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Keller Group plc
Preliminary results for the year ended 31 December 2006

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 2006.

Highlights include:

- Revenue of £920.2m (2005: £731.0m) up 26%, mainly reflecting 20% like-for-like organic growth

- Operating margin increased to 9.7% (2005: 7.3%), with significant improvements across the Group

- Profit before tax up 72% to £83.7m (2005: £48.8m) - another record year

- Earnings per share, before the benefit of a one-off tax credit, up 89% to 79.0p (2005: 41.8p). Basic earnings per share increased to 84.8p

- Cash generated from operations of £98.3m, 94% of EBITDA, prior to investing £26.4m on acquisitions and £29.4m on capital expenditure

- Board review of dividend policy
  - Total 2006 dividend per share increased by 30% to 15.6p (2005: 12.0p)
  - Thereafter, intention to increase dividends by 15% p.a. for the foreseeable future, subject to maintaining three times' dividend cover

Justin Atkinson, Keller Chief Executive said:

"This was another outstanding year for the Group, in which all four of our divisions increased their profitability and significantly improved their operating margins. In addition to the very strong organic growth generated across all our main markets, the three acquisitions made in 2006 performed even better than we expected at the time of purchase.

"Our increased scale and strong business model mean we are ideally placed to continue to perform well in our chosen markets and, whilst the outstanding 2006 result is unlikely to be matched this year, we are confident that 2007 will be another good year for the Group."

For further information, please contact:

Keller Group plc	**www.keller.co.uk**
Justin Atkinson, Chief Executive James Hind, Finance Director	**020 7616 7575**
Smithfield Reg Hoare/Rupert Trefgarne	**020 7360 4900**

A presentation for analysts will be held at 9.15 for 9.30am at the offices of Smithfield, 10 Aldersgate Street, London EC1A 4HJ
Print resolution images are available for the media to download from www.vismedia.co.uk

Chairman's Statement

Results

2006 marked a step change for Keller: building on previous years' successes and taking full advantage of buoyant conditions in most of our global markets, we significantly increased the scale of our operations and achieved our highest-ever margin.

Group revenue rose by 26% to £920.2m (2005: £731.0m), mainly reflecting excellent organic growth. Profit before tax was up 72% to £83.7m (2005: £48.8m) and earnings per share before the benefit of a one-off tax credit grew to 79.0p (2005: 41.8p), in part reflecting a reduction in the underlying tax rate to 37% from 41%. Earnings per share have now grown at a compound annual growth rate of 19% since flotation some 12 years ago. Our operating margin increased to its highest-ever level of 9.7% from 7.3%, reflecting significant improvements in all of our geographic regions.

Cash flow and net debt

The very strong trading result was supported by an increase in cash generated from operations to £98.3m (2005: £73.5m). Net debt at the end of the year stood at £38.6m (2005: £40.9m), which is stated after expenditure of £26.4m on acquisitions (net of cash and debt acquired) and a £4.0m one-off cash contribution into the UK pension scheme. Capital expenditure of £29.4m (2005: £15.7m) was higher than in recent years, as we modernise and expand our equipment fleets in order to take advantage of the strong demand in most of our markets.

Dividends

The Board has reviewed the Group's dividend policy in light of the substantial increase in profits in the last two years. Given these excellent results and our confidence in the Group's future prospects, the Board intends to increase the dividend for the year by 30% and thereafter, by 15% per annum for the foreseeable future, subject to maintaining three times' dividend cover. Whilst our policy is to reward shareholders with progressive dividends and to maintain a comfortable dividend cover, we will also continue 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 11.4p per share (2005: 8.2p). This brings the total dividend for the year to 15.6p (2005: 12.0p). The final dividend will be paid on 29 June 2007 to shareholders on the register at 1 June 2007.

Pensions

The UK defined benefit pension scheme was closed for future benefit accrual with effect from 31 March 2006, when active members were transferred to a new defined contribution arrangement. To help reduce the scheme deficit, the Group made a one-off cash contribution of £4.0m in April 2006. The pre-tax deficit reduced to £6.8m at the year end on an IAS 19 basis (2005: £11.9m).

Strategy

In 2006 we made good progress against our strategic objective of further consolidating our global leadership in specialist ground engineering. We made three acquisitions - Phi in the UK, Anderson in the US and Piling Contractors in Australia. The last of these reinforced our leading position in this very strong market. All three acquisitions made excellent first-time contributions and their management and staff have adjusted well to life under Keller's ownership.

We also pressed forward in our programme of introducing new solutions and extending the use of our existing technologies and methods around the world, as is demonstrated by the impressive organic growth rates achieved.

In 2007, we aim to continue to make strategic advances within our core business. We are often seen as a preferred buyer of businesses within our industry, mainly because of what we can offer in return - strong financing, access to new technologies, a supportive culture and an excellent reputation. We will continue to take advantage of the opportunities presented by a highly fragmented industry, both in the US, where we have a long tradition of making good acquisitions, and in other areas where either we are currently under-represented or where we see growth potential. As in the past, our approach will be measured and sure-footed.

People

Building success upon success has only been possible because of the skill, commitment and effort which can be found in abundance throughout our businesses. I am proud of what our employees have achieved and I believe that they, in turn, take pride in belonging to a world-class organisation in which they are well respected, where their contribution is recognised and where they can influence the future. On behalf of shareholders and the Board, I thank all our employees for making 2006 such a successful year.

Outlook

Looking ahead, we see potential for further growth in all of our markets. In the short term, we expect to see some further contraction in the residential sector in the US, at least in the first half of 2007. Our US non-residential order book has recently eased from its peak, which may signal some weakening in this buoyant sector in the second half, although the order book remains at an historically high level. Outside the US, we continue to see plenty of opportunities and we expect to see good growth.

Our Group-wide current order book remains strong, which gives us a sound platform for the year ahead. Our increased scale and strong business model mean we are ideally placed to continue to perform well in our chosen markets and, whilst the outstanding 2006 result is unlikely to be matched this year, we are confident that 2007 will be another good year for the Group.

Operating Review

This was another outstanding year for the Group, in which all four of our major divisions increased their profitability and significantly improved their operating margins, whilst continuing to gain market share.

In addition to the organic growth generated across all our main markets, the three acquisitions made in 2006 performed even better than we expected at the time of purchase.

Conditions in our major markets

In North America, the public infrastructure and particularly the commercial sector remained extremely buoyant, with 2006 non-residential expenditure as a whole around 13% higher than the previous year[1]. As expected, the residential sector contracted as the year progressed, with housing starts for single-family homes ending the year some 15% down on 2005[2]. Taken as a whole, construction expenditure in the US increased by around 5% year on year[1].

In Europe, Germany experienced a long-awaited recovery in construction output, whilst activity levels in Keller's other main Continental European markets – France, Spain and Eastern Europe – remained high and the UK showed continued improvement.

The Middle East saw high levels of construction activity, whilst the Group's Far East markets once again offered good opportunities. Australia saw a significant increase in expenditure on infrastructure, fuelled in part by the boom in mining and related activities.

Despite robust competition, in 2006 the Group continued to gain market share and to outperform the competition in most of its markets.

Operations

North America

The 2006 performance of our North American operations surpassed our highest expectations at the start of the year, beating their previous records for revenue and profit. Revenue of £476.9m (2005: £399.9m) was 19% ahead, with operating profit of £64.1m (2005: £42.1m) up by 52%.

Hayward Baker

Hayward Baker had another excellent year across most of its regions and helped in part by a very strong contribution from Donaldson, its September 2005 acquisition. Given the large number of contracts which Hayward Baker undertakes in any one year (almost 1,500 in 2006) it is pleasing to report further improvement in its contract performance. Whilst strong market conditions have assisted, this improvement also reflects a refinement of Hayward Baker's approach to risk management over the past two years.

Amongst the projects worked on by Hayward Baker in 2006 were a number of tunnel-related projects on the West Coast, where the company has a solid track record of performance on similar projects. Specialty grouting services were provided under the $10.2m (£5.2m) Lower North Outfall Sewer Rehabilitation contract, to stabilise the soil above an existing sewer

[1] Data published by the US Census Bureau of the Department of Commerce on 31 January 2007.
[2] Monthly housing starts published by the National Association of Home Builders in January 2007.

tunnel for the City of Los Angeles; and under the $9.4m (£4.8m) Gold Line contract, to stabilise tunnelling works for the Metro Gold Line Eastside Extension. Also on the West Coast, Hayward Baker contributed to a large and complex off-shore vibro replacement test project in San Francisco Bay for the seismic upgrade of the Bay Area Rapid Transit tube system – the deepest in-service vehicular tube in the world.

The strength of Hayward Baker's product range has been improved with the launch during the year of its vibro piers system, which was developed as a fast and economic treatment for the support of lighter loads. The system is proving popular and looks set to make a growing contribution in 2007 and beyond.

Case

Case had an outstanding year, which saw the completion of several large and technically demanding projects, on time and to budget. These included the two-year $20m (£10.2m) contract to install four shafts to provide intake water for the Elm Road Generating Station near Milwaukee, Wisconsin. Each shaft had a diameter of 4.5 metres and a depth of 45 metres, establishing a record for the largest rock shafts ever installed by Case.

The ability to continually stretch boundaries to deal with ever more complex ground problems depends not only on the technical skills of our people but also on the power and durability of our equipment. Investment in Case's large drill rigs has further improved productivity and has been an important element in the success of many of the large jobs undertaken in 2006, such as the foundations for the new Goldman Sachs building in New York. Investment in the fleet has also enabled Case to expand its product offering to include secant pile walls – these continuous earth retention walls formed by interlocking, concrete-filled shafts are gaining in popularity in the US, following extensive development and use in Europe.

McKinney

Whilst again working on some 1,500 contracts in the year, McKinney took on more large jobs, increasing by around 50% its average job size to $60,000 (£31,000). It again worked in collaboration with other US Group companies on a number of projects where it was able to bring complementary expertise or resources. The Murano Tower project in Philadelphia, undertaken in joint venture with Case, is one such project, where the requirement for different-sized caissons to support this 42-storey luxury condominium development played to the respective strengths of Case and McKinney.

With its high contract volume, McKinney usually has its fair share of notable projects. In 2006 these included the foundations for the new 100,000-seater Dallas Cowboys Football Stadium and the foundations for several "safe houses" in New Orleans, where the pump operators for the local storm water system will be able to ride out future hurricanes without leaving their work stations.

Anderson

The latest of the Group's US acquisitions, Anderson, had a very good first three months under Keller's ownership. Anderson, purchased for an initial $22m (£11.8m) including the assumption of debt, is a provider of heavy foundations, serving the commercial, industrial and public infrastructure markets on the West Coast of the US. It represents an excellent strategic fit with our other US foundation businesses and will assist our growth on the West Coast, where we were formerly under-represented in heavy foundations. We are pleased with the progress of its integration into the Group, with a migration to the Group's principal reporting and accounting systems now well underway.

Suncoast

After a very strong first half, the downturn in the residential market was clearly felt in the second half of the year, particularly in the states of California and Arizona, where Suncoast's slab-on-grade revenue was down 32% on the previous second half. This downturn, although severe, compares favourably to a fall of 39% in the number of residential building permits for these states across the same period. In contrast, residential sales in Texas remained resilient for most of the year.

Timely management action, in reducing the headcount and cutting capacity in the face of reduced volumes and increased pricing pressure, helped to protect slab-on-grade margins.

Throughout the year there was strong demand for commercial high rise products, which resulted in Suncoast reporting revenue slightly ahead of the previous year and a good profit.

In the second half, Suncoast added to its range the WAFFLEMAT system - a new product which is particularly effective in medium expansive soils. Both this and Suncoast's existing slab-on-grade system are alternatives to traditional foundation methods, offering good product substitution opportunities which should enable the business to continue to grow market share over the longer term, notwithstanding the difficult market conditions which Suncoast faces in 2007.

Continental Europe & Overseas

Our Continental Europe & Overseas business reported a very good performance, with revenue of £255.0m (2005: £204.8m) up some 24% on the previous year. It is particularly pleasing that the improvement was so evenly spread across the countries represented within the division. Operating profit was 41% above the previous year at £17.9m (2005: £12.7m).

Our French business had an excellent year, in which its share of the domestic ground improvement market continued to grow, largely in the commercial and residential sectors. Further progress was made in extending our French export markets, with several large contracts awarded across North Africa and in the French West Indies.

In Spain, Keller-Terra saw another substantial increase in revenue in 2006, but with some weakening of its excellent margins. Measures have now been taken to strengthen our resources and key business processes to handle this rapidly growing business, which has trebled its revenue in the four years under Keller's ownership.

In Central and Eastern Europe, our operations in Austria had a very busy year, with projects including ground improvement works for the new Klagenfurt football stadium, which will be used as a venue for the 2008 European Championship. Further advances were made in Eastern Europe, particularly Poland, where our organic growth again exceeded that of the market. In addition to extending our range of ground improvement techniques, we undertook some of our first heavy foundations work in this region - a key element of our strategy for growing the business in this area - and made good progress on our first project in Ukraine.

Revenue in Germany grew by around 10% which, combined with increased margins, produced a significantly improved result. Whilst much of the increased demand related to new commercial structures, such as logistics centres, several large infrastructure projects in which we have been involved over recent years, including tunnel stabilisation works in Leipzig and Cologne, helped to maintain high levels of activity throughout 2006.

The Middle East reported a very good result, with an excellent contribution from Saudi Arabia, where we were engaged on a big foundations project for a power station, and good results from Bahrain and UAE. The trend for man-made islands in the Gulf area produced many related contracts, including foundations for large hotel complexes on Palm Jumeirah and for a luxury residential development comprising six 20-storey towers on the Amwaj Islands, off the Bahrain coast.

In the Far East, several ongoing contracts, such as Malaysia's Stormwater Management and Road Tunnel project and development of the Universal Terminal on Jurong Island, Singapore, underpinned a growing stream of work, whilst in India we strengthened our resources in order to benefit from an expected growth in demand for our services.

UK

Revenue in the year was 38% up on the previous year at £123.2m (2005: £89.2m), with an operating profit of £3.2m (2005: loss of £0.3m).

KGE

Keller Ground Engineering (KGE) doubled its previous year's operating profit on revenue some 40% ahead, including around £9m of revenue from Phi, to report its best-ever year.

The foundation support division had an excellent year. Amongst the projects completed was the installation of foundations for a major distribution facility adjacent to the Dartford Crossing in Kent. KGE was able to optimise the original piled scheme by utilising a range of engineering techniques: driven piles in areas of weak soil, with ground improvement by dynamic compaction and vibro replacement in areas of shallow fill overlay. This 'value engineering' delivered substantial reductions in programme time and cost.

Another major contract in 2006 was at Mere Park in Surrey, where the site of a former sand and gravel quarry is being re-developed into an 'urban village'. Backfilling of the former quarry and the installation of some 16,000 linear metres of vibro stone columns has enabled around 350 new homes to be built in difficult ground conditions.

The geotechnical division had a quieter, but on-budget year, performing well on some demanding projects. These included work for the Parliamentary Works Department, improving the foundations beneath Westminster Hall, to enable the main public entrance to the Palace of Westminster to be relocated there. The division was also involved in a major new hotel at Heathrow's Terminal 5, where it provided temporary anchor support for the retaining walls to a basement car park.

An already very good year was topped off by an excellent contribution from Phi, the retaining wall specialist acquired in April 2006 for an initial consideration of circa £6m, net of cash acquired. KGE's existing earth retention activities were re-branded and assimilated into Phi and the enlarged business is now fully integrated into the Group.

Makers

The volume shortfall in social housing experienced in 2005 was largely recovered in 2006, to give a break-even result for the year. Social housing projects undertaken during the year included internal refurbishment works under a partnering arrangement with the Epping Forest District Council as part of its Decent Homes programme. Also, internal and external refurbishment works were carried out at the Coldharbour Estate in the London Borough of Greenwich, where a programme to upgrade some 470 individual properties was completed on time and to budget. The performance on this project helped to secure Makers' position as

one of four contractors appointed by the London Borough of Greenwich as their strategic partners for a period of four years.

Australia

Revenue of £65.1m (2005: £37.1m) was some 75% above the previous year, whilst operating profit increased nearly four-fold to £7.0m (2005: £1.8m).

This record result from our Australian businesses included five months' contribution from Piling Contractors, whose performance exceeded our expectations at the time of acquisition. With its strong links with civil engineering, infrastructure and mining, Piling Contractors is taking full advantage of the current boom in these sectors in Australia. One of the largest foundations projects performed in the region in 2006 was a A$40m (£16.3m) contract performed by a joint venture including Piling Contractors to install a diaphragm wall and sheet piling for a bypass near the airport at Tugun on the New South Wales/Queensland borders. Another significant contract for Piling Contractors was the Inner Northern Busway project in Brisbane.

Our other Australian businesses also took full advantage of the strong market and completed a higher than average number of large contracts. These included the Rapid Expansion project at Port Hedland – the 16th project performed by Frankipile for BHP Billiton over the past 15 years – and the foundations for the new Melbourne Convention Centre, which at A$14.5m (£5.9m) was the largest contract ever undertaken by Vibropile.

The ground engineering business, in its third year of operations, continued to make good strides in introducing new techniques to the market. For example, it completed what is thought to be the first compensation grouting contract in the southern hemisphere on the Perth Metro Rail project and introduced Keller's dry soil mixing technology to Australia for a railway upgrade in Newcastle and for road stabilisation at the Waterfront City project in Melbourne.

Securing the future

During our busiest year ever, we have not lost sight of the need to sustain our business by continuing to invest time and money in modernising our equipment fleets, updating our methods of work, recruiting people with great potential, providing training, motivation and a safe work environment for our employees and reinforcing our strong relationships with industry partners – be they customers, consultants, suppliers or standard-setters. We will continue to invest in all these aspects of our business which we see as being crucial to our continued success.

Financial review

Trading results

2006 was an outstanding year for Keller, with revenue, profits and margins all at record highs. All four geographic regions contributed to this result with all reporting significant improvements in both revenue and margins.

Group revenue increased by 26% in the year to £920.2m, mainly reflecting very 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 not significantly influenced by fluctuations in foreign currency exchange rates. The average US dollar exchange rate against sterling was US$1.84, compared to US$1.82 in 2005, while the average euro exchange rate was €1.47, versus €1.46 in 2005. Stripping out the effects of acquisitions and currency movements, the Group's 2006 revenue was 20% up on 2005.

Operating profit was £89.1m, up from £53.1m in 2005. Unsurprisingly, this increase was largely due to the US, which represents over half the Group in terms of both revenue and profits. However, results in Continental Europe & Overseas were also up significantly, while Australia increased its operating profit almost four-fold, helped by the acquisition of Piling Contractors in August 2006. Taken together, the UK businesses returned to respectable profitability after recording a small loss in 2005. Makers reported a break-even result in the year as a whole. Adjusting for the effect of acquisitions and currency movements, the Group's operating profit was 59% up on 2005.

Operating margins increased to a record high of 9.7%, from 7.3% in 2005 which itself was a record at the time. This substantial increase reflects significant improvements in all our geographic regions, together with, as reported at the interims, the impact of one-off claims income totalling £5m received in the US in the first half.

Interest

The net interest charge increased from £4.3m in 2005 to £5.4m in 2006, with the benefit of lower average borrowings being more than offset by higher interest rates, particularly on US dollar-denominated debt. 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, and bear interest at floating rates. The average interest rate paid on US dollar borrowings increased from 4.3% to 6.1%. Interest cover is very comfortable at around 20 times EBITDA.

Tax

The Group's underlying effective tax rate was 37%, down from 41% in 2005. This decrease is largely due to the benefit from an intra-group financial restructuring during the year, as a result of which the Group no longer incurs taxable losses (after central costs and interest) in the UK. Following this restructuring it is now anticipated that prior year UK tax losses, which total nearly £13m, can be utilised against future UK taxable profits. Consequently, the Group has recognised a £3.8m deferred tax asset in respect of these losses, which has resulted in a one-off tax credit in the 2006 income statement.

The Group's underlying effective tax rate remains high compared to most UK domiciled businesses, reflecting the fact that the vast majority of the Group's profits are earned in relatively high tax jurisdictions, in particular the US where the effective federal and state tax rates total nearly 40%.

Earnings and dividends

Earnings per share before the one-off tax credit increased by 89% to 79.0p. Including the benefit of the one-off tax credit, earnings per share were 84.8p.

The Board has reviewed the Group's dividend policy in light of the substantial increase in profits in the last two years. Given these excellent results and our confidence in the Group's future prospects, the Board intends to increase the dividend for the year by 30% and thereafter, by 15% per annum for the foreseeable future, subject to maintaining three times' dividend cover.

The Board is therefore recommending a final dividend of 11.4p per share. The total dividend paid out of 2006 profits will be 15.6p. This is covered 5.1 times by earnings per share before the one-off tax credit.

Cash flow

In 2006, the Group continued its excellent record of converting profits into cash. Net cash inflow from operations, stated after a £4.0m one-off contribution into the Group's UK defined benefit pension scheme, was £98.3m, representing 94% of the Group's EBITDA. Year-end working capital, at £54.8m, was only £4.3m higher than the previous year's level, despite the three acquisitions in the year and the Group's organic growth.

Capital expenditure was £29.4m, about twice the level of recent years. This significant increase was necessary following the Group's substantial growth which, historically, had not been matched by increases in capital expenditure. 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 work. After proceeds from the sale of property, plant and equipment, net capital expenditure in the year was £27.4m.

Financing

Year-end net debt decreased to £38.6m at the end of 2006 from £40.9m at 31 December 2005, despite the additional capital expenditure and spending £26.4m on acquisitions (net of cash and debt acquired) in the year. Net debt at the year end was less than 0.4 times EBITDA. Based on net assets of £159.1m, gearing was 24%, down from 35% 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 £40m. The Group therefore has sufficient available financing to support our strategy of growth both through organic means and targeted, bolt-on acquisitions.

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 the existing active members transferred to a new defined contribution arrangement. To help reduce the deficit in the scheme, the Group made a one-off cash contribution of £4.0m in April 2006 and agreed to double its regular contributions to £1.2m a year with effect from January 2006. The level of contributions will be reviewed at the time of the next actuarial valuation, currently scheduled for April 2008.

The year-end 2006 IAS 19 valuation of the UK scheme showed assets of £25.7m, liabilities of £32.5m and a pre-tax deficit of £6.8m.

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.

Consolidated income statement

for the year ended 31 December 2006

	Note	2006 £m	2005 £m
Revenue	3	920.2	731.0
Operating costs		(831.1)	(677.9)
Operating profit	3	89.1	53.1
Finance income		2.3	1.5
Finance costs		(7.7)	(5.8)
Profit before taxation		83.7	48.8
Taxation before one-off tax credit		(30.7)	(19.8)
One-off tax credit		3.8	-
Total taxation	4	(26.9)	(19.8)
Profit for the period		56.8	29.0
Attributable to:			
Equity holders of the parent		55.7	27.3
Minority interests		1.1	1.7
		56.8	29.0
Basic earnings per share	5	84.8p	41.8p
Earnings per share before one-off tax credit	5	79.0p	41.8p
Diluted earnings per share	5	83.7p	41.6p
Diluted earnings per share before one-off tax credit	5	78.0p	41.6p

Consolidated statement of recognised income and expense

for the year ended 31 December 2006

	2006 £m	2005 £m
Foreign exchange translation differences	(8.0)	8.6
Actuarial losses on defined benefit pension schemes	(0.1)	(5.9)
Tax on items taken directly to equity	0.1	1.8
Net (expense)/ income recognised directly in equity	(8.0)	4.5
Profit for the period	56.8	29.0
Total recognised income and expense for the period	48.8	33.5
Attributable to:		
Equity holders of the parent	47.9	32.1
Minority interests	0.9	1.4
	48.8	33.5

Consolidated balance sheet

As at 31 December 2006

	Note	2006 £m	2005 £m
ASSETS			
Non-current assets			
Intangible assets		57.5	55.7
Property, plant and equipment		114.6	90.4
Deferred tax assets		7.9	5.7
Other assets		8.8	-
		188.8	151.8
Current assets			
Inventories		25.5	24.4
Trade and other receivables		221.7	194.6
Cash and cash equivalents		25.2	25.9
		272.4	244.9
Total assets		461.2	396.7
LIABILITIES			
Current liabilities			
Loans and borrowings		(6.8)	(7.2)
Current tax liabilities		(9.4)	(11.0)
Trade and other payables		(192.4)	(168.5)
		(208.6)	(186.7)
Non-current liabilities			
Loans and borrowings		(57.0)	(59.6)
Employee benefits		(18.8)	(21.2)
Deferred tax liabilities		(6.2)	(5.5)
Other liabilities		(11.5)	(6.5)
		(93.5)	(92.8)
Total liabilities		(302.1)	(279.5)
NET ASSETS		159.1	117.2
EQUITY			
Share capital		6.6	6.6
Share premium account		37.1	36.4
Capital redemption reserve		7.6	7.6
Translation reserve		(4.5)	3.3
Retained earnings		105.6	57.2
Equity attributable to equity holders of the parent	7	152.4	111.1
Minority interests		6.7	6.1
Total equity		159.1	117.2

Consolidated cash flow statement

for the year ended 31 December 2006

	2006 £m	2005 £m
Cash flows from operating activities		
Operating profit	89.1	53.1
Depreciation of property, plant and equipment	13.4	11.8
Amortisation of intangible assets	2.4	0.1
Profit on sale of property, plant and equipment	(0.6)	(0.1)
Other non-cash movements	0.2	0.5
Foreign exchange (gains)/losses	(0.2)	0.1
Operating cash flows before movements in working capital	104.3	65.5
Movement in long-term liabilities and employee benefits	(1.7)	(2.2)
(Increase)/decrease in inventories	(3.0)	1.7
Increase in trade and other receivables	(30.6)	(32.4)
Increase in trade and other payables	29.3	40.9
Cash generated from operations	98.3	73.5
Interest paid	(6.2)	(5.1)
Income tax paid	(30.7)	(18.8)
Net cash inflow from operating activities	61.4	49.6
Cash flows from investing activities		
Interest received	1.1	1.2
Proceeds from sale of property, plant & equipment	2.0	1.9
Acquisition of subsidiaries, net of cash acquired	(26.4)	(7.8)
Acquisition of property, plant & equipment	(29.4)	(15.7)
Acquisition of other non-current assets	(2.6)	-
Net cash outflow from investing activities	(55.3)	(20.4)
Cash flows from financing activities		
Proceeds from the issue of share capital	0.8	0.4
New borrowings	6.6	1.0
Repayment of borrowings	(3.6)	(11.0)
Payment of finance lease liabilities	(2.1)	(0.1)
Dividends paid	(9.0)	(8.2)
Net cash outflow from financing activities	(7.3)	(17.9)
Net (decrease)/increase in cash and cash equivalents	(1.2)	11.3
Cash and cash equivalents at beginning of period	23.3	11.1
Effect of exchange rate fluctuations	(1.8)	0.9
Cash and cash equivalents at end of period	20.3	23.3

	2006 £m	2005 £m
Analysis of closing net debt		
Cash in hand	25.1	25.9
Short term deposits	0.1	-
Bank overdrafts	(4.9)	(2.6)
Net cash	20.3	23.3
Bank and other loans	(56.1)	(59.0)
Loan notes due within one year	-	(2.8)
Finance leases	(2.8)	(2.4)
Closing net debt	(38.6)	(40.9)

1. Basis of preparation

The Group's 2006 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 2006 or 2005 but is derived from the 2006 accounts. Statutory accounts for 2005 have been delivered to the Registrar of Companies, and those for 2006, 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.

The Company has adopted the amendments to IAS 39 and IFRS 4 in relation to financial guarantee contracts, which apply to periods commencing on or after 1 January 2006.

Where Group companies enter into financial guarantee contracts to guarantee the indebtedness or obligations of other companies within the Group, these are considered to be insurance arrangements, and accounted for as such. In this respect, the guarantee contract is treated as a contingent liability until such time as it becomes probable that the guarantor will be required to make a payment under the guarantee. Accordingly the amendments have not had any impact on the financial statements.

2. Foreign currencies

The exchange rates used in respect of principal currencies are:

	2006	2005
US dollar: average for year	1.84	1.82
US dollar: year end	1.96	1.72
Euro: average for year	1.47	1.46
Euro: year end	1.49	1.45
Australian dollar: average for year	2.45	2.39
Australian dollar: year end	2.49	2.36

3. Segmental analysis

Revenue, operating profit and capital employed may be analysed as follows:

	2006 Revenue £m	2006 Operating profit £m	2006 Capital employed £m	2005 Revenue £m	2005 Operating profit £m	2005 Capital employed £m
United Kingdom	123.2	3.2	7.5	89.2	(0.3)	(7.0)
North America	476.9	64.1	130.3	399.9	42.1	116.9
Continental Europe & Overseas	255.0	17.9	57.2	204.8	12.7	51.7
Australia	65.1	7.0	17.0	37.1	1.8	7.4
	920.2	92.2	212.0	731.0	56.3	168.9
Central items and eliminations	-	(3.1)	(52.9)	-	(3.2)	(51.7)
	920.2	89.1	159.1	731.0	53.1	117.2

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

4. Taxation

The taxation charge comprises:

	2006 £m	2005 £m
Current tax expense		
Current year	29.7	23.8
Prior years	(0.1)	0.1
Total current tax	29.6	23.9
Deferred tax expense		
Current year	0.9	(3.6)
Prior years:		
One-off tax credit	(3.8)	-
Other	0.2	(0.5)
Total deferred tax	(2.7)	(4.1)
	26.9	19.8

The one-off tax credit arose following an intra-group financial restructuring during the year, as a result of which the Group no longer incurs taxable losses (after central costs and interest) in the UK. Following this restructuring, it is now anticipated that prior year UK tax losses can be utilised against future UK taxable profits. Consequently, the Group has recognised a £3.8m deferred tax asset in respect of those losses, which has resulted in a one-off tax credit in the 2006 income statement. The total UK tax charge for the year was £2.8m (2005: £nil).

5. Earnings per share

Basic and diluted earnings per share are calculated as follows:

	2006 Basic £m	2006 Diluted £m	2005 Basic £m	2005 Diluted £m
Earnings (after tax and minority interests) being net profits attributable to equity holders of the parent	55.7	55.7	27.3	27.3
	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	65.6	65.6	65.3	65.3
Add: Weighted average of shares under option during year	-	1.6	-	1.5
Add: Weighted average of own shares held	-	0.1	-	0.1
Less: no. of shares assumed issued at fair value during year	-	(0.8)	-	(1.4)
Adjusted weighted average ordinary shares in issue	65.6	66.5	65.3	65.5
	Pence	**Pence**	**Pence**	**Pence**
Earnings per share	84.8p	83.7p	41.8p	41.6p

Earnings per share before the one-off tax credit of 79.0p (2005: 41.8p) is calculated based on earnings of £55.7m (2005: £27.3m) less the one-off tax credit of £3.8m (2005: £nil) and the weighted average number of ordinary shares in issue during the year of 65.6 million (2005: 65.3 million).
Diluted earnings per share before the one-off tax credit of 78.0p (2005: 41.6p) is calculated based on earnings of £55.7m (2005: £27.3m) less the one-off tax credit of £3.8m (2005: £nil) and the adjusted weighted average number of ordinary shares in issue during the year of 66.5 million (2005: 65.5 million).

6. Dividends payable to equity holders of the parent

Ordinary dividends on equity shares:

	2006 £m	2005 £m
Amounts recognised as distributions to equity holders in the period:		
Interim dividend for the year ended 31 December 2006 of 4.2p (2005: 3.8p) per share	2.8	2.5
Final dividend for the year ended 31 December 2005 of 8.2p (2004: 7.3p) per share	5.3	4.8
	8.1	7.3

The Directors have proposed a final dividend for the year ended 31 December 2006 of £7.5million, representing 11.4p (2005:8.2p) per share. The proposed dividend is subject to approval by shareholders at the Annual General Meeting on 21 June 2007 and has not been included as a liability in these financial statements.

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

	2006 £m	2005 £m
Equity at start of period	111.1	85.4
Total recognised income and expense	47.9	32.1
Dividends to shareholders	(8.1)	(7.3)
Shares issued	0.7	0.4
Share based payments	0.8	0.5
Equity at end of period	152.4	111.1