For immediate release *Monday, 3 March 2008*

Keller Group plc
Preliminary results for the year ended 31 December 2007

Keller Group plc ("Keller" or "the Group"), the international ground engineering specialist, is pleased to announce its preliminary results for the year ended 31 December 2007.

Highlights include:

- Revenue* of £955.1m (2006: £857.7m), up 11%
- Strong organic growth, particularly from outside of US, and good contribution from acquisitions
- Record operating margin* of 11.2% (2006: 10.4%)
- Profit before tax* up 23% to £103.2m (2006: £83.7m)
- Earnings per share* up 24% to 97.6p (2006: 79.0p before one-off tax credit)
- Proposed final dividend of 12.0p (2006: 11.4p), taking the total dividend for the year to 18.0p (2006: 15.6p), a 15% increase
- Buy-back programme for up to 5% of share capital announced

**from continuing operations*

Justin Atkinson, Keller Chief Executive said:

"This third consecutive year of excellent growth reflects not only the strength of our markets, but also the successful execution of our strategy. As a result, the size of our business has significantly increased, particularly outside of the US, creating opportunities, economies of scale and better geographic balance.

"In the first few weeks of 2008, new orders, tendering and trading have all been encouraging. At the end of January, we had a record order book, with all four regions ahead of the same time last year, giving us a good platform for the remainder of this year."

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A presentation for analysts will be held at 9.15 for 9.30am at The Theatre & Gallery, London Stock Exchange, 10 Paternoster Square, London, EC4M 7LS
Print resolution images are available for the media to download from www.vismedia.co.uk

Chairman's Statement

Results

I am pleased to report a record set of results, which build on the successes of the previous two years. This third consecutive year of excellent growth, which reflects not only the strength of our markets but also the successful execution of our strategy, has transformed the scale and profitability of the Group.

The Group reported a significant increase in both revenue and profit, particularly from the divisions outside of the US which now account for 44% of total Group profit, compared to only 28% two years ago. This has resulted in excellent profit contributions from a broad range of geographies.

Group revenue from continuing operations rose by 11% to £955.1m (2006: £857.7m) and our operating margin on the same basis reached an all-time high of 11.2% (2006: 10.4%). Profit before tax from continuing operations was up 23% to £103.2m (2006: £83.7m) and earnings per share from continuing operations grew by 24% to 97.6p (2006: 79.0p before the benefit of a one-off tax credit).

Cash flow and net debt

The very strong trading result was supported by an increase in cash generated from operations to £117.2m (2006: £98.3m). Net debt at the end of the year stood at £54.5m (2006: £38.6m), after expenditure of £34.5m on acquisitions. We increased capital expenditure to £48.1m (2006: £29.4m), which enabled us to make further progress in modernising and expanding our equipment fleets, particularly in those parts of the Group offering the best growth potential.

Dividends

Last year, the Board reviewed the Group's dividend policy and indicated that we would increase the dividend by 15% per annum for the foreseeable future, subject to maintaining three times' dividend cover. We remain committed to this policy and also to continuing to reinvest our cash flow in the growth of the Group, as we have successfully done to date.

The Board is therefore recommending a final dividend of 12.0p per share (2006: 11.4p) which, together with the interim dividend paid of 6.0p (2006: 4.2p), brings the total dividend for the year to 18.0p, an increase of 15% on the previous year's 15.6p. The final dividend will be paid on 30 May 2008 to shareholders on the register at 2 May 2008.

Share buy-back programme

Given the continuing and growing strength of the Group's balance sheet, the Board proposes to use its existing authority to buy back up to 5% of the Company's ordinary shares during the remainder of 2008. The Directors believe that such a buy-back programme will be earnings per share enhancing and it will only be pursued on this basis. In any event, the Group will retain sufficient financial flexibility to be able to successfully pursue its strategy and to invest in opportunities for profitable growth. Any shares bought back will initially be held in treasury.

Strategy

Our strategy remains the same: to extend our global leadership in specialist ground engineering through both targeted acquisitions and organic growth.

In 2007, we made two further acquisitions: HJ in the US and Systems Geotechnique in the UK. The HJ acquisition gives us expertise in the growing technology of Continuous Flight Auger piles which is new to Keller in the US and further extends our clear leadership in this market. The acquisition of Systems Geotechnique, following on from the Phi acquisition in 2006, increases our presence and broadens our product range in the UK.

We also invested heavily in the fastest-growing parts of the Group, particularly in the Middle East, Eastern Europe and Australia. This was rewarded with strong organic growth. In addition, we continued our expansion into new geographic regions, with additions to our network of offices around the world and the performance of our first contracts in Brazil, Greece, Romania and Vietnam.

In 2008, we shall continue to make strategic progress by allocating resources to markets which offer good growth and by taking advantage of the opportunities presented by our highly fragmented industry.

Makers

In the UK, after several years of underperformance, we have now substantially exited our non-core Makers business and its results have been shown as a discontinued operation. The combined trading losses and exit costs totalled £14.2m before tax, in line with the guidance previously given.

Our Employees

Some of the real challenges of the past few years have been to retain our best employees who, in strong markets, have been much in demand; and to attract and develop others who share our priorities with regard to safety, quality and productivity. The recent expansion of our business has demanded significant recruitment and skills training, particularly of new engineers and field operators. Most of this training is highly specialised and requires substantial input from our managers. They have risen to the challenge and devised new and increasingly effective ways of ensuring that our employees are properly equipped to do the excellent work we require of them.

The hard work, commitment and long service of our employees is not something which we take for granted and we are as determined as ever in our aim to provide a working environment in which all can prosper.

Our Board

We were pleased to appoint Mr Roy Franklin, OBE to the Board in July 2007. Roy's appointment strengthens the Board and brings extensive experience to Keller, particularly with regard to international and strategic matters.

Mr Keith Payne, who joined the Board in 1999, stood down at the end of January 2008 and I would like to thank Keith for the valued contribution he has made to the Group over the years.

Outlook

Whilst the likely impact of the current global economic uncertainty remains unclear, we believe that the increased scale of our business, particularly outside of the US, gives the Group better geographic balance and means that we now have greater protection against economic cycles. Furthermore, the complementary nature of our businesses and their increased ability to pool resources have strengthened the Group's capacity to participate in large-scale development projects around the world.

The US, which still accounts for around half of our revenue, remains our biggest market. Here, non-residential construction, which generates the vast majority of our US business, is forecast to show further modest growth in 2008[1], although residential is not expected to pick up for some time. Within non-residential, public infrastructure is likely to continue to grow at a good pace, whilst the private sector is expected to be broadly flat. Elsewhere, we expect our growth markets – particularly the Middle East and Eastern Europe – to remain strong in the medium term. In our other main regions, we do not foresee any significant change in market conditions overall.

In the first few weeks of 2008, new orders, tendering and trading have all been encouraging. At the end of January, we had a record order book, with all four regions ahead of the same time last year, giving us a good platform for the remainder of this year.

Operating Review

2007 was another excellent year for the Group, in which we maintained, and built upon, the growth of the previous two years and demonstrated the benefits of our increased geographic and operational scale.

Conditions in our major markets
In the US, the public infrastructure and commercial sectors remained very strong, with 2007 non-residential expenditure as a whole around 16% higher than the previous year[2]. As expected, there was further contraction in the residential sector, with housing starts for single-family homes ending the year some 29% down on 2006[3]. Taken as a whole, construction expenditure in the US reduced, year on year, by around 2.5%[2].

Our principal European markets - France, Germany, Spain, UK and Eastern Europe - showed good growth overall, particularly in the infrastructure sector to which our businesses have a significant exposure.

Elsewhere, the Middle East and Australia both experienced unprecedented levels of construction activity.

Operations

US

Results summary:		
	2007	2006
Revenue	**£473.2m**	£476.9m
Operating profit	**£61.6m**	£64.1m
Margin	**13.0%**	13.4%

Our US operations as a whole had another good year with total US revenue and operating profit ahead of last year by 8% and 4% respectively on a constant currency basis, despite a significant reduction in both revenue and profit at Suncoast. Translated into sterling, overall revenue was 1% down, whilst operating profit was down by 4%, reflecting the significant weakening of the US dollar.

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[1] The American Institute of Architects Consensus Construction Forecast, 11 January 2008
[2] The US Census Bureau of the Department of Commerce, 1 February 2008
[3] Monthly housing starts published by the National Association of Home Builders in February 2008

Hayward Baker
2007 was another extremely busy year for Hayward Baker, the largest of our US foundation businesses. By strengthening the business infrastructure and refining its risk management and operating procedures, management delivered further improvement in contract performance, at a time of continued business expansion. In addition, they capitalised on the opportunities offered by a thriving marketplace to report record revenue and margins.

During the year, new offices were established in Houston, Kansas City, Minneapolis and San Diego, bringing the total network up to 22 offices, from which we worked in every state in the US.

Product and process development continued to have a strong focus, as illustrated by the introduction to the US of a special trench remixing tool (TRD), incorporating a large, chainsaw-like mixing blade. Hayward Baker is now using TRD on a small test section of the dyke at Lake Okeechobee in Florida. As one of three contractors selected to compete for additional sections of the dyke as they are released, and with the advantage of TRD, we are well-positioned to participate further in this potential long-term project.

Dry soil mixing and the vibro piers system, which were introduced to the market in 2005 and 2006 respectively, both made good contributions in 2007, as interest in these products continues to grow. Dry soil mixing proved to be an effective solution for providing load support at a biofuel storage tank site in Galena Park, Texas. Having previously been used for oil storage, the site was contaminated which would usually mean expensive pre-drilling and spoil removal before its re-use. As dry soil mixing uses the existing soil as part of the structural element and thereby eliminates the need to remove contaminated spoil, the client, with whom Hayward Baker had worked on other projects, was offered this as a cost-effective alternative solution.

Case, McKinney, Anderson and HJ
Our US piling businesses also had a very good year, with two familiar themes to their success: a pooling of their expertise and resources on contracts which call for time-critical delivery or the use of several different techniques; and investment in efficient, powerful and durable equipment to increase their capacity and capability for bigger and technically more demanding jobs.

One of the year's most notable piling contracts in the US was for the foundations of The Chicago Spire – a 150-storey, 610-metre high residential tower which is expected to be the tallest building in the US. Case is installing 34 steel-reinforced concrete caissons, 36 metres in length, drilled into bedrock, whilst Hayward Baker is constructing a 32-metre diameter sheet-piled wall to create a dry environment and to serve as the foundation for the core of the building. The contract, which is proceeding to plan and to budget, will complete in the first half of 2008.

Anderson, the West Coast business which we acquired in 2006, had an excellent first full year under Keller's ownership and is now well integrated into the Group, as is illustrated by the knowledge-sharing and co-operation on projects with our other US businesses. For example, Case and Anderson worked together on the foundation system for the replacement of the I-35 road bridge in Minneapolis, Minnesota, following the structural failure of the original bridge in August 2007. This high profile job needed to be completed within a very short timescale, which the two businesses were able to achieve by pooling their resources.

Once again, McKinney worked with Case on several large projects during the year – a sign of the valuable relationship which has developed between these businesses. McKinney is also

currently working in joint venture with Anderson at the site of a new power plant for Formosa Plastics in Port Comfort, Texas, where their combined resources have secured the first two phases of the foundations work, with a potential for further awards as the project develops.

In the last quarter of the year we acquired the business and assets of HJ, the market leader in Florida in Continuous Flight Auger (CFA) piling, for an initial cash consideration of $47.3m (£23.6m). The acquisition gives Keller much better access to the piling market in Florida, as well as enabling the Group to accelerate the introduction of CFA piling in its other US businesses. A contract in Pittsburgh, Pennsylvania, to install 1,700 CFA piles for the new Majestic Star Casino, is currently being undertaken jointly by HJ and Case, marking the first teaming up of HJ's CFA expertise with the resources of another Keller business.

Suncoast

Suncoast's performance was impacted by the continuing decline in the US residential sector. This was reflected in reduced revenue from both its slab-on-grade and high rise markets, although the reduction in slab-on-grade revenue, most of which comes from single family homes, was less than the market decline[4], indicating a further gain in market share.

Inevitably, this situation has led to pricing pressure. However, Suncoast's management has taken a very proactive approach to cost control, with production costs tightly controlled and headcount reduced by around 40% from its peak level in 2006. These actions, together with Suncoast's leading market position, mean that margin erosion has been partly contained and the business is better placed to weather a continued period of reduced demand.

Continental Europe, Middle East & Asia (CEMEA)

Results summary:		
	2007	2006
Revenue	**£296.8m**	£255.0m
Operating profit	**£30.4m**	£17.9m
Margin	**10.2%**	7.0%

2007 saw an excellent performance from our CEMEA business. Revenue was up some 16% and operating profit was almost 70% above the previous year, having more than doubled since 2005. This growth reflects the measures we have taken to improve the geographic balance of the Group: by targeting, and investing in, Eastern Europe and the Middle East; and in particular, by expanding our piling services, which had historically been under-represented in these regions.

The significant improvement in margin in part reflects the strength of CEMEA's markets, but also reflects strong risk management and a trend towards contracts with a higher in-house design element.

Continental Europe

Our businesses within the more mature Continental European markets all fared well, undertaking their usual spread of contracts across the construction spectrum, including a significant element of public infrastructure projects.

In Central Europe, for example, we undertook stabilisation works for rail tunneling projects in Amsterdam and Leipzig. The Leipzig tunnel goes directly underneath many of the city's historic buildings and, in order to avoid settlement, these buildings are being lifted by up to

[4] As indicated by single family home permits; data published by US Census Bureau of the Department of Commerce

10mm using a special grouting technique. Other key projects include a 'value engineered' remediation scheme for embankment works along the A2 motorway in Austria. This is one of an increasing number of schemes where our redesign, deploying specialist techniques not included in the original specification, reduces the overall programme time and cost.

In Spain, we saw an excellent margin recovery after a disappointing 2006. Our biggest Spanish contract in the year was for the provision of grouting works at the Port of Huelva redevelopment project Our French business took advantage of opportunities at home and in French-speaking territories abroad, including the French West Indies, where it was involved in the development of the new Grand'Rivière Harbour at Martinique.

In Eastern Europe, where we have seen growth of nearly 50% per annum over the past three years, our Polish business once again led the way, with revenue boosted by the addition of piling services which now account for some 25% of its sales. However, our biggest contract in Poland was for the provision of ground improvement works using jet-assisted wet deep soil mixing for the new A1 motorway between Sośnica and Bełk. Under the watchful eye of the Polish management, the fledgling business in Ukraine made a small profit, establishing its reputation in what, over the longer term, could become a significant market. Elsewhere, we undertook our first work in Romania, where we prepared the foundations for a bio-diesel factory on behalf of a Portuguese client for whom we have worked on several similar projects in the past. This sure-footed approach to extending into new countries, where we initially link up with a client with whom we have an existing relationship, has stood us in good stead in the past and is likely to be a feature of further geographic expansion in this region.

Middle East

The growth of our business in the Middle East, where revenue has more than trebled since 2004, was an important feature of the Group's overall performance in 2007. Here, we worked on a number of major contracts, several of which have been for the provision of piling services, justifying our increased strategic focus in this area. These include contracts at the new Saudi Kayan petrochemical complex in Saudi Arabia and the Al Salaam Resort in Bahrain. At Palm Deira, the third of the palm-shaped, man-made islands being built off the coast of Dubai, our contract performance was helped by the deployment of our latest generation twin-paddled S700 vibrators, which we build for our exclusive use and which are an important factor in achieving high levels of productivity.

Asia

In Asia, we have recently added deep soil mixing technology to our offering of ground improvement projects and one of the contracts which we secured as a result was at Sentosa Island, Singapore, where we are working on the site of a resort which is being created partly on reclaimed land. Because of a shortage of sand in the region, the project is using excavated spoil and we have developed a ground treatment solution which treats this fill in situ, using deep mixing methods.

In both the Middle East and Asia, we have considerable experience in providing foundation solutions for complex industrial installations, such as petrochemical and power plants. Many more such developments are in prospect over the next few years and, as in the past, we expect our high quality execution and strong health and safety record to give us a significant advantage in competing for such work.

Australia

Results summary:		
	2007	2006
Revenue	**£107.1m**	£65.1m
Operating profit	**£14.7m**	£7.0m
Margin	**13.7%**	10.7%

Helped by the successful acquisition of Piling Contractors in 2006, our Australian business has almost trebled, in revenue terms, since 2005. With a 2007 operating margin of 13.7%, it is now a clear leader in a very strong market.

Our most notable Australian project in the year was undoubtedly the Gateway Upgrade project in Brisbane, where all four of our businesses, in a joint venture led by Piling Contractors, are working together to execute the foundations for the largest road and bridge infrastructure project in Queensland's history. Our work involves a package of different techniques including bored piles, pre-cast piles and ground improvement works. Despite the scope of the work being extended over recent months, the job is still scheduled to complete in autumn 2008, as originally planned.

Following the success of our earlier contract at the Melbourne Convention Centre, we were invited back in 2007 to work on the second stage of the project known as South Wharf – a promenade and mixed use development. The biggest element of the job was installation of deep CFA piles, founded on various types of rock at depths of 30 to 40 metres. In addition, we undertook a range of enabling works which involved jet grouting, dry soil mixing and the installation of a slurry wall.

We have been involved in an exceptional number of large infrastructure projects in Australia over the past 18 months, including the Tugun Bypass, the North-South Tunnel, the Inner-Northern Busway and now the Gateway Upgrade. With a number of such projects still in the pipeline, we see this trend continuing in the medium term.

UK

Results summary (continuing business):		
	2007	2006
Revenue	**£78.0m**	£60.7m
Operating profit	**£3.8m**	£3.4m
Margin	**4.9%**	5.6%

The UK results benefited from a good contribution from Phi, which we acquired in 2006 and whose retaining wall systems have proved to be very complementary to the other solutions offered by our UK business.

At a development of industrial units at Hemel Hempstead, where differing soil conditions and very uneven ground limited the amount of usable space, Phi's retaining walls were used in conjunction with vibro stone columns and CFA piling. Our innovative design solution, using these three techniques, is thought to have extended the usable ground by around 20%.

As in previous years, foundations for distribution centres featured within KGE's diverse contract portfolio and one of these, for Amazon in Swansea, used a combination of vibro stone column and dynamic compaction ground improvement techniques to deliver a cost-effective solution within an extremely tight deadline. Despite June and July being the wettest

months in the region since records began, causing many logistical problems across the site, our work was completed well within schedule and the facility was operational by October, as planned.

2007 marked the start of what we anticipate will be a steady stream of work related to London's 2012 Olympics. We carried out ground improvement works for the construction of warehouses which were then used to re-locate businesses from Stratford Park, the main site for the Olympics. In addition, we installed anchors to retain the new Prescott Lock, which will create a 'green gateway' for barges entering the Olympic Park, helping to eliminate up to 1,000 lorry journeys a week from local roads.

In April, we completed the acquisition of Systems Geotechnique for an initial consideration of £9.1m, which now gives us a lead in the drilling and grouting sector. We have been impressed with the strengths of the business in terms of its people, equipment and design-and-construct know-how and it is encouraging to see the good co-operation which has developed between Systems and the rest of our UK business.

Makers
Following a strategic review of our structural refurbishment business in the first half of the year, we announced at the time of our interim results that the various divisions of Makers would be sold or discontinued, as appropriate. As we anticipated, this has been a difficult process, but it is now substantially complete, with all four divisions sold for a nominal consideration and with the vast majority of employees' jobs preserved.

The pre-tax one-off charge in the second half of the year was £8.9m, which is in line with the guidance we gave with our interim results announcement in August and results in a total loss before tax for the full year of £14.2m. After tax, the loss was £10.5m.

Sustaining our growth
Our success in taking full advantage of the widespread strong demand for our products over recent years has been due to our ongoing investment in the Group. We have long since recognised the need to sustain and grow our business by investing time and money in people, equipment and acquisitions. This means recruiting people with great potential, providing training, motivation and a safe work environment for our employees and reinforcing our strong relationships with industry partners. It means ongoing modernisation of our equipment fleets and updating our methods of work. It also means identifying businesses which are good strategic fits, acquiring them at sensible prices and ensuring that we deliver value from their integration into the Group. We will continue to invest in all these aspects of our business which we see as being crucial to our continued success.

Financial Review

Results (from continuing operations)
Trading results
2007 was another outstanding year for Keller, with revenue, profits and margins from continuing operations all again at record levels. These results exclude Makers, which has been treated as a discontinued business.

Group revenue increased by 11% in the year to £955.1m, reflecting strong organic growth in most of the Group's main markets, together with a good contribution from acquisitions. Movements in reported revenue and profits were adversely influenced by fluctuations in foreign currency exchange rates. The average US dollar exchange rate against sterling was

US$2.00, 9% weaker than in 2006, while the average euro exchange rate weakened slightly from €1.47 to €1.46. Stripping out the effects of acquisitions and currency movements, the Group's 2007 revenue was 7% up on 2006.

EBITDA was £125.8m, compared to £105.1m in 2006. Operating profit was £107.4m, up from £89.3m in 2006, despite profits in the US, the Group's largest market, being slightly down year-on-year when translated into sterling. In the US, an increase in the profits coming from the Group's foundation contracting businesses was offset by lower profits at Suncoast, the business most exposed to the US residential market. The benefit from the acquisitions of Anderson in October 2006 and HJ in October 2007 was matched by adverse currency movements.

The improvement in the Group operating profit was therefore largely derived from CEMEA, where profits increased by nearly 70%, and Australia where operating profit doubled, helped by the acquisition of Piling Contractors in August 2006. In the UK, profits were boosted by a good first full-year result from the 2006 Phi acquisition and the first-time contribution from Systems Geotechnique, acquired in April 2007.

Adjusting for the effects of acquisitions and currency movements, the Group's operating profit was up 17% on 2006. Operating margins increased to another record high of 11.2% from 10.4% in 2006. As the Group grows, margins are benefiting from economies of scale; in 2007 overheads were 13% of revenue, down from 15% in 2004.

Interest

The net interest charge decreased from £5.6m in 2006 to £4.2m in 2007. Interest cover is very comfortable at around 30 times EBITDA.

Tax

The Group's underlying effective tax rate was 35%, down from 37% in 2006, reflecting the fact that a higher proportion of the Group's profit was derived from lower tax countries. However, the Group's underlying effective tax rate remains relatively high compared to most UK domiciled businesses, as about half of the Group's profits are still earned in the US where the effective federal and state tax rates total around 39%.

Discontinued operation

In August, we announced the intention to exit from Makers in the UK and indicated that this would result in a one-off charge of up to £10m in the second half of 2007. This process is now substantially complete. The second-half pre-tax cost was £8.9m which, together with the first-half trading losses of £5.3m, brings the total 2007 Makers' loss before tax to £14.2m (loss after tax of £10.5m).

Makers has been treated as a discontinued operation in the Group financial statements. Consequently, its trading is not included in the headline revenue and costs on the face of the income statement. Instead, its post-tax result has been shown as a single-line item towards the bottom of the consolidated income statement. Makers' result is analysed in more detail in note 4 of this statement.

Earnings and dividends

Earnings per share (EPS) from continuing operations (and before the benefit of the one-off tax credit in 2006) increased by 24% to 97.6p. Basic earnings per share, stated after the losses related to Makers, was 81.8p.

The Board announced last year that it intends to increase dividends by 15% per annum for the foreseeable future, subject to the dividends being three times covered. The Board is therefore recommending a final dividend of 12.0p per share, which brings the total dividend paid out of 2007 profits to 18.0p, a 15% increase on last year. The 2007 dividend is covered 5.4 times by EPS from continuing operations.

Cash flow
In 2007, the Group continued its excellent record of converting profits into cash. Net cash inflow from operations (excluding Makers) was £127.4m, representing 101% of EBITDA. The net cash outflow from operations relating to Makers was £10.2m. Year-end working capital, at £55.7m, was only £0.9m higher than the previous year, despite the two acquisitions in the year and the Group's strong organic growth.

Capital expenditure totalled £48.1m, more than 60% up on 2006. This significant increase is due both to the Group's substantial growth in recent years and to additional capital expenditure being committed to ensure continued long-term growth. The additional capital has been targeted either at geographies which have excellent growth prospects or where a lack of available equipment was constraining the ability to undertake further work.

Financing
Year-end net debt increased to £54.5m from £38.6m at 31 December 2006, as a result of the additional capital expenditure and spending £34.5m on acquisitions (net of cash and debt acquired) in the year. Net debt at the year end was approximately 0.4 times EBITDA. Based on net assets of £212.1m, gearing was 26%, up only slightly from 24% at the beginning of the year.

The Group's debt and committed facilities mainly comprise a US$100m private placement, repayable US$30m in 2011 and US$70m in 2014, and an £80m syndicated revolving credit facility expiring in 2011. At the year end, the Group also had other committed and uncommitted borrowing facilities totalling around £49m. The Group therefore has sufficient available financing to support our strategy of growth, both through organic means and targeted, bolt-on acquisitions.

Capital Structure
The Group's capital structure is kept under constant review, taking account of the need for, availability and cost of various sources of finance. Given the continuing strength of the Group's balance sheet, the Board proposes to buy back up to 5% of the Company's ordinary shares during the remainder of 2008. Such a share buy-back programme will be earnings per share enhancing and the Group will be left with sufficient financial flexibility to successfully pursue its strategy and to invest in opportunities for profitable growth. Any shares bought back will initially be held in treasury.

Pensions
The Group has defined benefit pension arrangements in the UK, Germany and Austria. The last actuarial valuation of the UK scheme, which has been closed to new members since 1999, was as at 5 April 2005. At this date, the market value of the scheme's assets was £17.3m and the valuation concluded that the scheme was 61% funded on an ongoing basis.

The Group closed its UK defined benefit scheme for future benefit accrual with effect from 31 March 2006 and existing active members transferred to a new defined contribution arrangement. The level of contributions, currently set at £1.2m a year, will be reviewed at the next actuarial valuation, which will be as at April 2008.

The 2007 year-end IAS 19 valuation of the UK scheme showed assets of £26.8m, liabilities of £31.4m and a pre-tax deficit of £4.6m.

In Germany and Austria, the defined benefit arrangements only apply to certain employees who joined the Group prior to 1998. There are no segregated funds to cover these defined benefit obligations and the respective liabilities are included on the Group balance sheet.

All other pension arrangements in the Group are of a defined contribution nature.

Management of financial risks

Currency risk

The Group faces currency risk principally on its net assets, of which a large proportion is in currencies other than sterling. The Group aims to reduce the impact that retranslation of these assets might have on the balance sheet, by matching the currency of its borrowing, where possible, with the currency of its assets. The majority of the Group's borrowings are US dollar-denominated, in order to provide a hedge against the Group's US dollar denominated net assets.

The Group manages its currency flows to minimise currency transaction exchange risk. Forward contracts and other derivative financial instruments are used to hedge significant individual transactions. The majority of such currency flows within the Group relate to repatriation of profits and intra-Group loan repayments. The Group's foreign exchange cover is executed primarily in the UK. At 31 December 2007, there were no material forward exchange contracts outstanding (2006: None).

The Group does not trade in financial instruments nor does it engage in speculative derivative transactions.

Interest rate risk

Interest rate risk is managed by mixing fixed and floating rate borrowings depending upon the purpose and term of the financing.

Credit risk

The Group's principal financial assets are bank and cash balances and trade and other receivables. These represent the Group's maximum exposure to credit risk in relation to financial assets. This risk is managed by limiting the aggregate amount of exposure to any such institution or customer by reference to their credit rating and by regular review of these ratings. The possibility of material loss in this way is considered unlikely.

Consolidated Income Statement
for the year ended 31 December 2007

	Note	2007 £m	2006 Restated* £m
Revenue	3	**955.1**	857.7
Operating costs		**(847.7)**	(768.4)
Operating profit	3	**107.4**	89.3
Finance income		**2.5**	1.9
Finance costs		**(6.7)**	(7.5)
Profit before taxation		**103.2**	83.7
Taxation before one-off tax credit		**(35.9)**	(30.7)
One-off tax credit		**-**	3.8
Total taxation	5	**(35.9)**	(26.9)
Profit for the period from continuing operations		**67.3**	56.8
Discontinued operation			
Loss from discontinued operation net of taxation	4	**(10.5)**	-
Profit for the period		**56.8**	56.8
Attributable to:			
Equity holders of the parent		**54.0**	55.7
Minority interests		**2.8**	1.1
		56.8	56.8
Earnings per share from continuing operations			
Basic earnings per share	6	**97.6p**	84.8p
Earnings per share before one-off tax credit	6	**n/a**	79.0p
Diluted earnings per share	6	**96.4p**	83.7p
Diluted earnings per share before one-off tax credit	6	**n/a**	78.0p
Earnings per share			
Basic earnings per share	6	**81.8**	84.8p
Earnings per share before one-off tax credit	6	**n/a**	79.0p
Diluted earnings per share	6	**80.7**	83.7p
Diluted earnings per share before one-off tax credit	6	**n/a**	78.0p

* See Note 1, Basis of preparation, regarding discontinued operation

Consolidated Statement of Recognised Income and Expense
for the year ended 31 December 2007

	2007 £m	2006 £m
Foreign exchange translation differences	**4.9**	(8.0)
Actuarial gains/(losses) on defined benefit pension schemes	**2.0**	(0.1)
Tax on items taken directly to equity	**(0.6)**	0.1
Net income/(expense) recognised directly in equity	**6.3**	(8.0)
Profit for the period	**56.8**	56.8
Total recognised income and expense for the period	**63.1**	48.8
Attributable to:		
Equity holders of the parent	**59.8**	47.9
Minority interests	**3.3**	0.9
	63.1	48.8

Consolidated Balance Sheet
As at 31 December 2007

	Note	2007 £m	2006 £m
ASSETS			
Non-current assets			
Intangible assets		**80.8**	57.5
Property, plant and equipment		**155.8**	114.6
Deferred tax assets		**9.2**	7.9
Other assets		**13.7**	8.8
		259.5	188.8
Current assets			
Inventories		**26.9**	25.5
Trade and other receivables		**273.6**	221.7
Cash and cash equivalents		**30.9**	25.2
		331.4	272.4
Total assets		**590.9**	461.2
LIABILITIES			
Current liabilities			
Loans and borrowings		**(7.6)**	(6.8)
Current tax liabilities		**(12.4)**	(9.4)
Trade and other payables		**(244.8)**	(192.4)
		(264.8)	(208.6)
Non-current liabilities			
Loans and borrowings		**(77.8)**	(57.0)
Employee benefits		**(14.6)**	(18.8)
Deferred tax liabilities		**(5.4)**	(6.2)
Other liabilities		**(16.8)**	(11.5)
		(114.6)	(93.5)
Total liabilities		**(379.4)**	(302.1)
NET ASSETS		**211.5**	159.1
EQUITY			
Share capital		**6.6**	6.6
Share premium account		**37.6**	37.1
Capital redemption reserve		**7.6**	7.6
Translation reserve		**(0.1)**	(4.5)
Retained earnings		**150.6**	105.6
Equity attributable to equity holders of the parent	8	**202.3**	152.4
Minority interests		**9.2**	6.7
Total equity		**211.5**	159.1

Consolidated Cash Flow Statement

for the year ended 31 December 2007

	2007 £m	2 £m
Cash flows from operating activities		
Operating profit from continuing operations	**107.4**	89.3
Operating loss from discontinued operation	**(13.3)**	(0.2)
	94.1	89.1
Depreciation of property, plant and equipment	**17.4**	13.4
Amortisation of intangible assets	**1.0**	2.4
Loss/(profit) on sale of property, plant and equipment	**0.4**	(0.6)
Other non-cash movements	**1.0**	0.2
Foreign exchange losses/(gains)	**0.2**	(0.2)
Operating cash flows before movements in working capital	**114.1**	104.3
Movement in long-term liabilities and employee benefits	**1.9**	(1.7)
Increase in inventories	**(0.9)**	(3.0)
Increase in trade and other receivables	**(32.8)**	(30.6)
Increase in trade and other payables	**34.9**	29.3
Cash generated from operations	**117.2**	98.3
Interest paid	**(5.3)**	(6.2)
Income tax paid	**(32.0)**	(30.7)
Net cash inflow from operating activities	**79.9**	61.4
Cash flows from investing activities		
Interest received	**1.3**	1.1
Proceeds from sale of property, plant and equipment	**1.0**	2.0
Acquisition of subsidiaries, net of cash acquired	**(34.5)**	(26.4)
Acquisition of property, plant and equipment	**(48.1)**	(29.4)
Acquisition of other non-current assets	**(2.8)**	(2.6)
Net cash outflow from investing activities	**(83.1)**	(55.3)
Cash flows from financing activities		
Proceeds from the issue of share capital	**0.5**	0.8
New borrowings	**22.2**	6.6
Repayment of borrowings	**(0.7)**	(3.6)
Payment of finance lease liabilities	**(1.9)**	(2.1)
Dividends paid	**(12.3)**	(9.0)
Net cash inflow/(outflow) from financing activities	**7.8**	(7.3)
Net increase/(decrease) in cash and cash equivalents	**4.6**	(1.2)
Cash and cash equivalents at beginning of period	**20.3**	23.3
Effect of exchange rate fluctuations	**1.2**	(1.8)
Cash and cash equivalents at end of period	**26.1**	20.3

	2007 £m	2 £m
Analysis of closing net debt		
Cash in hand	**30.8**	25.1
Short term deposits	**0.1**	0.1
Bank overdrafts	**(4.8)**	(4.9)
Net cash	**26.1**	20.3
Bank and other loans	**(76.1)**	(56.1)
Finance leases	**(4.5)**	(2.8)
Closing net debt	**(54.5)**	(38.6)

1. Basis of preparation

The Group's 2007 results have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2007 or 2006 but is derived from the 2007 accounts. Statutory accounts for 2006 have been delivered to the Registrar of Companies, and those for 2007, prepared under IFRS as adopted by the EU, will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and (iii) did not contain statements under section 237(2) or (3) of the Companies Act 1985.

In accordance with IFRS 5 – Non-current assets held for sale and discontinued operations – the loss from discontinued operation is shown separately in the income statement net of tax and the comparative figures have been restated accordingly.

2. Foreign currencies

The exchange rates used in respect of principal currencies are:

	2007	**2006**
US dollar: average for period	**2.00**	1.84
US dollar: period end	**2.00**	1.96
Euro: average for period	**1.46**	1.47
Euro: period end	**1.36**	1.49
Australian dollar: average for period	**2.39**	2.45
Australian dollar: period end	**2.28**	2.49

3. Segmental analysis

Geographical segment information including an analysis of the Group's revenues by geographical market, irrespective of the origin the services, is presented below:

	2007 Revenue £m	**2007 Operating profit £m**	**2006 Revenue £m**	**2006 Operating profit £m**
United Kingdom	**78.0**	**3.8**	60.7	3.4
North America	**473.2**	**61.6**	476.9	64.1
Continental Europe, Middle East & Asia	**296.8**	**30.4**	255.0	17.9
Australia	**107.1**	**14.7**	65.1	7.0
	955.1	**110.5**	857.7	92.4
Central items and eliminations	-	**(3.1)**	-	(3.1)
Continuing operations	**955.1**	**107.4**	857.7	89.3
Discontinued operation	**36.8**	**(13.3)**	62.5	(0.2)
	991.9	**94.1**	920.2	89.1

	2007 Capital employed £m	**2006 Capital employed £m**
United Kingdom	**14.5**	7.5
North America	**163.1**	130.3
Continental Europe, Middle East & Asia	**82.8**	57.2
Australia	**23.7**	17.0
	284.1	212.0
Central items	**(72.6)**	(52.9)
	211.5	159.1

In the opinion of the Directors the Group operates only one class of business.

4. Discontinued operation

The Board announced its decision to withdraw from Makers on 20 August 2007. By 31 December 2007 substantially all of the business had been disposed of. The business was not a discontinued operation or classified as held for sale as at 31 December 2006 and the comparative consolidated income statement has been re-presented to show the discontinued operation separately from continuing operations.

Losses attributable to the discontinued operation were as follows:

	2007 £m	2006 £m
Results of discontinued operation		
Revenue	**36.8**	62.5
Operating costs	**(50.1)**	(62.7)
Operating loss	**(13.3)**	(0.2)
Net finance (costs)/income	**(0.2)**	0.2
Loss before taxation	**(13.5)**	-
Taxation	**3.7**	-
	(9.8)	-
Loss on sale of discontinued operation	**(0.7)**	-
Taxation on gain on sale of discontinued operation	-	-
Loss for the period	**(10.5)**	-
Basic earnings per share (pence) (note 6)	**(15.8)**	-
Diluted earnings per share (pence) (note 6)	**(15.7)**	-
Cash flows from discontinued operation		
Net cash from operating activities	**(10.2)**	(4.2)
Net cash from investing activities	**0.3**	0.2
Net cash from financing activities	**9.0**	1.4
	(0.9)	(2.6)

The loss on sale of discontinued operation arose on disposal of net current assets of £0.9m for a total consideration of £0.2m.

5. Taxation

The taxation charge comprises:

	2007 £m	2006 £m
Current tax expense		
Current year	**36.6**	29.7
Prior years	**0.7**	(0.1)
Total current tax	**37.3**	29.6
Deferred tax expense		
Current year	**(1.2)**	0.9
Prior years:		
One-off tax credit	**-**	(3.8)
Other	**(0.2)**	0.2
Total deferred tax	**(1.4)**	(2.7)
	35.9	26.9

The one-off tax credit arose following an intra-Group financial restructuring during 2006, as a result of which it is now anticipated that prior year UK tax losses can be utilised against future UK taxable profits. Consequently, the Group recognised a £3.8m deferred tax asset in respect of those losses, which resulted in a one-off tax credit in the 2006 Income Statement. The total UK tax credit for the year was £1.4m (2006: £2.8m).

6. Earnings per share

Basic and diluted earnings per share from continuing operations are calculated as follows:

	2007 Basic £m	2007 Diluted £m	2006 Basic £m	2006 Diluted £m
Earnings (after tax and minority interests) being net profits attributable to equity holders of the parent	**64.5**	**64.5**	55.7	55.7
	No. of shares millions	**No. of shares millions**	**No. of shares millions**	**No. of shares millions**
Weighted average of ordinary shares in issue during the year	**66.0**	**66.0**	65.6	65.6
Add: weighted average of shares under option during year	-	**1.3**	-	1.6
Add: weighted average of own shares held	-	**0.1**	-	0.1
Less: no. of shares assumed issued at fair value during year	-	**(0.5)**	-	(0.8)
Adjusted weighted average ordinary shares in issue	**66.0**	**66.9**	65.6	66.5
	Pence	**Pence**	**Pence**	**Pence**
Earnings per share from continuing operations	**97.6**	**96.4**	84.8	83.7

Total earnings per share from continuing and discontinued operations of 81.8p (2006: 84.8p) was calculated based on earnings of £54.0m (2006: £55.7m) and the weighted average number of ordinary shares in issue during the year of 66.0 million (2006: 65.6 million).

Total diluted earnings per share from continuing and discontinued operations of 80.7p (2006: 83.7p) was calculated based on earnings of £54.0m (2006: 55.7m) and the adjusted weighted average number of ordinary shares in issue during the year of 66.9 million (2006: 66.5 million).

Earnings per share from discontinued operation of (15.8)p (2006: nil) was calculated based on a loss of £10.5m (2006: £nil) and the weighted average number of ordinary shares in issue during the year of 66.0 million (2006: 65.6 million).

Diluted earnings per share from discontinued operation of (15.7)p (2006: nil) was calculated based on a loss of £10.5m (2006: £nil) and the adjusted weighted average number of ordinary shares in issue during the year of 66.9 million (2006: 66.5 million).

Earnings per share in 2006 of 79.0p, before the one-off tax credit, was calculated based on earnings of £55.7m less the one-off tax credit of £3.8m and the weighted average number of ordinary shares in issue during the year of 65.6 million.

Diluted earnings per share in 2006 of 78.0p, before the one-off tax credit, was calculated based on earnings of £55.7m less the one-off tax credit of £3.8m and the adjusted weighted average number of ordinary shares in issue during the year of 66.5 million.

7. Dividends payable to equity holders of the parent

Ordinary dividends on equity shares:

	2007 £m	2006 £m
Amounts recognised as distributions to equity holders in the period:		
Interim dividend for the year ended 31 December 2007 of 6.0p (2006: 4.2p) per share	**4.0**	2.8
Final dividend for the year ended 31 December 2006 of 11.4p (2005: 8.2p) per share	**7.5**	5.3
	11.5	8.1

The Directors have proposed a final dividend for the year ended 31 December 2007 of £8.0m, representing 12.0p (2006:11.4p) per share. The proposed dividend is subject to approval by shareholders at the Annual General Meeting on 13 May 2008 and has not been included as a liability in these financial statements.

8. Reconciliation of movements in equity attributable to equity holders of the parent

	2007 £m	2006 £m
Equity at start of period	**152.4**	111.1
Total recognised income and expense	**59.8**	47.9
Dividends to shareholders	**(11.5)**	(8.1)
Share-based payments	**1.1**	0.8
Share capital issued	**0.5**	0.7
Equity at end of period	**202.3**	152.4