Payment”, a charge of £6.8m has been recognised for share options and other share-based payment arrangements (including social charges) (31 December 2018: £8.4m).

8. Earnings per ordinary share

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings	2019	2018
Earnings for basic and diluted earnings per share (£'000)	**103,445**	103,703
Number of shares		
Weighted average number of shares used for basic earnings per share ('000)	**320,789**	318,877
Dilution effect of share plans ('000)	**375**	1,627
Diluted weighted average number of shares used for diluted earnings per share ('000)	**321,164**	320,504
Basic earnings per share (pence)	**32.2**	32.5
Diluted earnings per share (pence)	**32.2**	32.4

9. Property, plant and equipment

Acquisitions and Disposals
During the year ended 31 December 2019 the Group acquired property, plant and equipment with a cost of £9.6m (2018: £15.7m).

Property, plant and equipment with a carrying amount of £1.5m were disposed of during the year ended 31 December 2019 (2018: £1.2m), resulting in a profit on disposal of £0.2m (2018: loss of £0.2m).

10. Trade and other receivables

	2019 £'000	2018 £'000
Current		
Trade receivables	**281,176**	297,380
Less allowance for expected credit losses and revenue reversals	**(10,081)**	(9,174)
Net trade receivables	**271,095**	288,206
Other receivables	**10,643**	3,814
Accrued income (excluding revenue reversals)	**70,421**	44,430
Prepayments	**13,396**	12,661
	365,555	349,111
Non-current		
Other Receivables	**15,036**	12,746

11. Trade and other payables

	2019 £'000	2018 £'000
Current		
Trade payables	**6,702**	6,594
Other tax and social security	**51,687**	58,186
Other payables	**31,216**	26,870
Accruals	**126,206**	111,040
Deferred income	**-**	1,663
	215,811	204,353
Non-current		
Deferred income	**10,330**	18,453
Other tax and social security	**1,283**	1,021
	11,613	19,474

12. Cash and cash equivalents

	2019 £'000	2018 £'000
Cash at bank and in hand	**90,856**	97,626
Short-term deposits	**6,976**	47
Cash and cash equivalents	**97,832**	97,673
Cash and cash equivalents in the statement of cash flows	**97,832**	97,673

The Group operates multi-currency cash concentration and notional cash pools, and an interest enhancement facility. The Eurozone subsidiaries and the UK-based Group Treasury subsidiary participate in the cash concentration arrangement, the Group Treasury subsidiary retains the notional cash pool and the Asia Pacific subsidiaries operate the interest enhancement facility. The structures facilitate interest compensation of cash whilst supporting working capital requirements.

The Group had a £50m invoice financing arrangement, £30m revolving credit facility and £21m uncommitted overdraft facilities to support cash flows across its operations and ensure rapid access to funds should they be required. None of these were in use at the year end.

13. Annual General Meeting

The Annual General Meeting of PageGroup plc will be held at Page House, The Bourne Business Park, 1 Dashwood Lang Road, Addlestone, Weybridge, Surrey, KT15 2QW on 4 June 2020 at 9.30am.

14. Publication of Annual Report and Accounts

This preliminary statement is not being posted to shareholders. The Annual Report and Accounts will be posted to shareholders in due course and will be delivered to the Registrar of Companies following the Annual General Meeting of the Company.

Copies of the Annual Report and Accounts can be downloaded from the Company's website https://www.page.com/presentations/year/2020

Responsibility statement of the directors on the annual report

The responsibility statement below has been prepared in connection with the company's full annual report for the year ending 31 December 2019. Certain parts of the annual report are not included within this announcement.

We confirm that, to the best of our knowledge:-

a) the financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and

b) the management report, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

On behalf of the Board

S Ingham
Chief Executive Officer

4 March 2020

K Stagg
Chief Financial Officer

4 March 2020