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# Chairman's

## STATEMENT

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2007 has been an outstanding year for the Group, producing record results quarter after quarter while continuing significant organic expansion, both geographically and by discipline. Market conditions have been strong, with favourable economic activity and positive business confidence driving demand for talent, combined with a shortage of suitably qualified candidates.

### Highlights

Revenue for the year ended 31 December 2007 increased 28.1% to £831.6m (2006: £649.1m) and gross profit grew by 37.1% to £478.1m (2006: £348.8m). Reflecting strong market conditions, gross profits from permanent placements grew more rapidly than from temporary placements. This movement in business mix, together with an increase in margins on temporary placements, contributed to an increase in gross margin to 57.5% (2006: 53.7%). Given the Group's high operational gearing, operating profits increased by 53.5% to a record £149.4m (2006: £97.4m). The Group's conversion rate, which is the proportion of gross profit converted into operating profit, rose to 31.3% (2006: 27.9%). Profit before tax was £147.4m (2006: £97.0m) and basic earnings per share increased by 58.7% to 31.1p (2006: 19.6p). Cash generated from operations increased by 88.6% to £148.7m (2006: £78.8m) driven by the increase in operating profits and good working capital management.

The success of our strategy to diversify the business, both geographically and by discipline, through organic growth is increasingly evident, with the EMEA region now the largest in the group. Over 60% of the Group's gross profits were generated outside the UK. With a heritage in Finance and Accounting recruitment, it is likely that these disciplines will continue to represent a significant proportion of the business for some time. However, the other professional disciplines, we are successfully rolling-out, now account for just over 45% of the Group's gross profit and the proportion generated from Finance and Accounting will continue to reduce.



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### Dividends and share repurchases

With a strong growth in earnings, it is the Board's intention to continue its policy of reviewing the annual dividend, with a view to increasing it by a level which we believe can be sustained throughout economic cycles. Surplus cash generated in excess of these dividend levels will continue to be returned to shareholders through share repurchases.

With the strong growth in profits, earnings and cash generation, the Board is recommending an increase in the total dividend per share for the year of 33%. A final dividend of 5.6p (2006: 4.2p) per share is proposed which, together with the interim dividend of 2.4p (2006: 1.8p) per share paid in October, makes a total dividend for the year of 8.0p (2006: 6.0p) per share. The final dividend, if approved, will be paid on 9 June 2008 to those shareholders on the register at 9 May 2008. The total dividend is covered 3.9 times by basic earnings per share of 31.1p.

We repurchased shares throughout 2007, acquiring 15.1m shares for £74.9m. We have no intention of changing our strategy on the Group's capital structure. Given the fall in the share price in the latter part of 2007, and our intention to continue to use surplus cash to repurchase the Company's shares, in order to not be unduly constrained, we will be seeking shareholders' consent for an increase in the maximum authority to repurchase shares from 10% to 15% at the Annual General Meeting on 23 May 2008.

### Employees

I wish to express my thanks to the employees worldwide for their commitment, loyalty and efforts throughout the year which delivered the outstanding performance in 2007.

### Board of Directors

On 23 May 2007 Ruby McGregor-Smith, Chief Executive of MITIE Group plc, joined as a non-executive director. We are delighted to welcome her to the Board.

### Prospects

While the economic cycle is the most important short-term factor, there are a number of long-term structural changes that are having a positive impact on the specialist recruitment markets. These key drivers include a deregulation of the labour markets, demographic changes, an increased global shortage of qualified professionals, increasing job mobility and a greater awareness and acceptance for companies to use specialist recruitment services.

The latter part of 2007 has created significant uncertainty over the short-term prospects for the global economy and consequently business confidence, investment and hiring plans. It is a characteristic of the permanent recruitment market that earnings visibility is short. Since the start of the current year, with the exception of certain sectors related to the banking market, we continue to experience similar year-on-year increases in activity levels in all of our regions.

Our next trading statement covering the first quarter, which in this year, unlike 2007, includes the Easter period, will be released on 7 April 2008.



**Sir Adrian Montague CBE**

Chairman  
4 March 2008