FINANCIAL REVIEW

Cash generated from operations was £258 million, £44 million higher than in 2006.

Group performance
Revenue was £3,581.9 million (2006: £3,333.2 million), up 12% at constant exchange rates and operating profit before intangible amortisation was £242.9 million (2006: £226.3 million), up 12% at constant exchange rates. This reflected good organic growth, acquisitions made in 2007 and the full year impact of acquisitions made in 2006. Intangible amortisation of £24.4 million was up £4.5 million reflecting the incremental effect of a full year's charge for the 2006 acquisitions and the amortisation relating to acquisitions made in 2007.

Operating profit margin excluding intangible amortisation was maintained at 6.8% due to a small improvement in the base business offset by the full year impact of lower margin acquisitions.

The net interest charge increased to £27.4 million from £16.7 million in 2006 due to an increased level of average net debt as a result of acquisition activity in 2006 and 2007 and the impact of the on market share buy back in the second half of 2006 and further buy back activity in 2007. Interest cover was 9 times.

Profit before income tax and intangible amortisation was £215.5 million (2006: £209.6 million), up 8% at constant exchange rates.

Adverse currency movements, especially the US dollar, reduced Group growth rates by 5%. This translation effect is the major way that currency impacts the Group results although there is also a small transaction effect on certain parts of the business.

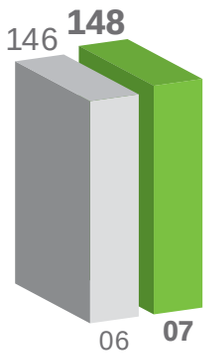
Tax
A tax charge at a rate of 31.6% (2006: 32.0%) has been provided on the profit before tax and intangible amortisation. Half of the reduction is due to a decrease in deferred tax provisions as a result of the change in the UK corporation tax rate to 28% which will take effect in April 2008. Including the impact of intangible amortisation of £24.4 million (2006: £19.9 million) and the related deferred tax of £7.1 million (2006: £6.7 million), the overall tax rate is 31.9% (2006: 31.8%). The tax rate of 31.6% is higher than the nominal UK rate of 30% principally because many of the Group's operations are in countries with higher tax rates.

Profit for the year
Profit after tax was £130.1 million (2006: £129.4 million), up 5% at constant exchange rates.

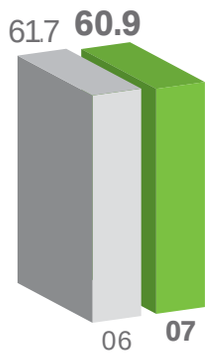
Share buy back
During the year 14.2 million shares were bought into treasury at a total cost of £100.0 million as part of an on market share buy back programme. These purchases were consistent with the Board's capital management strategy which is to maintain an appropriate balance sheet structure taking into account completed and prospective acquisitions and disposals.

Earnings and dividends
The weighted average number of shares decreased to 326.9 million from 342.1 million due to the full year impact of the 2006 share buy back and further buy back activity in 2007 more than offsetting shares issued on option exercises. Earnings per share were 39.8p (2006: 37.8p), up 10% at constant exchange rates. After adjusting for intangible amortisation and the related deferred tax, earnings per share were 45.1p (2006: 41.7p), up 13% at constant exchange rates. This adjustment removes a non-cash charge which is not taken into account by management when assessing the underlying performance of the businesses.

An interim 2007 dividend of 5.8p per share and a proposed final 2007 dividend of 12.9p per share will deliver an increase of 10% for the year with dividend cover based on adjusted earnings per share at 2.4 times. A final 2006 dividend of 11.7p per share and the interim 2007 dividend of 5.8p per share at a total cost of £57.2 million have been charged to shareholders' equity in 2007.



FREE CASH FLOW £m
Cash generated from operations less net capital expenditure, interest and tax.



RETURN ON AVERAGE OPERATING CAPITAL %
Ratio of operating profit before intangible amortisation to the average of the month end operating capital employed, being tangible fixed assets, inventories and trade and other receivables less trade and other payables.

FINANCIAL REVIEW CONTINUED

Balance sheet
Return on average operating capital before intangible amortisation decreased slightly to 60.9% from 61.7% in 2006 due to the impact of acquisitions made in 2007. Intangible assets increased by £213.6 million to £990.3 million reflecting goodwill and customer relationships arising on acquisitions in the year of £200.0 million and a favourable exchange impact of £38.0 million, net of an amortisation charge of £24.4 million. Shareholders' equity decreased by £11.8 million to £476.2 million principally due to profit after tax of £130.1 million and an actuarial gain on pensions, net of deferred tax, of £7.3 million, being more than offset by the share buy back of £100.0 million and dividends charged to shareholders' equity of £57.2 million. Net debt increased by £236.9 million to £667.6 million due to a net cash outflow of £198.9 million combined with an adverse exchange movement of £38.0 million. Net debt to EBITDA was 2.5 times.

Cash flow
Cash generated from operations was £258.0 million, a £43.8 million increase compared to 2006, primarily due to an increase in operating profit before intangible amortisation and favourable working capital movements offset by a £9.5 million special pension contribution. Spend on acquisitions was £191.7 million and capital expenditure net of sale proceeds was £16.6 million. Net cash outflow before financing was £10.1 million which, combined with a net cash inflow from employee shares of £1.0 million and a cash outflow from the share buy back of £100.0 million together with interest and dividends paid of £33.6 million and £56.2 million respectively, produced a net cash outflow of £198.9 million.

Pensions
At 31 December 2007 the Group's net pension liabilities were £13.2 million. This represents a £24.3 million decrease compared to 2006 primarily due to an actuarial gain of £10.3 million and £17.3 million of cash contributions offset by the current service cost of £5.0 million. The cash contributions include a £9.5 million additional cash contribution paid into the UK pension scheme in addition to £5.0 million paid in 2006 following the triennial actuarial valuation.

Capital management
The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group monitors the return on capital as well as the level of total shareholders' equity and the amount of dividends paid to ordinary shareholders.

The Group funds its operations through a mixture of shareholders' equity and bank and capital market borrowings. All of the borrowings are managed by a central treasury function and funds raised are lent onward to operating subsidiaries as required. The overall objective is to manage the funding to ensure the Group has a portfolio of competitively priced borrowing facilities to meet the demands of the business over time and, in order to do so, arranges a mixture of borrowings through different sources with a variety of maturity dates.

The Group's businesses provide a high and consistent level of cash generation, which helps fund future development and growth, while the Group seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

From time to time the Group purchases its own shares on the market. The timing and amount of these purchases depends on the prevailing market conditions, the price of the Company's ordinary shares and the level of the Group's net debt. Any shares purchased are either cancelled or held as treasury shares. This is consistent with the Board's strategic priority of growing the Group both organically and by acquisition and its objective of operating with an appropriate balance sheet structure.

Average	**2007**	2006
US$: £	**2.00**	1.84
€ : £	**1.46**	1.47
A$: £	**2.39**	2.45
Year end		
US$: £	**1.99**	1.96
€ : £	**1.36**	1.48
A$: £	**2.27**	2.48

EXCHANGE RATES

There were no changes to the Group's approach to capital management during the year and the Group is not subject to any externally imposed capital requirements.

Treasury policies and controls
The Group has a centralised treasury department to control external borrowings and manage liquidity, interest rate and foreign currency risks. Treasury policies are approved by the Board and cover the nature of the exposure to be hedged, the types of financial instruments that may be employed and the criteria for investing and borrowing cash. There have been no changes to the treasury policies and controls during the year. The Group uses derivatives to manage its foreign currency and interest rate risks arising from underlying business activities. No transactions of a speculative nature are undertaken. The treasury department is subject to periodic independent review by the internal audit department. Underlying policy assumptions and activities are reviewed by the executive directors. Controls over exposure changes and transaction authenticity are in place and dealings are restricted to those banks with the relevant combination of geographic presence and suitable credit rating. The Group continually monitors the credit ratings of its counterparties and the credit exposure to each counterparty.

Liquidity risk
The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group is funded by multi-currency credit facilities from the Group's bankers and US dollar bonds. The bank facilities have tenures ranging from one to seven years and mature between 2008 and 2013. At 31 December 2007 the available bank facilities totalled £655.0 million of which £439.3 million was drawn down. In addition the Group maintains overdraft and uncommitted facilities to provide short term flexibility. At 31 December 2007 the total US dollar bonds outstanding were $535 million with maturities ranging from 2008 to 2018.

Interest rate risk
The Group's strategy is to ensure with a reasonable amount of certainty that the overall Group interest charge is protected against material adverse movements in interest rates. The US dollar bonds have been swapped to floating rates using interest rate swaps. Bank loans are drawn for various periods at interest rates linked to LIBOR. Interest rate caps and interest rate collars are in place to reduce the Group's floating rate exposure to movements in LIBOR.

The interest rate swaps had a notional principal of £268.8 million outstanding at 31 December 2007. The floating interest rate is based on US dollar LIBOR repricing every three months.

Financial liabilities with a notional principal of £193.0 million were capped at 31 December 2007. The interest rate is based on US dollar and euro LIBOR repricing every three months. The interest rate collars have been entered into to manage the interest rate risk on US dollar borrowings with a notional principal of £50.3 million in 2008 and £150.8 million in 2009 and 2010.

Foreign currency risk
The majority of the Group's net assets are in currencies other than sterling. The Group's policy is to limit the translation exposure and resulting impact on equity by borrowing and/or using forward foreign exchange contracts to hedge the translation exposure in those currencies in which the Group has significant net assets. At 31 December 2007 there were no material currency exposures after accounting for the effect of the hedging transactions.

Throughout the year the Group's borrowings were primarily held in sterling and US dollars. The Group does not hedge the impact of exchange rate movements arising on consolidation on the translation of the income statement from the respective functional currencies into sterling.

The majority of the Group's transactions are carried out in the respective functional currencies of the Group's operations and so transaction exposures are limited. However where they do occur the Group's policy is to hedge significant exposures of firm commitments for a period of up to one year as soon as they are committed using forward foreign exchange contracts and these are designated as a cash flow hedge.

Credit risk
Credit risk is the risk of loss in relation to a financial asset due to non-payment by the counterparty. The Group's objective is to reduce its exposure to counterparty default by restricting the type of counterparty it deals with and by employing an appropriate policy in relation to the collection of financial assets.

The Group's principal financial assets are cash, derivative financial instruments and receivables which represent the Group's maximum exposure to credit risk in relation to financial assets.

The credit risk in relation to cash and derivative financial instruments is limited because the Group restricts its dealings to counterparties with high credit ratings. The credit risk policy specifies the maximum permitted exposure to each counterparty.

For receivables, the amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The maximum exposure to credit risk for trade receivables and other financial assets is represented by their carrying amount.

At the balance sheet date there were no significant concentrations of credit risk.