



18 March 2008

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Financial results for the year ended 31 December 2007

Management Consulting Group PLC (“MCG” or “the Group”), the international management consultancy group, today announces its results for the year ended 31 December 2007.

Key points

- Revenue up 47% on last year to £215.8 million (2006: £146.9 million)[‡]
- Profit from operations up 62% to £21.8 million (2006: £13.4 million)[‡]
- Underlying[†] profit from operations up 60% to £25.9 million (2006: £16.2 million)
- Underlying EBITDA margin up 5% to 12.9% (2006: 12.3%)
- Underlying EPS up 15% to 6.2p (2006: 5.4p); Basic EPS up 15% to 4.7p (2006: 4.1p)
- Cash generated by operations up 1361% to £33.8 million (2006: £2.3 million)
- Net debt at year end up 111% to £60.9million (2006: £28.8million)
- Total dividend increased by 15% to 1.15p per share (2006: 1.0p)
- KSA integration progressing well and business out-performing expectations
- Current trading and order intake in line with expectations

[‡] Ineum Consulting was acquired on 1 September 2006, 51% of Salzer Consulting on 6 October 2006, CBH Consulting on 6 September 2007 and Kurt Salmon Associates on 12 October 2007. CBH Consulting was merged with Parson Consulting in December 2007. All results in this statement include these effects

[†] Throughout this statement the term underlying is used to describe profits before non-recurring items and amortisation of acquired intangible assets.

Alan Barber, Executive Chairman:

“The results for 2007 underline the good progress made by the Group during the year. Revenue and profit increases were encouraging and the Group enters 2008 with a strong balance sheet. The integration of CBH Consulting and Kurt Salmon Associates is nearing completion and we look forward to developing these businesses in conjunction with the rest of our consultancies. Trading this year has started well with work won so far ahead of work delivered.”

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An analyst briefing will be held at the offices of N M Rothschild & Sons at 1 King William Street, London EC4N 7AR on Tuesday 18 March 2008 at 9.30 am.

Notes to Editors

Management Consulting Group PLC (MMC.L) is an umbrella organisation for a diverse range of consulting and professional services offerings.

MCG operates through six divisions: Ineum Consulting, Kurt Salmon Associates, Parson Consulting, Proudfoot Consulting, Salzer Consulting and Viaduct Consulting. Ineum Consulting provides consulting services with industry expertise. Kurt Salmon Associates provides retail and healthcare consulting. Parson Consulting provides financial management consulting. Proudfoot Consulting provides operational improvement consulting. Salzer Consulting provides business start-up, management and restructuring consulting in Asian markets. Viaduct Consulting provides commercial due diligence services. The Group operates worldwide. For further information, visit www.mcgplc.com.

Forward-looking statements

This preliminary announcement contains certain forward-looking statements with respect to the financial condition, results of operations and businesses of Management Consulting Group PLC. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results of developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. The forward looking statements are based on the directors' current views and information known to them at 17 March 2008. The directors do not make any undertaking to update or revise any forward looking statements, whether as a result of new information, future events, or otherwise. Nothing in this announcement should be construed as a profit forecast.

Group Results

The Group continued to make significant progress in the implementation of its strategic plan during 2007. Two acquisitions were completed during the year, CBH Consulting in September and Kurt Salmon Associates in October, which broadened the service offering and deepened the Group's North American footprint. CBH Consulting was merged with the US operations of Parson Consulting in December.

The performance of the Group's six consultancies is set out below:

	Year ended 31 Dec 2007	Year ended 31 Dec 2006
	£'000	£'000
Revenue		
Ineum Consulting [†]	79,948	23,709
Kurt Salmon Associates [†]	17,078	-
Parson Consulting [†]	43,846	34,301
Proudfoot Consulting	73,603	88,658
Salzer Consulting [†]	1,297	222
Viaduct Consulting	15	-
Total revenue	215,787	146,890
Operating profit		
Ineum Consulting	11,880	2,780
Kurt Salmon Associates	2,635	-
Parson Consulting	(498)	(2,108)
Proudfoot Consulting	12,280	15,575
Salzer Consulting	(198)	(91)
Viaduct Consulting	(180)	-
Underlying[†] operating profit	25,919	16,156
Non-recurring items:		
Integration of acquisitions	(2,480)	(2,100)
Proudfoot surplus provision	-	335
Operating profit before amortisation	23,439	14,391
Amortisation of acquired intangibles	(1,665)	(943)
Profit from operations	21,774	13,448

[†] Ineum Consulting was acquired on 1 September 2006, 51% of Salzer Consulting on 6 October 2006, CBH Consulting on 6 September 2007 and Kurt Salmon Associates on 12 October 2007. CBH Consulting was merged with Parson Consulting in December 2007. All results in this statement include these effects

[†]Throughout this statement the term underlying is used to describe profits before non-recurring items and amortisation of acquired intangible assets

Total revenue for the year ended 31 December 2007 was up 47% to £215.8m (2006: £146.9m). Compared to the previous year, and as a result of the recent acquisitions, there has been a material shift in the geographical distribution of Group revenue with Europe accounting for 65% (2006: 48%) and the Americas 29% (2006: 44%). The gross profit margin continues to be tightly managed and remains at 50% of revenue.

Overall, underlying administrative expenses have increased by £25.6 million from the previous year due primarily to the full year effect of administrative expenses inherent in the companies acquired in 2006 and the part year effect of the 2007 acquisitions.

Non-recurring costs of £1.7m were incurred in the completion of the integration of Ineum Consulting and a further £0.8m in the commencement of the integration of CBH Consulting and Kurt Salmon Associates. Additionally, £1.7 million of amortisation has been charged in the income statement arising from these three acquisitions as their brands, customer relationships and order books are accounted for as intangible assets.

The underlying profit from operations rose 60% to £25.9 million (2006: £16.2 million). The underlying EBITDA margin was 12.9% compared to 12.3% last year. Our target EBITDA margin remains at 15%.

After charging the non-recurring costs of £2.5 million (2006: net £1.8 million) and amortisation of intangible assets of £1.7 million (2006: £0.9 million), the operating profit was £21.8 million (2006: £13.4 million). Group profit before tax increased by 47% to £19.7 million (2006: £13.3 million). Underlying profit before tax increased by 47% to £23.8 million (2006: £16.2 million).

The acquisitions of CBH Consulting and Kurt Salmon Associates were financed partly by new debt and partly by new equity. The additional debt contributed to an interest expense of £3.2 million (2006: £1.3 million) which was partly offset by investment income of £1.1 million (2006: £1.2 million).

The effective tax charge on profit before tax, as adjusted for the amortisation charge related to the Ineum, CBH and KSA acquisitions, is 31% (2006: 33%) and includes 5% points (2006: 8% points) of non-cash tax items required to be included in the charge by accounting standards and 2% points (2006: 3% points) relating to prior year items. The amount payable, the current year "cash tax" charge, is therefore 24% (2006: 22%).

Basic earnings per share were 4.7 pence (2006: 4.1 pence). After adjusting for post tax, non-recurring items, the amortisation of intangibles and non “cash tax” items, the underlying earnings per share were 6.2 pence (2006: 5.4 pence).

The Consultancies

Ineum Consulting

Ineum Consulting has performed ahead of our expectations during 2007. Revenue increased to £79.9 million (2006: £23.7 million), reflecting a full year’s revenue (2006: 4 months) and good organic growth. The underlying operating margin increased to 14.9% (2006: 11.7%). The integration plan was successfully executed in line with plan.

Kurt Salmon Associates

Kurt Salmon Associates has performed ahead of our expectations and has contributed £17.1 million of revenue to the 2007 results since its acquisition in October. The underlying operating margin post-acquisition was 15.2%. The consultancy has added a further dimension to the Group’s services, particularly in relation to Retail and Healthcare consulting. The integration plan which commenced in October is proceeding to timetable and will continue into 2008.

Parson Consulting

Parson Consulting’s revenue was up 28% to £43.8 million (2006: £34.3 million). Whilst the business made good progress outside the US, as previously reported trading in the US remained lacklustre. The operating loss for the year was £0.5 million (2006: £2.1 million) comprising a loss of £0.8 million in the first half and a profit of £0.3 million in the second half (2006: losses of £1.9 million and £0.2 million respectively). The US business was merged with CBH Consulting in December 2007 to create a combined financial and performance management consultancy which broadens its offering in the US market.

Proudfoot Consulting

Proudfoot Consulting revenues decreased by 17% compared to last year to £73.6 million (2006: 88.6 million). Its operating margin declined slightly to 16.7% (2006: 17.6%). The consultancy continued to invest in the development of its business outside its traditional markets of the US and Europe and good progress was reported particularly in Brazil and the Pacific region. Trading in the US and Europe was below expectations.

Salzer Consulting

Salzer Consulting's revenues increased by £1.1 million to £1.3 million compared to last year, reflecting a full year's trading (2006: 3 months). Salzer's underlying operating loss increased by £0.1 million compared to 2006, as the business continued to invest for the future.

Viaduct Consulting

Viaduct Consulting is a new business, which commenced trading in the second half of the year. Its revenues of £15 thousand and underlying operating loss of £0.2 million reflect the start up nature of the business.

Balance sheet

Net assets increased by £46.8 million to £159.0 million (2006: £112.2 million). The vast majority of this increase was due to the acquisitions of CBH Consulting and Kurt Salmon Associates.

CBH Consulting was acquired on 6 September 2007 for a total consideration of £4.4 million, satisfied by £2.3 million of cash and shares in MCG worth £2.1 million. Kurt Salmon Associates was acquired on 12 October 2007 for a total consideration of £61.2 million, satisfied by £36.8 million of cash and shares and options in MCG worth £24.4 million.

In accordance with International Financial Reporting Standards, intangible assets arising on the purchases of businesses have been separately identified and quantified from goodwill and amount to £7.5 million before an associated deferred tax liability of £2.6 million, as required by accounting standards. The intangible assets are amortised through the income statement whereas the goodwill is not. The aggregate goodwill and intangible assets before amortisation in respect of 2007 increased by £92 million primarily as a result of the CBH and KSA acquisitions.

The Group's overall net debt as at 31 December 2007 was £60.9 million compared to net debt of £28.8 million at 31 December 2006. The cash outflow relating to the consideration for the acquisitions was £39.9 million.

The net post retirement obligations liability has risen from £5.4 million at 31 December 2006 to £7.8 million at 31 December 2007. The increase in the liability arises from a defined benefit obligation in Germany acquired with Kurt Salmon Associates, offset by payments into the closed US defined benefit scheme of £0.7 million (2006: £2.0 million), an increase in the discount rate from 5.8% to 6.2%, strong investment performance and the weakening of the US dollar by an average of 2% in 2007.

Cash flow

Group trading was particularly cash generative in 2007. Cash generated from operations was £33.8 million compared to £2.3 million in 2006. Of note was the successful working capital management. Despite the organic growth being skewed towards Ineum Consulting, which traditionally offers longer credit terms than the Group's other consultancies, there was an absolute decrease in receivables of £2.5 million (2006: increase of £6.4 million).

Strategic progress

During 2007 the Group made significant progress through broadening its consulting offering in existing and new geographies. The acquisition of Kurt Salmon Associates provided a substantial new consultancy for the Group's portfolio diversifying the service offerings and deepening the Group's North American footprint. The Group also increased its business intelligence and financial performance offering by acquiring CBH Consulting. The diversification of the offerings in 2007 has added to the strength and decreased the risks of the Group from both a service line and a geographical perspective.

Dividend

In the light of the Group's increased size, the underlying profitability of the business and the excellent cash generation during 2007, the Board is recommending that the total dividend in respect of the year be increased by 15% to 1.15 pence per share. An interim dividend of 0.33 pence per share was paid in October, and, therefore, subject to shareholders' approval, a final dividend of 0.82 pence per share will be payable on 14 May 2008 to shareholders on the register on 18 April 2008.

People

We were pleased, earlier in the year, to welcome CBH Consulting and Kurt Salmon Associates employees to the Group. The Board is delighted by the contribution that these businesses are already making to the Group.

Craig Smith, Finance Director, joined the Board on 26 April 2007. Jacques Manardo, non-executive director, stood down from the Board on 30 May 2007.

On 19 February 2008 Rolf Stomberg, Chairman, and Kevin Parry, Chief Executive, stood down from the Board. Rolf joined the Board in September 1998 and Kevin in January 2000 and both

have been instrumental in the development of the company from a single, loss making, consultancy to one of the 30 largest consultancies in the world with a global reach and a robust balance sheet. I would like to take this opportunity to thank them for their hard work over the years and wish them well in their future endeavours.

Also on 19 February 2008 Craig Smith tendered his resignation although he will remain in office until 19 August 2008, or earlier if agreed. I would also like to thank Craig for his contribution to the business during his tenure.

On the same date I was appointed Executive Chairman, having previously been a Non-Executive Director of MCG.

On 6 March 2008 it was announced that Mr Luiz Carvalho, CEO of Proudfoot Consulting, Mr Miguel de Fontenay, CEO of Ineum Consulting and Mr Mark Wietecha, Chairman of Kurt Salmon Associates will join the Board as Executive Directors on 19 March 2008.

On the same date it was also announced that the Group has begun the search for two independent Non-Executive Directors who will join the Board of Directors on appointment.

MCG is continuing to assess the composition of the board and has under way the formal process to appoint a new Chief Executive Director. A further announcement will be made in due course.

Prospects

2008 has started well with work won so far this year ahead of work delivered. The Board expects the Group to show good growth in first half revenue compared to 2007, although it will continue to review whether or not the challenging economic conditions currently prevalent in the United States will adversely affect business during the second half of the year.

Alan Barber
Executive Chairman

Group income statement

year ended 31 December		2007	2006
	Note	£'000	£'000
Continuing operations			
Revenue	3	215,787	146,890
Cost of sales		(106,920)	(73,415)
Gross profit		108,867	73,475
Administrative expenses – underlying		(82,948)	(57,319)
Profit from operations before non-recurring expenses and amortisation of acquired intangibles		25,919	16,156
Administrative expenses – non-recurring		(2,480)	(1,765)
Profit from operations before amortisation of acquired intangibles		23,439	14,391
Administrative expenses – amortisation of acquired intangibles		(1,665)	(943)
Total administrative expenses		(87,093)	(60,027)
Profit from operations	3	21,774	13,448
Investment income	6	1,105	1,176
Finance costs	6	(3,224)	(1,276)
Profit before tax		19,655	13,348
Tax expense	7	(6,474)	(4,598)
Profit for the year attributable to equity holders of the parent		13,181	8,750
Earnings per share – pence			
From continuing operations			
Basic	8	4.7	4.1
Diluted	8	4.7	4.1
Basic – excluding amortisations of acquired intangible assets and non-recurring items	8	6.2	5.4

Group statement of recognised income and expense

year ended 31 December	2007 £'000	2006 £'000
Exchange differences on translation of foreign operations	9,057	(4,904)
Actuarial gains on defined benefit pension fund and medical schemes	734	3,284
Loss on available for sale investments	(26)	-
Tax on items taken directly to equity	167	600
Net income /(expense) recognised directly in equity	9,932	(1,020)
Profit for the year	13,181	8,750
Total recognised income and expense for the year attributable to equity holders of the parent	23,113	7,730

Group balance sheet

as at 31 December

	2007 £'000	2006 £'000
Non-current assets		
Intangible assets	256,107	162,647
Property, plant and equipment	3,572	1,849
Financial assets	6,650	-
Deferred income tax assets	15,014	3,412
Total non-current assets	281,343	167,908
Current assets		
Trade and other receivables	74,075	47,327
Cash and cash equivalents	20,895	10,278
Total current assets	94,970	57,605
Total assets	376,313	225,513
Current liabilities		
Financial liabilities	(29,205)	(14,792)
Trade and other payables	(100,842)	(54,101)
Current tax liabilities	(7,670)	(5,728)
Total current liabilities	(137,717)	(74,621)
Net current (liabilities)	(42,747)	(17,016)
Non-current liabilities		
Financial liabilities	(52,619)	(24,255)
Retirement benefit obligation	(7,752)	(5,411)
Non-current tax liabilities	(11,748)	(7,711)
Long-term provisions	(7,465)	(1,326)
Total non-current liabilities	(79,584)	(38,703)
Total liabilities	(217,301)	(113,324)
Net assets	159,012	112,189
Equity		
Share capital	82,225	67,735
Share premium account	48,894	38,163
Merger reserve	32,513	32,513
Shares to be issued	-	46
Share compensation reserve	2,952	1,492
Own shares held by employee share trust	(1,296)	(1,270)
Translation reserve	3,896	(5,161)
Other reserves	7,038	7,064
Retained earnings	(17,210)	(28,393)
Total equity	159,012	112,189

Consolidated cash flow statement

year ended 31 December

	Note	2007 £'000	2006 £'000
Net cash inflow/(outflow) from operating activities	9	31,197	(1,954)
Investing activities			
Interest received		784	1,013
Acquisitions of subsidiaries, net of cash and overdrafts acquired		(39,895)	(44,932)
Purchases of property, plant and equipment		(2,111)	(1,202)
Purchases of intangible assets		(994)	(1,363)
Purchase of financial assets		(1,152)	-
Net cash used in investing activities		(43,368)	(46,484)
Financing activities			
Interest paid		(3,420)	-
Dividends paid	4	(3,561)	(1,486)
Proceeds from issue of shares		13	282
Proceeds from borrowings		45,069	39,009
Repayment of borrowings		(12,657)	-
Refinancing of acquired borrowings by term debt		(2,587)	(419)
Net cash raised by financing activities		22,857	37,386
Net increase/(decrease) in cash and cash equivalents		10,686	(11,052)
Cash and cash equivalents at beginning of year		10,278	21,555
Effect of foreign exchange rate changes		(69)	(225)
Cash and cash equivalents at end of year		20,895	10,278

Notes

1. Basis of preparation

The financial information included in this statement does not constitute the company's statutory accounts for the years ended 31 December 2007 or 2006, but is derived from those accounts. Statutory accounts for 2006 have been delivered to the Registrar of Companies and those for 2007 will be delivered following the company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their reports and did not contain statements under S237(2) or (3) Companies Act 1985.

While the financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards (IFRS), this announcement does not itself contain sufficient information to comply with IFRSs.

The Group's Annual Report and Accounts will be sent to shareholders on 20 March 2008 and will be available at the Company's registered office at 10 Fleet Place, London, EC4M 7RB, United Kingdom and on our website: www.mcgplc.com.

The Annual General Meeting will be held at 2.30pm on 23 April 2008 at the offices of Baker & McKenzie LLP, 100 New Bridge Street, London, EC4V 6JA.

2. Accounting policies

The financial information has been prepared in accordance with IFRSs. These financial statements have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements (as at 31 December 2007). The policies have been consistently applied to all the periods presented.

Full details of the Group's accounting policies can be found in the 2006 Annual Report in note 2 which is available on our website: www.mcgplc.com.

Notes (continued)

3. Segmental information

The Group has one business reporting segment: management consultancy consisting of the six consultancies: Ineum Consulting, Kurt Salmon Associates, Parson Consulting, Proudfoot Consulting, Salzer Consulting and Viaduct Consulting.

Primary reporting format – geographic segments

The Group operates in three geographic areas: the Americas, Europe and the Rest of the World.

The Group reports segment information on the basis of geographic area as follows:

(a) *Income statement*

year ended 31 December 2007	Americas	Europe	Rest of World	Consolidated
	£'000	£'000	£'000	£'000
Revenue	62,442	139,904	13,441	215,787
Profit from operations before acquisition integration costs, depreciation and amortisation of acquired intangibles	8,948	18,710	126	27,784
Amortisation of acquired intangibles	(441)	(1,224)	-	(1,665)
Depreciation and other amortisation	(447)	(1,332)	(86)	(1,865)
Profit from operations before non-recurring items	8,060	16,154	40	24,254
Acquisition integration costs	(799)	(1,681)	-	(2,480)
Profit from operations	7,261	14,473	40	21,774
Finance costs (net)				(2,119)
Profit before tax				19,655
Income tax expense				(6,474)
Profit for the year				13,181

Notes (continued)

3. Segmental information (continued)**(b) Net assets**

At 31 December 2007	Americas	Europe	Rest of World	Consolidated
	£'000	£'000	£'000	£'000
Assets				
Intangibles, including goodwill	148,927	106,507	673	256,107
Other segment assets	40,432	55,148	1,840	97,420
	189,359	161,655	2,513	353,527
Unallocated corporate assets				22,786
Consolidated total assets				376,313
Liabilities				
Segment liabilities	(55,282)	(56,508)	(3,428)	(115,218)
Unallocated corporate liabilities				(102,083)
Consolidated total liabilities				(217,301)
Net assets				159,012

(c) Capital additions, depreciation and amortisation

Year ended 31 December 2007	Americas	Europe	Rest of World	Consolidated
	£'000	£'000	£'000	£'000
Acquisitions	11,769	3,728	-	15,497
Capital additions	1,158	1,354	420	2,932
Unallocated corporate additions				1,325
Total capital additions	12,927	5,082	420	19,754
Depreciation and amortisation	889	2,555	86	3,530

Notes (continued)

3. Segmental information (continued)**(d) Income statement**

year ended 31 December 2006	Americas	Europe	Rest of World	Consolidated
	£'000	£'000	£'000	£'000
Revenue				
External sales	63,981	70,251	12,658	146,890
Profit/(loss) from operations before release of indemnity provision, acquisition integration costs, depreciation and amortisation of acquired intangibles	10,708	7,656	(361)	18,003
Amortisation of acquired intangibles	-	(943)	-	(943)
Depreciation and other amortisation	(860)	(926)	(61)	(1,847)
Profit/(loss) from operations before non-recurring items	9,848	5,787	(422)	15,213
Acquisition integration costs – non- recurring	-	(2,100)	-	(2,100)
Release of indemnity provision	-	-	335	335
Profit/(loss) from operations	9,848	3,687	(87)	13,448
Finance costs (net)				(100)
Profit before tax				13,348
Income tax expense				(4,598)
Profit for the year				8,750

Notes (continued)

3. Segmental information (continued)**(e) Net assets**

At 31 December 2006	Americas	Europe	Rest of World	Consolidated
	£'000	£'000	£'000	£'000
Assets				
Intangibles, including goodwill	27,112	134,842	693	162,647
Other segment assets	3,374	42,089	1,085	46,548
	30,486	176,931	1,778	209,195
Unallocated corporate assets				16,318
Consolidated total assets				225,513
Liabilities				
Segment liabilities	(12,422)	(46,099)	(2,275)	(60,796)
Unallocated corporate liabilities				(52,528)
Consolidated total liabilities				(113,324)
Net assets				112,189

(f) Capital additions, depreciation and amortisation

Year ended 31 December 2006	Americas	Europe	Rest of World	Consolidated
	£'000	£'000	£'000	£'000
Acquisitions	-	10,536	-	10,536
Capital additions by segment	393	709	64	1,166
Unallocated corporate additions				1,399
Total capital additions	393	11,245	64	13,101
Depreciation and amortisation	860	1,869	61	2,790

Notes (continued)

4. Dividends

	2007	2006
	£'000	£'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2006 of 1p (2005: 0.8p)	2,667	1,486
Interim dividend for the year ended 31 December 2007 of 0.33p per share(2006: nil)	894	-
	3,561	1,486

Dividends are not payable on shares held in the employee share trust which has waived its entitlement to dividends. The amount of the dividend waived in 2007 (in respect of the year ended 31 December 2006) was £56,000 (2006: £34,000).

The directors recommend the payment of a final dividend in respect of 2007 of 0.82 pence per share to be paid on 14 May 2008 to ordinary shareholders on the register on 18 April 2008.

5. Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	2007	2006
Sales and marketing	360	248
Consultants	1,066	555
Support staff	272	167
	1,698	970

As at 31 December 2007, the Group employed 2,176 (2006: 1,448) people. The increase is largely attributable to the acquisition of Kurt Salmon Associates.

The aggregate payroll costs of these persons were as follows:

	2007	2006
	£'000	£'000
Wages and salaries	97,191	67,571
Social security costs	24,843	11,934
Other pension costs	1,798	1,218
	123,832	80,723

Wages and salaries include £779,000 (2006: £804,000) relating to share options recognised as an expense under IFRS 2.

Notes (continued)

6. Finance income/(costs)

	2007	2006
	£'000	£'000
Interest receivable on bank deposits and similar income	784	1,013
Interest payable on bank overdrafts and loans and similar charges	(3,224)	(1,276)
Net finance income on retirement benefit plans	321	163
	(2,119)	(100)

7. Tax

	2007	2006
	£'000	£'000
UK corporation tax	(350)	326
Foreign tax	6,092	5,540
Deferred tax – acquired intangible assets	(155)	(316)
Deferred tax – tax losses and other temporary differences	(368)	(2,250)
Deferred tax – US goodwill	875	813
Total deferred tax	352	(1,753)
Total current year tax	6,094	4,113
Prior year taxation	380	485
	6,474	4,598

The deferred tax charge includes tax deductions in the US for goodwill which is not amortised in the income statement. A deferred tax liability is required to be held for this item in accordance with accounting standards. UK corporation tax is calculated at 30% (2006: 30%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rate prevailing in the respective jurisdictions.

Notes (continued)

8. Earnings per share**From continuing operations**

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

Earnings	2007	2006
	£'000	£'000
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent	13,181	8,750
Amortisation of acquired intangibles	1,665	943
Non-recurring items	2,480	1,765
Earnings for the purpose of basic earnings per share excluding amortisation and non-recurring items	17,326	11,458
Number of shares	Number	Number
	(million)	(million)
Weighted average number of ordinary shares for the purposes of basic earnings per share	281.5	212.5
Effect of dilutive potential ordinary shares:		
Share options	0.7	1.3
Long-term incentive plan	-	0.2
Weighted average number of ordinary shares for the purposes of diluted earnings per share	282.2	214.0
	Pence	Pence
Basic earnings per share	4.7	4.1
Diluted earnings per share	4.7	4.1
Basic – excluding amortisation of acquired intangibles and non-recurring items	6.2	5.4

The average share price for the year ended 31 December 2007 was 45.2 pence (2006: 54.3 pence).

Notes (continued)

9. Notes to the cash flow statement

	2007	2006
	£'000	£'000
Profit from operations	21,774	13,448
Adjustments for:		
Depreciation of property, plant and equipment	1,259	1,000
Amortisation of intangible assets	2,271	1,790
Loss on disposal of plant and equipment	7	79
Adjustment for pension funding	(692)	(2,008)
Adjustment for share options charge	779	804
Decrease in provisions	(540)	(493)
Operating cash flows before movements in working capital	24,858	14,620
Decrease/(Increase) in receivables	2,521	(6,447)
Increase/(Decrease) in payables	6,450	(5,858)
Cash generated by operations	33,829	2,315
Income taxes paid	(2,632)	(4,269)
Net cash from operating activities	31,197	(1,954)

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

Notes (continued)

10. Group statement of changes in equity

	2007	2006
	£'000	£'000
At 1 January	112,189	57,932
Dividends paid	(3,561)	(1,486)
Net profit for the year	13,181	8,750
Issue of share capital		
Consideration for acquisitions	25,155	46,927
Exercise of share option schemes	13	282
Share options	2,103	804
Revaluation reserve	(26)	-
Other recognised income and expense	9,958	(1,020)
At 31 December	159,012	112,189