



With the highest score ever, M&S is a worthy winner of our Most Admired. Behind every successful company, there's an inspired leader: Rose at M&S, Leahy at Tesco and Murdoch Jnr at BSkyB. Meanwhile, retailing's on a roll, but telecoms and banking are glum – Northern Rock was shrewdly assessed by its peers. And it's a poignant farewell to Hanson and ICL...

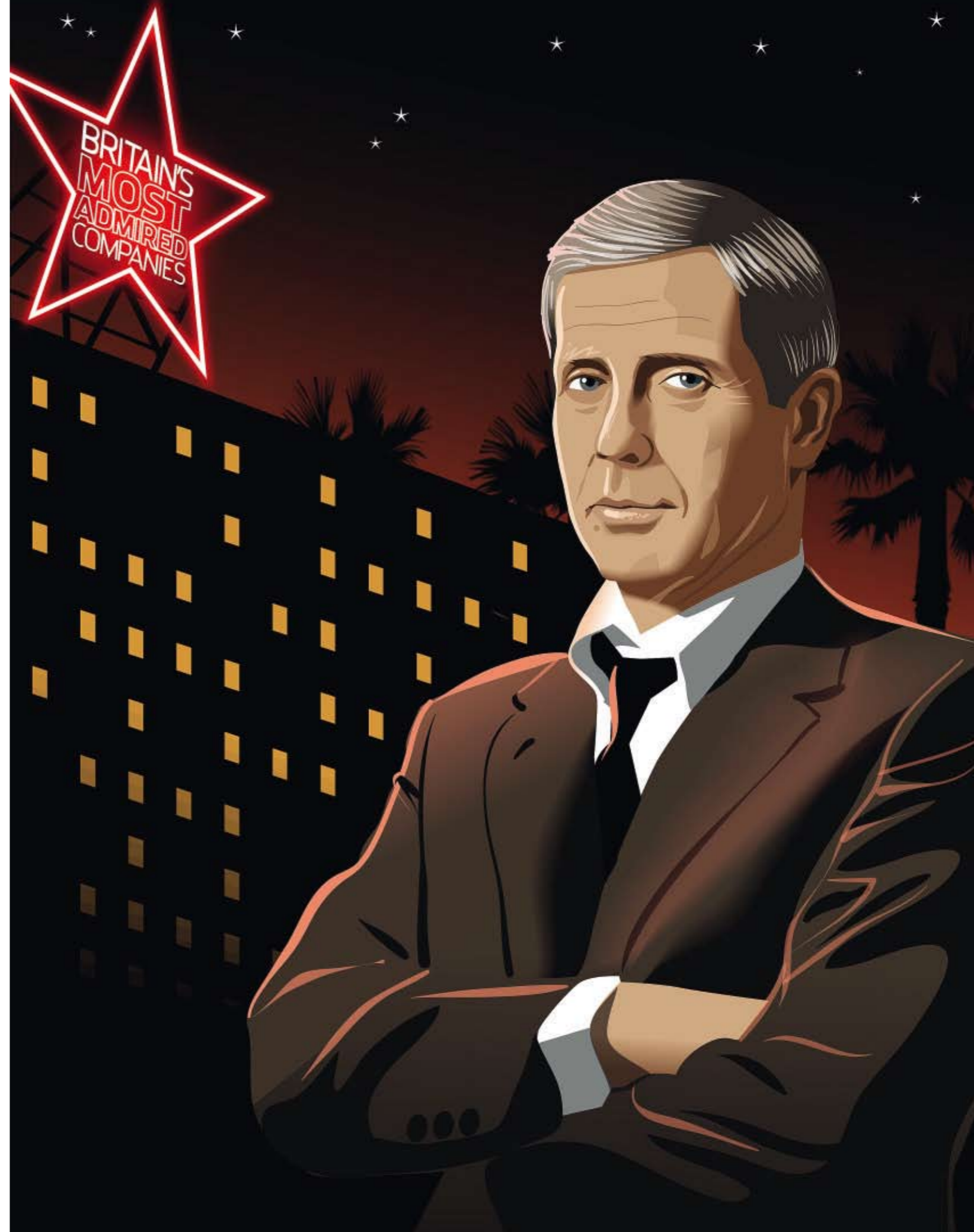
MARKS SPARKLES

So, Marks & Spencer has finally done it and knocked Tesco off its Most Admired perch. In time, the tale of M&S's recovery over the past three years will go down as a textbook tale of how to breathe new life into an ailing company. It has been a process by which the old-stager regained its place in the affections of the British public with a clever 'Your M&S' marketing campaign. It's an attempt to create a warm intimacy that, while slightly old-fashioned, is also somehow very 21st century – as is its famous Plan A, which has captured the sustainability zeitgeist perfectly.

One vital weapon in the M&S armoury has been the character of its CEO Stuart Rose, who at 58 is now working harder than he has ever done during his 35-year career as a retailer. He is quite at ease with his high profile – unlike his predecessors – and has managed to charm even the most grizzled and cynical of City analysts with his quips and *aperçus*, whether it's 'weather is for wimps' or displaying his intimate knowledge of the fabrication of his firm's men's boxer shorts.

This is not to say that he comes across as arrogant – quite the reverse: he has displayed great caution in his summaries of how he thinks the organisation for which he first worked as a youth is faring. He is no less popular with his staff. It's even said that when he visits stores, females from the tills queue up to get his autograph.

What's interesting is how high M&S's score is. It has stacked up a total of 76.33, which is the highest winning total ever. Not only that, but the company has also won outright – against 219



Ben Kirchner/Heart

BMAC

- STUART ROSE
- SIR TERRY LEAHY
- JAMES MURDOCH
- CHRISTOPHER HYMAN
- NEIL CARSON
- MICHAEL SPENCER
- JUSTIN KING
- PAUL PINDAR
- PAUL WALSH
- SIR JOHN ROSE



Left to right: Hyman, Leahy, Stuart Rose, Spencer, Carson, Murdoch, King, Walsh, Pindar and Sir John Rose

M&S REGAINED ITS PLACE IN THE AFFECTIONS OF THE BRITISH PUBLIC WITH A CLEVER 'YOUR M&S' CAMPAIGN, AN ATTEMPT TO CREATE A WARM INTIMACY, SLIGHTLY OLD-FASHIONED YET ALSO SOMEHOW VERY 21ST CENTURY

competitors – the highest overall marks in its Quality of Goods and Services, its Ability to Attract, Develop and Retain Top Talent, its Value As a Long-Term Investment, its Quality of Marketing and its Use of Corporate Assets. This is quite an achievement.

The figures are impressive – when Stuart Rose took over as CEO, Philip Green had been trying to buy the outfit for £4 a share, and in the dark days of 2003 the price had fallen below £3. The share price this summer almost hit £7.50, although it has since fallen back a little. The chance of making a yearly group profit before tax of £1bn is now in sight again.

Confidence – so important in a retailer – is high and M&S is out there taking the fight to all corners of the high street. Now talking about tugging customers away from Gap, for example, M&S is to open stores in China as part of a plan to generate up to a fifth of sales from overseas within five years.

The first stores will open in Shanghai next year, and the chain is also looking at sites in Beijing. The move marks M&S's return to international expansion after its humiliating withdrawal from the world stage in 2001 when sales and profits crashed. The group's forays into the US, with the Brooks Brothers menswear chain and Kings Super Markets, were no less disastrous and sold at a loss.

Stuart Rose has a typical response to doubters: 'Just because you have a car crash, it doesn't mean you should never drive again.' He said he would not 'bet the ranch' on international expansion but that his predecessor, Luc Vandeveld, had made a mistake when he pulled out of France.

There is no shame, though, in Tesco's fall to second place. The organisation has enjoyed a storming year and the score that has won it second place is actually higher than its winning total last year. Tesco remains a formidable operator and ends the year doubtless breathing a big sigh of relief that the numerous competition and monopolies investigations of its dominance seem to have thrown up nothing of any substance.

Tesco is now leading a charge into the US

with its Fresh & Easy chain. The US is the toughest nut for British retailers to crack and has proved a graveyard for many of them, but Sir Terry Leahy has yet to fail at anything he has turned his hand to.

Sir Terry has again won Most Admired Leader, pipping Stuart Rose into second place with 25.2% of the free vote, compared with Rose's 21.1%. He looks as if he could go on for another 20 years: little wonder that his senior lieutenants at Tesco keep getting poached by competitors.

At rival Sainsbury's, they probably wish Leahy would go off and run the NHS instead – as consistent rumours suggest the Government would like him to. But things have got much better at Justin King's operation and as a result J Sainsbury is back into the top 10 overall at number 7.

It's astonishing that King should have achieved this while distracted by not just one bid but two this year. He's not going to be nearly as rich as he might have been if the big sale had gone through, though.

The other big Most Admired story of 2007 is the rise of BSkyB. It has climbed from 41st to third place in the overall list and this is an extraordinary achievement on the part of CEO James Murdoch. When *MT* interviewed him in May, it was clear that he still sees his organisation as an outsider.

The younger Murdoch is an alarmingly focused chip off the old block who shrugs aside any suggestion that he's moving to the US to head News Corp when his father finally hangs up his green eyeshade. Sky people fume about regulation, despise Sir Richard Branson and loathe the BBC. They cannot like ITV much, either: their spoiler of an investment is now looking like a substantial loss as the share price has dipped alarmingly.

The truth is that BSkyB – however ruthless and buccaneering – is now becoming a respected part of the UK business establishment. It came first in every single measurement in the Media sector, beating hardy performers such as Pearson, WPP and the Daily Mail and General Trust. It also scored the highest mark overall

BRITAIN'S 10 MOST ADMIRABLE COMPANIES

1 MARKS & SPENCER STUART ROSE, CEO
It takes a mighty effort to knock Sir Terry Leahy's Tesco off the top spot, but under Rose, M&S has done it, rocketing up 16 places in the league table and coming first in an unprecedented five out of our nine overall criteria. Rose's 'Plan A' sustainability strategy has cleverly captured the business zeitgeist, and making a £1bn annual profit looks certain for the first time in a decade.

2 TESCO SIR TERRY LEAHY, CEO
Overall winner for the past two years, Tesco may have been pushed into second place but it was a close-run thing. Crucially, it slipped from first to fifth place for its quality of management, and much has been made of the so-called 'brain drain' of top executive talent. Leahy, Most Admired Leader again, is now overseeing Tesco's expansion into the US. With a favourable provisional report from the Competition Commission, things remain steady at home.

3 BSKYB JAMES MURDOCH, CEO
James Murdoch has had a busy twelvemonth, what with masterminding his firm's controversial £940m raid on ITV shares in November 2006

(now subject to Competition Commission investigation) and the high-profile spat with Richard Branson's Virgin Media. Q3 profits fell by £45m, but subscribers are up, the City likes his forthright style and BSkyB has leapt a remarkable 38 places up the Most Admired league table.

4 SERCO CHRIS HYMAN, CEO
Hyman's £2.2bn services group has a £14bn order book and a 90% success rate with re-bids. Hyman himself fasts on Tuesdays and could sprint 100m in 10.8 seconds in his youth (see *MT Interview*). Serco runs everything from asylum centres to London's Docklands Light Railway, and is leading the race to run the Dubai Metro from 2009. This year, it also moved into the lucrative US military market, delivering \$1bn worth of contracts.

5 JOHNSON MATTHEY NEIL CARSON, CEO
The precious-metal specialist is nearly 200 years old, but under Carson it has retained the sparkle of youth – dominating the market in catalytic converters and powering the drive towards fuel-cell technology. It was voted Most Admired chemicals company on every criterion in its category. The company slips from second to fifth

overall, but compare that to 35th two years ago and it's still an alchemic transformation.

6 ICAP MICHAEL SPENCER, CEO
Spencer's inter-dealer broker barely scraped into the top 100 two years ago; now it's firmly established in the top 10. Volatility means more trading and thus higher profits for Icap, the largest broker of its type in the world. Spencer has long been considered one of the City's top financiers. Gordon Brown will be hoping he has less success raising money for the Tories.

7 J SAINSBURY JUSTIN KING, CEO
The fact that a rejuvenated Sainsbury's has been the subject of two of this year's most hotly contested – and unsuccessful – takeover bids is a tribute to the changes King has wrought in his three years at the helm. Refocused and reinvigorated, the 780-branch supermarket chain has risen from 18th in BMAC's 2006 league table, to make the top 10 for the first time in 12 years.

8 CAPITA GROUP PAUL PINDAR, CEO
Chief executive since 1999, Pindar is now well out of founder Rod Aldridge's impressive shadow – Capita announced an 18% rise in pre-tax profits

for the six months to June 2007, and the firm has rocketed up the Most Admired league table from 53rd to 8th. But it has not all been plain sailing – it has just lost the London congestion-charge contract and, with it, nearly 3% of group sales.

9 DIAGEO PAUL WALSH, CEO
Diageo may have shot up 10 places to ninth Most Admired, but it still rankles with Walsh that the company is only number two in China. Admitting that 'My life tends to be the company', Walsh this year announced record results, and has plans to bid for Absolut vodka. But the ambitious booze baron is likely to face trouble at home as the health police train their sights on alcohol.

10 ROLLS-ROYCE SIR JOHN ROSE, CEO
Rose has been at the controls of Rolls-Royce since 1996 and has made this BMAC stalwart one of British manufacturing's few success stories. It has not been all good news this year, with the falling dollar and rising material costs. But its focus on servicing continues to pay dividends, accounting for almost half of 2006 revenues, while RR still knows how to win big engine contracts – most recently for the new Airbus A380 superjumbo.

'MOST ADMIRED' LEAGUE TABLE 2007



'07	'06	Company	Score	'07	'06	Company	Score	'07	'06	Company	Score	'07	'06	Company	Score
1	17	Marks & Spencer	76.33	56	123	Yell Group	60.17	111	27	Wolseley	55.43	=166	225	Centrica	50.10
2	1	Tesco	72.90	57	-	Intertek	60.10	112	181	Chemring Group	55.40	=166	212	Bradford & Bingley	50.10
3	41	BSkyB	71.96	58	90	Bunzl	60.07	113	77	George Wimpey*	55.38	168	200	Group 4 Securicor	50.07
4	13	Serco Group	70.40	59	71	Spirax Sparco Engineering	59.97	114	127	Robert Wiseman	55.37	169	133	Charter	49.79
5	2	Johnson Matthey	67.67	60	39	Royal Dutch Shell	59.94	115	114	National Express	55.33	170	165	Amvescap*	49.55
6	7	Icap	67.63	61	180	Travis Perkins	59.92	116	-	William Hill	55.22	171	188	BBA	49.50
7	18	J Sainsbury	67.07	62	193	Daily Mail & General Trust	59.62	117	80	ICI	55.20	172	177	Amec	49.20
8	53	Capita Group	66.83	63	-	Standard Life	59.29	118	189	Dairy Crest	55.14	173	-	Galiform	49.17
9	19	Diageo	66.47	64	150	BSS	59.18	119	160	Halfords	55.08	174	20	Close Brothers	49.04
10	8	Rolls-Royce	66.33	65	75	Bellway	59.17	120	147	Shire	54.83	175	-	Debenhams	48.33
11	12	Berkeley Group	65.67	66	67	Scottish & Southern Energy	59.10	121	185	HolidayBreak	54.79	176	181	Elementis	48.10
12	52	Marshalls	65.13	67	78	Reckitt Benckiser	59.08	122	82	Scottish & Newcastle	54.77	177	159	Signet	47.92
13	-	Aggreko	64.75	68	21	HBOS	58.86	123	151	Arriva	54.57	178	129	Xstrata	47.88
14	16	Unilever	64.49	69	82	Bovis Homes	58.79	124	38	BT Group	54.50	179	146	Anglo American	47.56
15	4	GlaxoSmithKline	64.29	70	104	ROK Property Solutions	58.72	125	134	VT Group	54.42	180	74	Investec	47.25
16	10	Man Group	64.23	71	50	Next	58.71	126	206	Compass	54.27	181	78	Kelda	47.20
17	31	InterContinental Hotels	64.06	72	46	Morgan Sindall	58.64	=127	162	Cookson	54.25	182	139	Monsoon	47.08
18	45	WPP Group	63.96	73	-	United Business Media	58.51	=127	103	Whatman	54.25	183	173	Arla Foods UK*	46.93
19	3	BP	63.51	74	85	Smith & Nephew	58.50	129	-	Marston's	54.22	184	176	WH Smith	46.58
20	41	Royal Bank of Scotland	63.48	75	94	Galliford Try	58.42	130	138	QinetiQ Group	54.16	185	221	Millennium & Copthorne	46.50
21	15	Land Securities	63.45	76	62	Barratt Developments	58.23	131	-	Home Retail Group	54.07	186	195	Wm Morrison	46.42
22	13	Rotork	63.42	77	101	Reed Elsevier	58.12	132	98	Smiths Group	53.96	187	-	Findel	46.40
23	24	BHP Billiton	63.32	78	68	Redrow	58.07	133	131	Lloyds TSB	53.79	188	203	Umeco	46.20
24	22	IMI	63.31	79	115	GKN	58.04	=134	169	FirstGroup	53.67	189	-	Uniq	45.72
25	54	Persimmon	63.25	80	-	Capital & Regional	58.02	=134	104	Rexam	53.67	190	-	Lonmin	44.81
26	100	Pearson	63.13	81	143	Great Portland Estates	57.96	136	116	Enterprise Inns	53.64	191	120	Costain Group	44.68
=27	66	easyJet	63.00	82	111	Prudential	57.83	137	-	Headlam	53.33	192	-	Ashmore Group	44.38
=27	6	Balfour Beatty	63.00	83	-	Derwent London	57.76	138	109	DSG International	53.00	193	215	Scottish Power*	44.26
29	29	BG Group	62.96	84	140	JD Wetherspoon	57.72	=139	149	Punch Taverns	52.92	194	102	FKI	44.20
30	141	Admiral	62.89	85	153	Keller Group	57.71	=139	178	Kesa Electricals	52.92	195	224	Dyson Group	43.83
=31	87	Cobham	62.75	86	22	Vodafone	57.63	141	76	Northern Rock	52.83	196	194	United Utilities	43.71
=31	34	3i	62.75	87	96	Stagecoach	57.58	142	202	ITV	52.56	197	237	Cable & Wireless	43.50
33	78	SIG	62.68	88	99	Liberty International	57.55	143	205	SSL International	52.55	198	230	Northern Foods	43.17
34	5	Carphone Warehouse	62.43	89	73	Brixton	57.50	=144	92	Resolution	52.50	=199	204	Alliance & Leicester	42.80
35	63	Wilson Bowden*	62.25	90	44	Hammerson	57.43	=144	-	Dunelm	52.50	=199	170	Yule Catto	42.80
36	35	Carnival	61.69	91	48	British Airways	57.31	=144	158	Kingfisher	52.50	201	231	MJ Gleeson Group	42.04
37	30	Kier Group	61.54	92	108	Burberry Group	57.30	147	126	Cairn Energy	52.32	202	-	Inmarsat	42.00
38	119	Reuters	61.28	93	60	Greene King	57.00	148	154	Premier Farnell	52.00	203	210	Severn Trent	41.50
=39	59	First Choice*	61.25	94	-	Ladbrokes	56.86	149	125	Restaurant Group	51.97	204	229	Drax	41.43
=39	56	Carillion	61.25	95	123	Old Mutual	56.67	150	-	Enodis	51.79	205	234	Rentokil Initial	40.93
41	32	BAE Systems	61.22	96	107	Cattles	56.57	151	-	Forth Ports	51.75	206	-	Oxford Biomedica	40.17
42	51	British Land Co	61.15	97	88	Associated British Foods	56.38	152	175	Slough Estates*	51.31	207	214	Vanco	39.86
43	89	Barclays	61.14	98	95	Premier Foods	56.17	153	217	MyTravel*	51.19	208	232	Delta	39.25
44	57	Weir Group	61.08	=99	-	Bodycote International	56.13	154	63	Schroders	51.12	209	-	D1 Oils	38.50
=45	70	Legal & General Group	61.00	=99	113	Royal & Sun Alliance	56.13	=155	-	Co-operative Bank	51.00	210	239	British Energy	38.21
=45	144	Whitbread	61.00	101	49	Tate & Lyle	55.99	=155	-	Avis Europe	51.00	211	213	Kazakhmys	38.08
47	9	Cadbury Schweppes	60.98	102	128	Meggitt	55.95	157	106	Provident Financial	50.98	212	236	Porvair	37.88
48	155	St James's Place Capital	60.83	103	173	Hanson*	55.93	=158	-	Vectura Group	50.83	213	222	Kingston Communications*	37.71
49	47	Rio Tinto	60.74	104	58	Victrex	55.90	=158	91	Friends Provident	50.83	214	222	COLT Telecom	35.50
50	28	Aviva	60.71	=105	97	Quintain Estates	55.67	160	93	Tomkins	50.44	215	219	Thus Group	34.75
51	11	AstraZeneca	60.58	=105	-	Telford Homes	55.67	161	134	Croda International	50.38	216	228	Woolworths	32.86
52	167	Informa	60.57	107	132	Standard Chartered	55.58	162	-	Rank Group	50.38	217	-	Sports Direct	32.50
53	43	Mitchells & Butlers	60.55	=108	181	Go-Ahead Group	55.57	163	168	Henry Boot	50.32	218	163	Telecom plus	31.60
54	110	SABMiller	60.53	=108	84	Taylor Woodrow*	55.57	164	165	Electrocomponents	50.17	219	-	Pipex Communications	30.71
55	26	HSBC	60.21	110	112	National Grid	55.52	165	161	International Power	50.14	220	151	Hikma Pharmaceuticals	28.25

*Merged, acquired or name changed

HOW THE WINNERS WERE CHOSEN

In conjunction with Nottingham Business School, MT asked Britain's 10 largest public companies in 22 sectors to evaluate their peers. Using nine criteria, participants rated their nine sector rivals on a scale of 0 to 10 (0 = poor, 5 = average, 10 = excellent). Analysts at leading City investment firms were also polled. On the basis of these scores, three rankings were arrived at: all 220 companies (above); top five overall on each criteria (p37); and league tables in each category (pp38, 41, 43). Respondents were also asked to name the leader they most admired. Research conducted by Professor D Michael Brown of Nottingham Business School and Stuart Laverick.

NINE MEASURES OF SUCCESS

Company performances were judged against the criteria indicated. Here are the highest-scoring contenders in each category...

on two separate measurements – the Capacity to Innovate and the Community and Environmental Responsibility sections.

The company is heading towards carbon neutrality and proud of it. It does innovate, and not just with Sky+, its move into telephony and its adoption of high-definition broadcasts. It moves forward in its very own lightning-strike fashion – the raid on ITV shares was said to have been worked out on the back of a cigarette packet by James Murdoch and his wily FD Jeremy Darroch during a brief business trip to Spain; it left Branson reeling.

Professor Mike Brown of Nottingham Business School – who has researched and produced Most Admired for the past 15 years – approves of Sky's ability to embrace risk. 'You have to hand it to Sky that it knows that to win well in business, you have to play hard and really take a gamble these days.'

More broadly, he is concerned this year that with all the very high scores – especially among retailers – we may be seeing a surfeit of 'irrational exuberance'. Let's hope not.

One of the most closely watched sectors this year is banking. It has been a turbulent 12 months, with big takeover battles, notably for ABN Ambro, where Barclays faced off against RBS. And this was, of course, followed by the sub-prime fallout from the US market and the disaster that has befallen Northern Rock. Some of the research for Most Admired was conducted before the full horror of the Newcastle-based bank's desperate lack of liquidity became apparent.

The most interesting statistic is the score of 6.8 that Northern Rock received for Use of

Quality of management

1	Persimmon	8.83
2	Berkeley Group	8.67
3	Icap	8.50
4	Marks & Spencer	8.33
5	Tesco	8.21

Financial soundness

1	Tesco	8.93
2	Marks & Spencer	8.83
3	AstraZeneca	8.60
4	BP	8.43
5	GlaxoSmithKline	8.40

Ability to attract, develop & retain top talent

1	Marks & Spencer	8.33
2	Tesco	8.29
3	GlaxoSmithKline	8.20
4	Capita Group	8.11
5	Sercos Group	8.00

Quality of goods & services

1	Marks & Spencer	8.50
2	Johnson Matthey	8.42
3	Tesco	8.33
4	BSkyB	8.17
5	Rolls-Royce	8.08

Value as a long-term investment

1	Marks & Spencer	8.83
2	Tesco	8.71
3	Sercos Group	8.40
4	Capita Group	8.22
5	Icap	8.14

Use of corporate assets

1	Marks & Spencer	8.33
2	Aggreko	7.83
3	Tesco	7.79
4	easyJet	7.67
5	InterContinental Hotels	7.63

Quality of marketing

1	Marks & Spencer	9.17
2	British Airways	8.25
3	Tesco	8.21
4	BSkyB	8.06
5	Admiral	7.89

Community & environmental responsibility

1	BSkyB	8.22
2	Marks & Spencer	8.00
3	Marshalls	7.42
4	Co-operative Bank	7.40
5	Land Securities	7.33

Capacity to innovate

1	BSkyB	8.39
2	Johnson Matthey	8.25
3	Marks & Spencer	8.00
4	Capita Group	7.94
5	Icap	7.93

despite the fact that it isn't a plc – was thought to be even less sound, which seems slightly unfair. We are certainly not recommending that Co-op bank members race round to their local branches to withdraw their funds. Indeed, the Co-op bank comes top of the CSR measure in its sector.

Looking more broadly at the list, there is a sense of stasis. Sixteen of the 22 sector winners are the same as last year. That shows how difficult it is to shift well-established, professionally run outfits from their dominant position. It's a bit like the football Premiership – a clutch of

the Support Services sector by a huge margin and has rocketed into the overall top 10 for the first time, rising from 13th to fourth place.

How telling that the once-mighty Rentokil Initial came last in every single category but one in its sector and has plummeted to 205th in the overall list. In Telecommunications, the whole sector seems depressed, with the low overall score of just 407.8. Phone people seem to have been in the dumps for a long time.

Finally, it's time to say goodbye to a pair of old-stagers who have disappeared from the listed markets and thus from Most Admired. Both Hanson and ICI have fallen into the hands of foreign owners.

Hanson, that symbol of swaggering British capitalism of the 1980s, was taken over by HeidelbergCement – a fact that will doubtless have the late Lord H and Gordon White spinning in their tombs.

ICI was a founder-member of the FT-30 way back in the 1930s. Long the flag-carrier for British business, it was this year a trophy purchase by Akzo Nobel. As its one-time leader Sir John Harvey-Jones noted when we interviewed him for *MT's* 40th anniversary edition last year: 'We live in a country where every f***ing thing is up for sale. The means has become the end. I still believe money is how you measure the effectiveness of a business, not the end in itself.'

But it's still money that does the talking. **mt**



STUART ROSE HAS A TYPICAL RESPONSE TO DOUBTERS: 'JUST BECAUSE YOU HAVE A CAR CRASH, IT DOESN'T MEAN YOU SHOULD NEVER DRIVE AGAIN'

Corporate Assets, the second-highest score in the banking sector. This suggests that its competitors did once admire how much it squeezed out of what little it had in terms of real assets. Its rivals knew where the bank's strengths lay – and where its fatal weaknesses were as well. How telling, though, that for Financial Soundness it scored a lowly 5.7, which placed it ninth out of 10. The Co-operative Bank – included

stellar clubs with astronomical player-purchase budgets and wage bills hog the top quarter of the division and are trailed by also-rans that would struggle during a Sunday kickabout in the park.

One team that seems to be all-conquering is the one led by Chris Hyman at Sercos. You can read more about this one-of-a-kind leader in this month's *MT* Interview (see p46). Sercos won

LEAHY: MOST ADMIRABLE LEADER AGAIN, AS HE TACKLES THE US WITH THE FRESH & EASY CHAIN



SECTOR BY SECTOR

Here's the nitty-gritty of the Most Admired awards: stark proof of the peer-group assessment that is at the heart of MT's poll. The 10 largest public companies in each sector rated their nine rivals. Our commentary focuses on how the league-topping firms in 22 sectors coped in a year when the economic mood changed

Banking

1	Royal Bank of Scotland	63.5
2	Barclays	61.1
3	HSBC	60.2
4	HBOS	58.9
5	Standard Chartered	55.6

It has been an eventful year in banking. Not only has there been a huge take-over battle, there's also a full-blown financial crisis. RBS edged ahead of Barclays as the Most Admired – just as it did in the Eu70bn battle for control of Dutch bank ABN Amro, which consumed so much time and money this year. But the big news has been the global credit crunch, which changed the landscape dramatically. The most high-profile casualty was Northern Rock – more than £20bn in debt to the Bank of England and facing extinction. But most of the banks on our list have suffered – even RBS and Barclays lost billions off their share price this year.

Construction – heavy

1	Balfour Beatty	63.0
2	Kier Group	61.5
3	Carillion	61.3
4	ROK Property Solutions	58.7
5	Morgan Sindall	58.6

Balfour Beatty's strong cash performance and bulging order books help to explain why the expensive collapse of MetroNet – in which it had a 20% stake – hasn't dislodged it from the top spot. CEO Ian Tyler expects tougher times ahead amid the credit squeeze. A new block at Tony Blair's *alma mater*, Fettes College, Edinburgh, was among Kier's prestigious contracts. The group posted an £18m rise in interim profits in June. If Carillion's £600m bid for Alfred McAlpine goes through, it will create the UK's second-largest contracting business. A near doubling in interim profits to £11.2m helped ROK climb two places, while orders of over £4bn took Morgan Sindall to fifth.

Building materials & merchants

1	Marshalls	65.1
2	SIG	62.7
3	Travis Perkins	59.9
4	BSS	59.2
5	Hanson*	55.9

The push for urban regeneration has helped Marshalls to top spot. First-half profits were up slightly to £27.4m at the Huddersfield-based maker of 'hard landscape products'. Roofing and insulation outfit SIG is up two places, after a hectic first half involving 22 acquisitions and a 30% rise in sales. Travis Perkins – dating back to 1797 – soars to third in sector on the back of an £18m rise in profits to June. Heating and plumbing specialist BSS won its biggest-ever contract, refurbishing 11,500 soldiers' rooms for the MoD. Hanson bids farewell to Most Admired; it was bought in May by Germany's HeidelbergCement for £8bn.

Construction – home

1	Berkeley Group	65.7
2	Persimmon	63.3
3	Wilson Bowden*	62.3
4	Bellway	59.2
5	Bovis Homes	58.8

Tony Pidgley's Berkeley Group must have happy shareholders, with another £600m returning to them by 2012. Profit is up 10% on last year, with the land bank growing to 30,128 plots, and new joint ventures formed with Saad Investments. Persimmon, top in our Quality of Management poll, invested £160m in land in the first half, recording a 10% increase in pre-tax profit. By February, its forward order book had 7,000 advance sales, worth £1.3bn. Wilson Bowden was devoured by Barratt Homes this year. The £2.13m deal makes Barratt the UK's largest housing group by volume. With more than three million new houses needed by 2020, this sector has it made.

Chemicals

1	Johnson Matthey	67.7
2	Victrex	55.9
3	ICI	55.2
4	Croda International	50.4
5	Elementis	48.1

Another platinum-coated performance puts catalytic converter specialist Johnson Matthey nearly 12 points clear of the field, after a 34% rise in revenues in '07 and an 18% rise in pre-tax profits. Booming demand for Victrex's 'Peek' engineering polymer led to the opening of a new £32m factory in Lancashire in October. ICI, listed on the first FT30 share index in 1935, was bought in August by Dutch multinational Akzo Nobel for £8bn. Speciality chemicals group Croda, maker of 'surfactants, speciality lipids and fatty amides', posted a 23% rise in interim profits to £34.7m. Elementis gained a new CEO, American David Dutris.

Engineering – aero & defence

1	Rolls-Royce	66.3
2	Cobham	62.8
3	BAE Systems	61.2
4	GKN	58.0
5	Meggitt	56.0

First-placed for the fourth consecutive year, Rolls-Royce left the '07 Paris Air Show with \$15.1bn of business. The decision to build its first manufacturing plant abroad was unpopular, but a new BA contract worth £2.5bn and a 10% increase in group sales to £35.1bn made up for it. Cobham jumped to second, despite £27m foreign exchange costs and a £29m shortfall in revenues due to disposals. Yet it forked out £22m for Patriot Antennas. A potential fraud investigation hasn't thrown BAE Systems. New contracts include a £946m MoD order. First-half pre-tax earnings rose 17% to £700m, but the share price dipped in October when CEO Mike Turner resigned in odd circumstances.

BRITAIN'S MOST ADMIRABLE LEADERS 2007: 1 Sir Terry Leahy Tesco 25.2%...

MURDOCH: A CHIP OFF THE OLD BLOCK WHO DENIES HE'S US-BOUND WHEN DAD HANGS UP HIS GREEN EYESHADE



Engineering & machinery

1 Rotork	63.4
2 IMI	63.3
3 Weir Group	61.1
4 Spirax Sarco Engineering	60.0
5 Bodycote International	56.1

Actuator manufacturer Rotork held on to top spot by dint of strong growth in the oil and gas sectors. Shares climbed more than 10%, after a 12% rise in revenues to £113.3m for the first six months, and in October, Peter France took over as COO. IMI announced that 40% of its production would be in low-cost economies by the end of '08, but it spent £5m on investigating kick-backs offered by its agents. Interim results showed revenue up by 7% to £781m. The Weir Group sold Glasgow-based Weir Pumps for £45m and bought SPM Flow Control of Texas for £328m. Half-year pre-tax profits were up 40%, to £45.4m.

Food producers and processors

1 Unilever	64.5
2 Cadbury Schweppes	61.0
3 Associated British Foods	56.4
4 Premier Foods	56.2
5 Tate & Lyle	56.0

New Unilever chair Michael Treschow is overseeing modernisation, axing 20,000 jobs and selling off its US laundry business. So far, so good: pre-tax profits for Q3 rose 21% to £1.07bn. Still paying for last year's salmonella problems, belt-tightening Cadbury Schweppes is moving from its Mayfair HQ to Uxbridge. But sales grew by 6% in the first half of 2007, and hopes are high after demerging the confectionery and US beverages businesses. Burgeoning Associated British Foods seems unfazed by poor-performing Kingsmill. Adding Patak's and 20% of W Jordan & Son to its portfolio, ABF's year-end profits rose 10% to £613m.

Health & household

1 GlaxoSmithKline	64.3
2 AstraZeneca	60.6
3 Reckitt Benckiser	59.1
4 Smith & Nephew	58.5
5 Shire	54.8

In a bad year for pharma, GlaxoSmithKline is still on top but paying for poor sales of diabetes treatment Avandia. Third-quarter profits are down 7% to £1.88bn, with £700m annual cost cuts announced. CEO-in-waiting Andrew Witty has his work cut out. AstraZeneca is similarly beleaguered, announcing a 7% fall in Q3 profits, with patent battles looming over its top-sellers. Acquisitions costs related to the £15bn purchase of US biotech firm MedImmune have hit hard. At Reckitt Benckiser, year-to-date net revenue grew by 11% in the third quarter. Growth was driven by new products and a boom in Nurofen and Strepsils.

Insurance

1 Admiral	62.9
2 Legal & General Group	61.0
3 St James's Place Capital	60.8
4 Aviva	60.7
5 Standard Life	59.3

Devastating floods provided the big headache for UK insurers this summer, while at boardroom level, closed life-fund manager Resolution prompted a three-way £5bn takeover battle between Friends Provident, Standard Life and Pearl Assurance. But this year's Most Admired steered clear of the scrap. Admiral Group profits leapt 26% in the first half as it opened offices in Spain and Germany. L&G took the runner-up spot, despite being unable to maintain its 2006 momentum. Unlike Admiral, the group is heavily dependent on the UK market, which is looking a lot less healthy than at this time last year.

Leisure & hotels

1 InterContinental Hotels	64.1
2 Carnival	61.7
3 First Choice*	61.3
4 Whitbread	61.0
5 Ladbrokes	56.9

It's as you were in the leisure category, with InterContinental romping home in top spot again, closely followed by Carnival and First Choice. The world's biggest hotel operator has had a hectic year, signing up another 55,000 rooms in the first half. It's also spending \$1bn re-branding its Holiday Inn chain. Carnival, the \$28bn cruise operator, suffered – like most of the travel industry – from the escalating cost of fuel, and also bid *bon voyage* to veteran CEO Bob Dickinson. But it still saw profits rise 12% in Q3. UK travel company First Choice tried to sell its package holiday division and ended up merging with TUI's travel division. So far, integration plans remain on track.

Media

1 BSkyB	72.0
2 WPP Group	64.0
3 Pearson	63.1
4 Reuters	61.3
5 Informa	60.6

Up 38 places from 2006, BSkyB came top in its sector on every criterion, and third overall. CEO James Murdoch continues to impress the City with his empire expansion, although his 17.9% share in ITV and the spat with Virgin Media are still causing problems. Third-quarter profits fell 27% to £121m as the broadcaster absorbed marketing costs and strong growth of its heavily subsidised Sky+ recorder. WPP, meanwhile, delivered underwhelming Q3 revenues, but it is still expected to hit this year's forecasts and have a good 2008. Pearson is on track to deliver an impressive performance across all its companies. It recently sold French financial daily *Les Echos* to LVMH for £240m.

Oil, gas & extractive

1 BP	63.5
2 BHP Billiton	63.3
3 BG Group	63.0
4 Rio Tinto	60.7
5 Royal Dutch Shell	59.9

It has been a terrible year for BP, in a sector that faces considerable challenges. New-broom CEO Tony Hayward has the chance to flex his sweeping muscles. Already, he has settled various claims against BP's North American operations by agreeing to \$380m in fines for various violations, including the 2005 Texas City oil refinery explosion. The board also needs to find a replacement for chairman Peter Sutherland, and to address BP's poor financial performance, including a 45% drop in profits for Q3. Mining giant BHP Billiton has been busy with a £73bn takeover bid for Rio Tinto, which, if successful, would create one of the world's biggest firms.

Property

1 Land Securities	63.5
2 British Land Co	61.1
3 Capital & Regional	58.0
4 Great Portland Estates	58.0
5 Derwent London	57.8

Top again, the UK's biggest property group, Land Securities, is about to undergo some radical restructuring, following pressure from investors for a break-up. New chairman Paul Myners (ex-M&S) is to divide the £7bn property giant into three businesses – outsourcing, retailing and a portfolio of London properties. This comes at a tricky time for the sector, with fears of a slowdown prompting a collapse in share prices. Many of the biggest property companies, such as Land Securities and British Land – which pulled out of the sale of its huge Sheffield shopping centre Meadowhall because of this summer's credit crunch – were down by about 20%.

...2 **Stuart Rose M&S 21.1%** 3 **Sir Fred Goodwin RBS 5.7%**

HYMAN: SERCO IS WINNING ONE IN TWO BIDS AND HAS 84% OF PLANNED REVENUE FOR 2008 IN THE BAG



Restaurants, pubs & breweries

1	Diageo	66.5
2	Mitchells & Butlers	60.6
3	SABMiller	60.5
4	JD Weatherspoon	57.7
5	Greene King	57.0

Diageo keeps the top spot, with operating profit up 8.7% to £2.2bn. Its ambitions are global, with a new distillery in Scotland, investment in *baijiu*, a traditional Chinese spirit, and a Guinness sales push in Africa. M&B, owner of All Bar One and O'Neills, has made up for the smoking ban by investing in pub food. It has worked: food sales have grown by 7% in established outlets. Revenue for the first half of 2007 leapt 12.2% to £995m. SABMiller, up two places this year, has joined forces with Canada's Molson Coors to take on the North American market. Last month, it paid £583m for Dutch rival Royal Grolsch. Half-year profits were up 21%.

Support services

1	Serco Group	70.4
2	Capita Group	66.8
3	Aggreko	64.8
4	Intertek	60.1
5	Bunzl	60.1

Serco was fourth Most Admired Company overall, winning one in two of its bids and with 84% of planned revenue for 2008 in the bag. Capita had to deal with a letter bomb in February, then with losing the high-profile London congestion-charge contract to IBM. But the group still posted pre-tax profits up 18% to £103.8m for the six months to June, shooting up from 53rd to eighth Most Admired overall. Aberdeen's Aggreko supplied temporary power to the Cricket World Cup and to the US army in Iraq. It capped a year of phenomenal growth by becoming Most Admired's highest new entry – an impressive 13th. Next major opportunity is juice for the Beijing Olympics.

Retailers (food & personal)

1	Marks & Spencer	76.3
2	Tesco	72.9
3	J Sainsbury	67.1
4	Next	58.7
5	Burberry Group	57.3

What further vindication does M&S's chief exec need? His kiss of life has done the trick – the revitalised M&S topped the vote in this sector in every category except one, as the Stuart Rose revolution delivered another 40% jump in profits in the first half of this year. Time now to consolidate and focus on expansion. Tesco and Sainsbury both escaped largely unscathed from a Competition Commission inquiry – presumably, after frantic lobbying. While Tesco focuses on expansion in the US, Sainsbury's ends the year it spent most of as an £1bn bid target with a triumphant 20% rise in profits to £232m for the half-year.

Telecommunications

1	Vodafone	57.6
2	BT Group	54.5
3	Cable & Wireless	43.5
4	Inmarsat	42.0
5	Vanco	39.9

One of the lowest-ever total scores for a Most Admired sector, suggesting an industry deep in the doldrums. Vodafone seemed unaffected: its \$1bn swoop for Hutchison Essar gave it a major footing in India. Sir Christopher Bland stepped down after six years as BT chairman, but the revolution continued apace: BT expanded both its business services and consumer broadband presence. It continues to work on a £10bn revamp of the UK's sluggish broadband cables. A revival at C&W saw interim profits double to £166m, perhaps justifying its PE-style reforms, which removed the £20m cap for individual execs. New CEO John Pluthero isn't complaining.

Retailers (general)

1	Carphone Warehouse	62.4
2	Halfords	55.1
3	Home Retail Group	54.1
4	DSG International	53.0
5	Kesa Electricals	52.9

Carphone Warehouse's revenues are up 18% to £2.1bn, fuelled by its AOL broadband business. More than a thousand US stores are to be opened over the next two years. Halfords started 2007 by cashing in on the cycling boom, and the company can thank the strong demand for satnav for helping it through a feeble summer. Year-end revenue was up 9.1% to £744m, and rumours of a takeover by Autobacs Seven have given shares a boost. Argos' persistent ad campaign is working. Sales were up 50% for the half-year, helping parent company Home Retail Group to a 34% increase in profits (to £136.1m).

Transport

1	easyJet	63.0
2	Stagecoach	57.6
3	British Airways	57.3
4	Go-Ahead Group	55.6
5	National Express	55.3

EasyJet soared despite rising fuel costs. Passenger numbers were up 14%, helped by European growth and a stronger presence at Gatwick. Stagecoach's impressive year was powered by profits at its South West Trains franchise, and at Virgin Trains, in which it has a 49% stake; new contracts included the East Midlands rail franchise. BA drew colourful headlines – a £350m bill for price-fixing, a crucifix row, and being named Europe's worst airline for losing luggage. But net debt dropped to £1.3bn, and pre-tax profit for the six months to September was a record £593m. Its pensions struggle looks settled, and it has \$8.2bn-worth of new planes on the way.

Speciality & other finance

1	Icap	67.6
2	Man Group	64.2
3	3i	62.8
4	Cattles	56.6
5	Schroders	51.1

Was this the year when Britain's top financiers flew a little too close to the sun? Private equity took a particular bashing – although the appearance of FTSE-listed 3i proves PE isn't all bad. But in a field where Britain can claim to be a world leader, the financial whizz-kids are bound to come back for more, armed with new ways to make money. Most Admired was Michael Spencer's Icap – the inter-dealer broker expects annual profits to be 20% higher than last year. Second-placed Man Group also took the turmoil in its stride, recording a 21% profit hike. It made \$1.7bn by floating its US brokerage arm in New York earlier this year.

Utilities

1	Scottish & Southern Energy	59.1
2	National Grid	55.5
3	International Power	50.1
4	Centrica	50.1
5	Kelda	47.2

Challenging times for power providers, with punters being urged to cut consumption. But Scottish and Southern Energy drew a million new customers with its price-cutting measures. Pre-tax profits for the six months to September were up 42% to £664.7m. National Grid finally managed to seal its \$7.3bn acquisition of KeySpan, the US utilities group, after 18 months of wrangling. It's now the second-largest US utilities company. Bush fires hit International Power's business in Australia, but operational profits for the nine months to September 30 were up 12%, at £634m. It bought Trinerger for £586m, becoming one of the world's biggest wind-power groups.

*merged, acquired or name changed