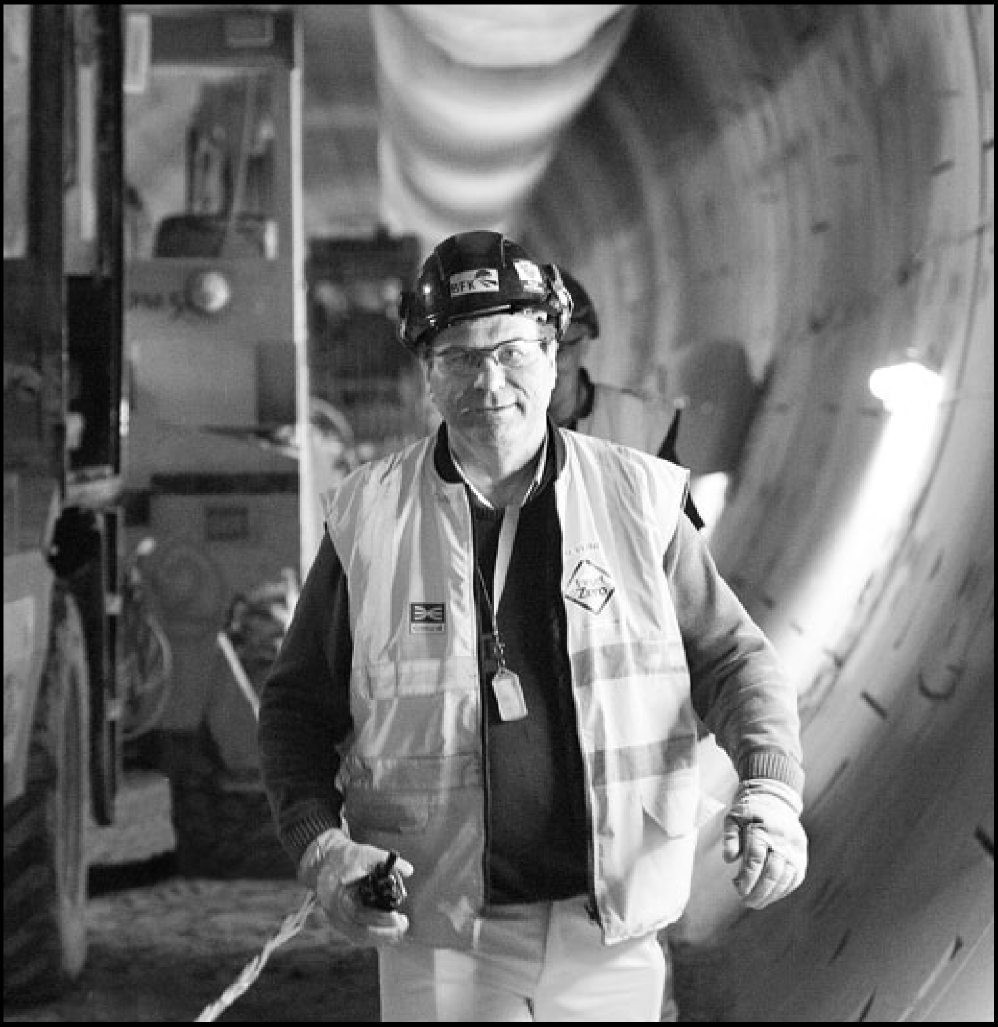


BUNZL

HELPING BUSINESSES PERFORM BETTER

ANNUAL REPORT 2013

WHO WE ARE

WE ARE A FOCUSED AND SUCCESSFUL INTERNATIONAL DISTRIBUTION AND OUTSOURCING GROUP WITH OPERATIONS ACROSS THE AMERICAS, EUROPE AND AUSTRALASIA.

We support our customers all over the world with a variety of products that are essential for the successful operation of their businesses.

By outsourcing the purchasing, consolidation and delivery of a broad range of everyday items, our customers are able to focus on their core businesses, achieve purchasing efficiencies and savings, free up working capital, improve distribution capabilities, reduce carbon emissions and simplify their internal administration.

CONTENTS

FINANCIAL HIGHLIGHTS

Bunzl has produced another excellent set of results with growth across all business areas and strong increases in revenue, profits, earnings and dividend.

£6,097.7m
Revenue (2012: £5,359.2m)
+12%
Growth at constant exchange rates
(Actual exchange rates +14%)

£332.1m
Operating profit (2012: £293.8m)
+12%
Growth at constant exchange rates
(Actual exchange rates +13%)

£414.4m
Operating profit before intangible amortisation and acquisition related costs (2012: £352.4m)
+16%
Growth at constant exchange rates
(Actual exchange rates +18%)

£289.9m
Profit before tax (2012: £263.8m*)
+9%
Growth at constant exchange rates
(Actual exchange rates +10%)

£372.2m
Profit before tax, intangible amortisation, acquisition related costs and disposal of business (2012: £318.4m*)
+16%
Growth at constant exchange rates
(Actual exchange rates +17%)

63.5p
Basic earnings per share (2012: 58.7p*)
+7%
Growth at constant exchange rates
(Actual exchange rates +8%)

82.4p
Adjusted earnings per share† (2012: 70.6p*)
+15%
Growth at constant exchange rates
(Actual exchange rates +17%)

32.4p
Dividend per share (2012: 28.2p)
+15%

*Restated on adoption of IAS 19 (revised 2011) 'Employee benefits' (see Note 1).
†Before intangible amortisation, acquisition related costs and disposal of business.

The Annual Report can be downloaded online. To find out more visit **www.bunzl.com**.

WHERE WE OPERATE

We provide a one-stop-shop distribution and outsourcing service across 27 countries, supplying a broad range of internationally sourced non-food products to a variety of market sectors.

NORTH AMERICA

£3,401.7m Revenue

£213.6m Operating profit*

55% of revenue

- Revenue increased 15% at constant exchange rates.
- Slight decrease in operating margin from 6.4% to 6.3%.
- Return on operating capital down from 64.4% to 61.2%.

Read more on page 16 →

CONTINENTAL EUROPE

£1,151.5m Revenue

£97.0m Operating profit*

19% of revenue

- Revenue up 2% at constant exchange rates.
- Improvement in operating margin from 8.1% to 8.4%.
- Return on operating capital up from 42.4% to 47.5%.

Read more on page 19 →

OUR MARKET SECTORS

FOODSERVICE

Non-food consumables, including food packaging, disposable tableware, guest amenities, catering equipment, cleaning products and safety items, to hotels, restaurants, contract caterers, food processors and the leisure sector.

29%

GROCERY

Goods not for resale (items which are used but not actually sold), including food packaging, films, labels and cleaning and hygiene supplies, to grocery stores, supermarkets and retail chains.

27%

CLEANING & HYGIENE

Cleaning and hygiene materials, including chemicals and hygiene paper, to cleaning and facilities management companies and industrial and healthcare customers.

12%

NON-FOOD RETAIL

Goods not for resale, including packaging and a full range of cleaning and hygiene products, to department stores, boutiques, office supply companies, retail chains and home improvement chains.

12%

SAFETY

A complete range of personal protection equipment, including hard hats, gloves, boots and workwear, to industrial and construction markets.

10%

*Before intangible amortisation and acquisition related costs.

UK & IRELAND

£1,018.5m Revenue

£71.6m Operating profit*

17% of revenue

- Revenue increased 2% at constant exchange rates.
- Increase in operating margin from 6.6% to 7.0%.
- Return on operating capital improved from 86.5% to 98.8%.

Read more on page 20 →

REST OF THE WORLD

£526.0m Revenue

£51.2m Operating profit*

9% of revenue

- Revenue up 47% at constant exchange rates.
- Significant increase in operating margin from 8.7% to 9.7%.
- Return on operating capital down from 54.5% to 47.1%.

Read more on page 23 →

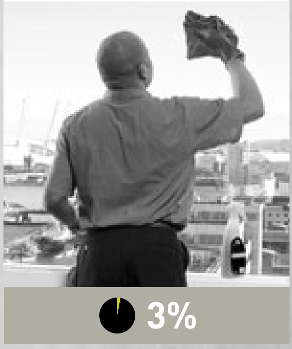
MARKET ENVIRONMENT

HEALTHCARE

Disposable healthcare consumables, including gloves, swabs, gowns and bandages, to the healthcare sector.

OTHER

A variety of product ranges supplied to other markets such as government and education establishments.



GROWTH DRIVERS

- Increasing trend to outsourcing.
- Global legislative trends for health & safety and the environment.
- Favourable demographics in healthcare.
- Underlying growth in key sectors including:
  - Foodservice – away from home;
  - Cleaning & hygiene – away from home;
  - Safety – increased legislation;
  - Healthcare – demographics.

COMPETITIVE ADVANTAGE

- No one does what we do, on our scale, across our international markets.
- Expertise in making successful acquisitions.
- Global sourcing capabilities.
- Bunzl's national distribution networks.

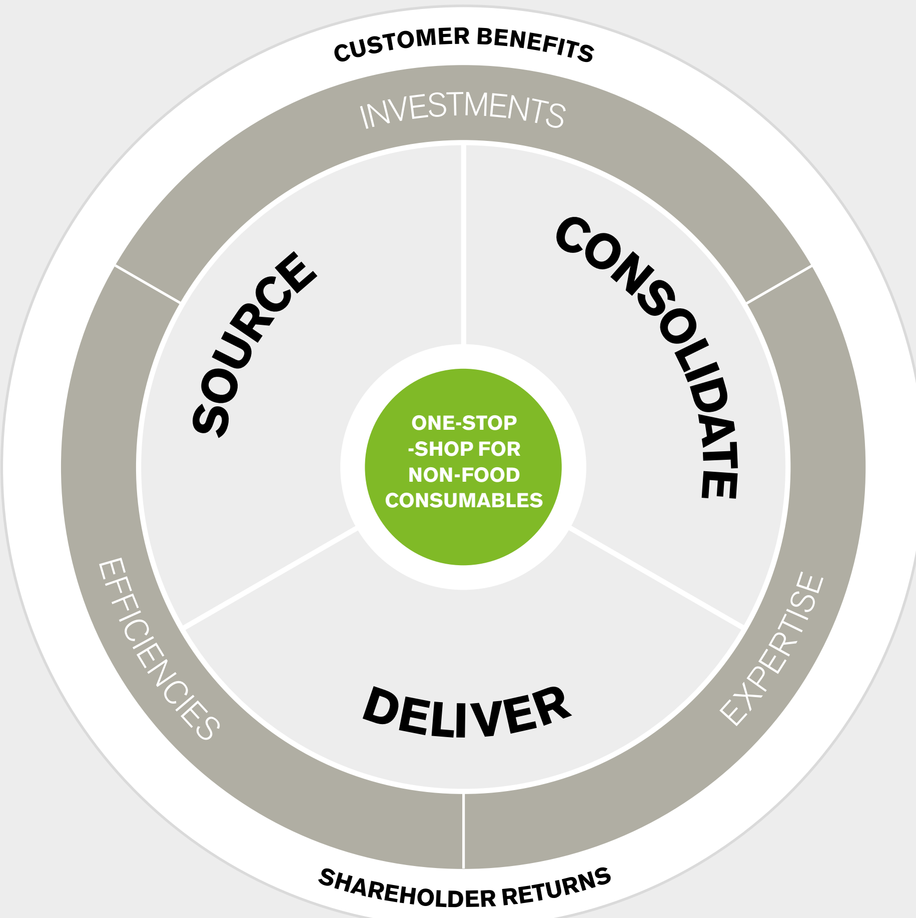
CUSTOMERS

- Strong national, regional and local customer base.
- Working with national and international leading companies.
- Aligned with customer growth.
- Focus on customer service.

BUSINESS MODEL AND STRATEGY

For many years we have followed a well established and successful business model and pursued a consistent and proven strategy. By doing so we have delivered strong growth across our selected international markets as we have looked to develop both in existing and new geographies.

OUR BUSINESS MODEL



CUSTOMER BENEFITS
Our customers benefit from a lower cost of doing business by reducing or eliminating many of the hidden costs of in-house procurement and distribution and reducing carbon emissions.

SHAREHOLDER RETURNS
Our shareholders have enjoyed significant returns on their investment over time with sustained growth in Bunzl's share price and year-on-year increases in dividends.

WE SOURCE

We source and procure branded, own brand and unbranded products globally, working with both multinational and local suppliers, to ensure that our customers have access to the best and most suitable products to meet their needs.

WE CONSOLIDATE

By applying our resources and consolidating a broad range of products into our extensive warehousing infrastructure, we are able to offer our customers a one-stop-shop solution which reduces or eliminates many of the hidden costs of self-distribution.

WE DELIVER

We offer several delivery options, including direct store delivery, cross dock and warehouse replenishment programmes, on a local, regional and national basis, to ensure that our customers get their products when and where they are needed.

BY FOLLOWING A STRATEGY OF FOCUSING ON OUR STRENGTHS AND CONSOLIDATING THE MARKETS IN WHICH WE COMPETE, WE ARE ABLE TO CREATE LONG TERM SHAREHOLDER VALUE.

OUR STRATEGY

ORGANIC GROWTH

We achieve organic growth by applying our resources and expertise to enable customers to outsource to Bunzl the purchasing, consolidation and delivery of a broad range of products, thereby enabling them to achieve efficiencies and savings.

ACQUISITION GROWTH

Since 2004 we have announced more than 80 acquisitions with an average annual spend of £180 million, adding average annualised revenue of £265 million.

OPERATING MODEL EFFICIENCIES

We continually strive to make our businesses more efficient and environmentally friendly by investing in new IT systems and warehouse facilities and implementing best practice operational procedures.

OUR STRATEGY BUILDING BLOCKS

- **Unique business model**
  Our supply chain management and one-stop-shop offering allows our customers to focus on their core businesses more effectively and at the same time reduce their working capital and carbon emissions.
- **Balanced business portfolio**
  We have a geographically balanced and diversified business portfolio operating across 27 countries.
- **Operational focus**
  With a decentralised operational structure, our management are able to focus on our customers' needs while retaining full responsibility for the financial performance of their businesses.
- **Strong financial discipline**
  Over the last 10 years we have delivered consistently good results with very high returns on capital and operating cash flow conversion.
- **Experienced management**
  Our executive directors and business area heads have extensive experience in managing the Group's businesses with an average of 16 years' service with Bunzl.
- **Acquisition strategy and track record**
  Our acquisition strategy is to seek out those businesses that satisfy key criteria, including having good financial returns in resilient and growing markets, while at the same time providing opportunities to extract further value as part of the Bunzl Group.
- **Attractive markets**
  We operate across six core fragmented markets sectors, many of which are growing and resilient to challenging economic conditions.

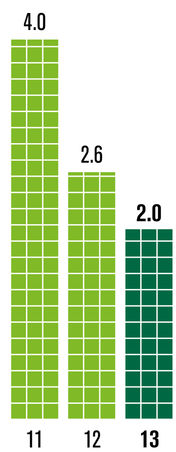
To find out how we are making progress on our strategic priorities through our key performance indicators, see pages 6 and 7.

KEY PERFORMANCE INDICATORS

We use the following key performance indicators ('KPIs') to measure our progress in delivering the successful implementation of our strategy and to monitor and drive performance. Together these KPIs reflect our strategic priorities of developing the business through organic and acquisition led growth and improving the efficiency of our operations as well as other financial and environmental metrics.

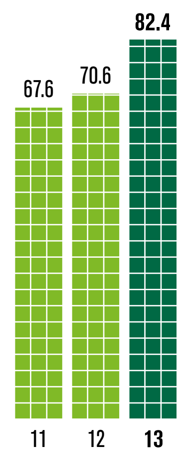
ORGANIC REVENUE GROWTH %

Increase in revenue for the year excluding the impact of currency translation, acquisitions during the first 12 months of ownership and disposal of business.



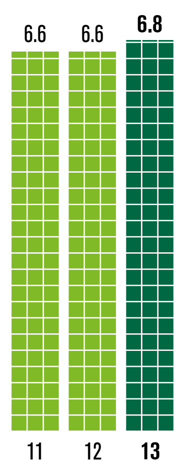
ADJUSTED EARNINGS PER SHARE p

Earnings per share excluding intangible amortisation, acquisition related costs and disposal of business. 2011 and 2012 have been restated on adoption of IAS 19 (Revised 2011) 'Employee Benefits' (see Note 1).



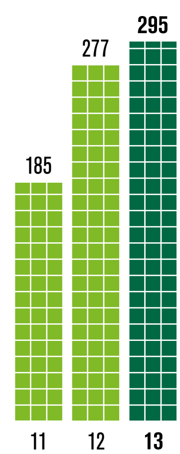
PROFIT MARGIN %

Ratio of operating profit before intangible amortisation and acquisition related costs to revenue.



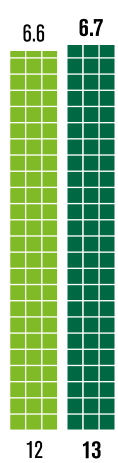
ACQUISITION SPEND £m

Consideration paid and payable, together with net debt assumed, in respect of businesses acquired or agreed to be acquired during the year.



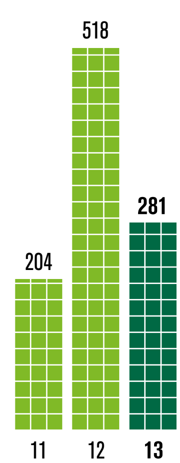
UNDERLYING PROFIT MARGIN %

Current year profit margin excluding the impact of acquisitions during the first 12 months of ownership compared to the prior year profit margin restated at constant exchange rates.



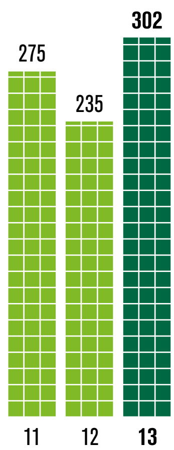
ANNUALISED REVENUE FROM ACQUISITIONS £m

Estimated revenue which would have been contributed by acquisitions made or agreed to be made during the year if such acquisitions had been completed at the beginning of the relevant year.



FREE CASH FLOW £m

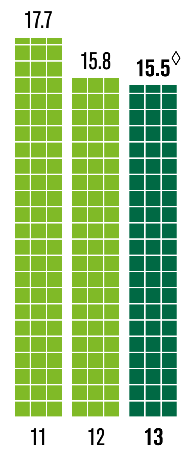
Cash generated from operations before acquisition related costs less net capital expenditure, interest and tax.



SCOPE 1 CARBON EMISSIONS
Tonnes of CO_2 per £m revenue

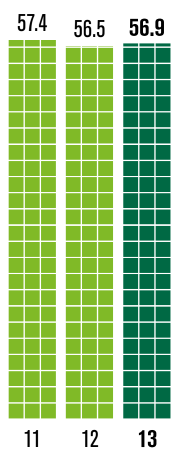
Measured using the Greenhouse Gas Protocol applying 2013 Defra conversion factors with the 2011 and 2012 data restated accordingly.

12 months to 30 September



RETURN ON AVERAGE OPERATING CAPITAL %

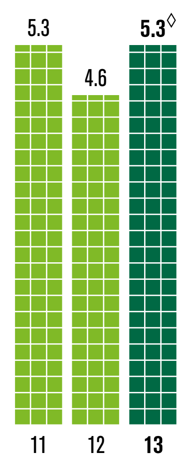
Ratio of operating profit before intangible amortisation, acquisition related costs and disposal of business to the average of the month end operating capital employed, being tangible fixed assets, inventories and trade and other receivables less trade and other payables.



SCOPE 2 CARBON EMISSIONS
Tonnes of CO_2 per £m revenue

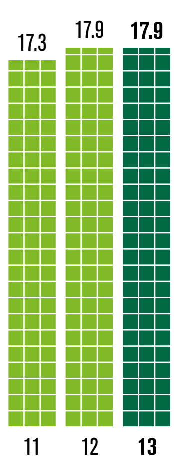
Measured using the Greenhouse Gas Protocol applying 2013 Defra conversion factors with the 2011 and 2012 data restated accordingly.

12 months to 30 September



RETURN ON INVESTED CAPITAL %

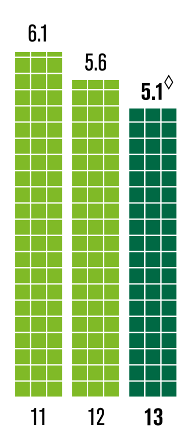
Ratio of operating profit before intangible amortisation, acquisition related costs and disposal of business to the average of the month end invested capital, being equity after adding back net debt, retirement benefit obligations, cumulative intangible amortisation, acquisition related costs and amounts written off intangible assets, net of the related tax.



FUEL USAGE
Litres per £000 revenue

Diesel, petrol and LPG used in the Group's own vehicles.

12 months to 30 September



◊ Included in the external auditor's limited assurance scope referred to on page 36.

600,000+

Separate stock keeping units of products held

SUPPLY DELIVER ENABLE

We supply a broad range of everyday items across six core market sectors. We ensure the right products are delivered where and when they are needed, enabling our customers to focus on their core businesses.

WE DELIVER MANY DIFFERENT PRODUCTS TO OUR CUSTOMERS IN A TIMELY MANNER, ENABLING THEM TO OPERATE MORE EFFICIENTLY

Philip Rogerson
Chairman

‘OUR DEEP UNDERSTANDING OF THE FRAGMENTED MARKETS IN WHICH WE OPERATE AND OUR ABILITY TO OFFER TOTAL SOLUTIONS THAT PROVIDE QUANTIFIABLE BENEFITS TO OUR CUSTOMERS HAVE ONCE AGAIN CONTRIBUTED TO OUR SUCCESS.’

RESULTS

Although there were signs of improving macroeconomic conditions in some of the countries in which we operate, the market conditions in many of our sectors remained challenging throughout 2013. I am therefore delighted to be able to report an excellent set of results for 2013.

Group revenue increased to £6,097.7 million (2012: £5,359.2 million), an increase of 12% at constant exchange rates, due to organic growth of 2% combined with the impact of acquisitions.

Operating profit before intangible amortisation and acquisition related costs was £414.4 million (2012: £352.4 million), up 16% at constant exchange rates, with the improvement in the Group operating margin being driven by both organic growth and the impact of acquisitions. Adjusted earnings per share before intangible amortisation, acquisition related costs and the vending disposal were 82.4p (2012: 70.6p), an increase of 15% at constant exchange rates.

Positive currency translation movements, principally in the US dollar and euro, which were partly offset by adverse exchange rate movements elsewhere, increased the reported Group growth rates by around a further 2%.

DIVIDEND

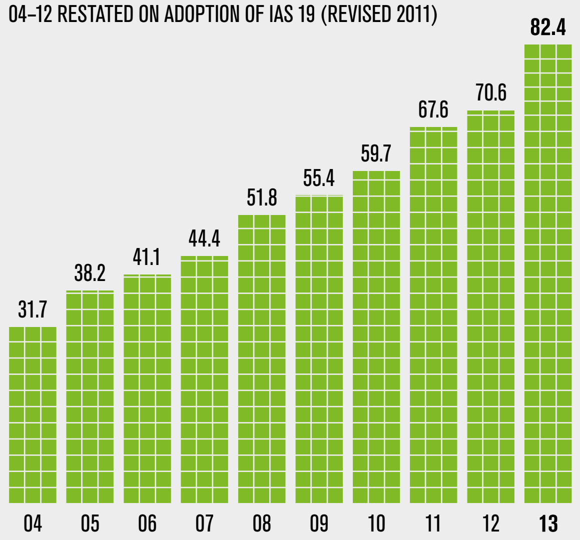
The Board is recommending a final dividend of 22.4p. This brings the total dividend for the year to 32.4p, up 15% compared to 2012. Shareholders will again have the opportunity to participate in our dividend reinvestment plan.

STRATEGY

We have continued to pursue our consistent and proven strategy of developing the business through organic growth, consolidating our markets through focused acquisitions and continuously improving the efficiency of our operations. Once again this has resulted in another successful year of growth for the Group.

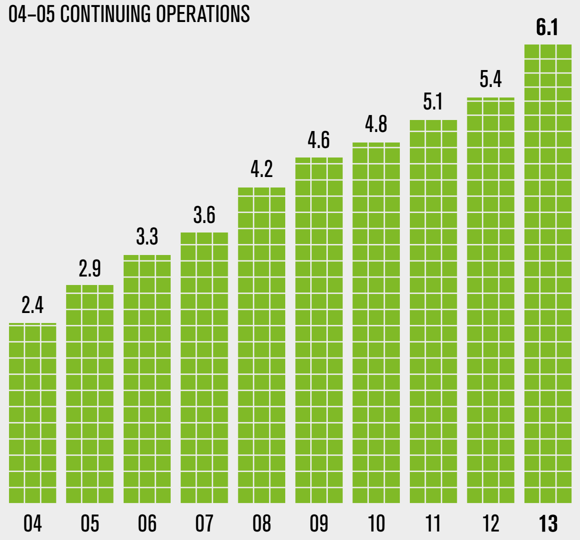
ADJUSTED EARNINGS PER SHARE p

04–12 RESTATED ON ADOPTION OF IAS 19 (REVISED 2011)



REVENUE £bn

04–05 CONTINUING OPERATIONS



We achieve our organic growth by applying our resources and expertise to enable customers to outsource to Bunzl the purchasing, consolidation and distribution of a broad range of goods not for resale. By doing so our customers are able to focus on their core business more cost effectively by achieving purchasing efficiencies and savings, freeing up working capital, improving their distribution capabilities, reducing carbon emissions and simplifying their internal administration.

Acquisition activity continued at a similar pace to that seen in 2012. In addition to completing in February 2013 the purchase of Vicsa Brasil, which we agreed to acquire in December 2012, we made 11 acquisitions in the year. The committed spend in respect of these 11 acquisitions was £295 million, adding annualised revenue of over £280 million. Having pursued our strategy consistently over many years, we have built leading positions in a variety of market sectors across the Americas, Europe and Australasia.

INVESTMENT

Investment in the business to support our growth strategy and to expand and enhance our asset base is an ongoing process. During the year, we have continued to improve existing warehouses and open new ones. Upgrading our IT systems is also an important task as we integrate new businesses into the Group and increase the functionality and efficiency of our existing operations.

CORPORATE RESPONSIBILITY

We continue to emphasise the requirement for high standards of business practice and sustainable operating processes throughout the Group. Bunzl has collected and analysed environmental performance data from across the businesses for a number of years. As the Group has grown, the collation of this data has become more complex and therefore we have, for the first time, obtained external independent assurance of our CO_2 emissions and fuel usage data. We have also continued to review and enhance our policies and procedures to ensure that we remain compliant with changing practices and legislation and over the last year have focused on further understanding our waste stream and working with our suppliers to ensure compliance with recently introduced timber regulations.

EMPLOYEES

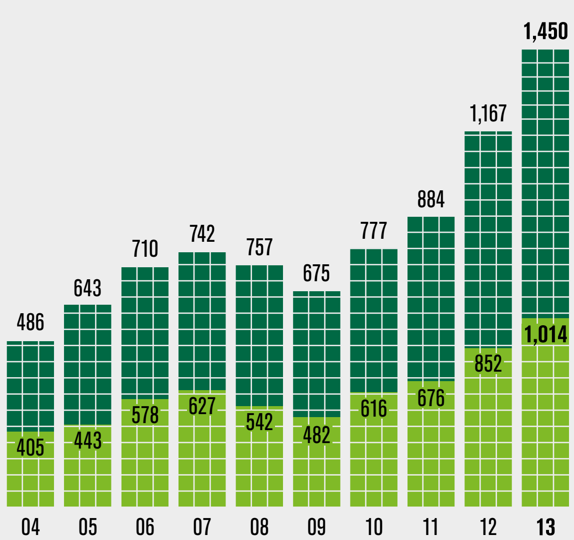
A key differentiator of Bunzl is its long serving and loyal workforce. We believe that this is, in part, due to our decentralised organisation structure. This structure allows our people to understand easily their responsibilities and gives them the space to operate efficiently and effectively. We very much appreciate their consistent high levels of service, performance and hard work. As Bunzl continues to grow by acquisition, we benefit from new ideas and collaboration between our employees from across the world to improve our customer service and introduce more innovative products to our customers.

BOARD

Ulrich Wolters, who served as a non-executive director from 2004, retired after the Company's Annual General Meeting in April 2013. We thank Ulrich for his significant contribution over many years. Jean-Charles Pauze and Meinie Oldersma were appointed as non-executive directors in January and April 2013 respectively. Based in Paris, Jean-Charles is presently Chairman of Europcar and Chairman of the Supervisory Board of CFAO Group and was Chairman and Chief Executive of Rexel for 10 years until 2012. Prior to that he held a number of senior positions with PPR Group, Strafor Facom Group and Alfa Laval Group in France and Germany. A Dutch national, Meinie was Chief Executive of 20:20 Mobile Group from 2008 until earlier this month and previously held a variety of senior positions with Ingram Micro, most recently as Chief Executive and President of their China Group and Managing Director of their business in Northern Europe. Both Jean-Charles and Meinie have extensive international experience across a range of distribution and service sectors, particularly in Europe and Asia, which is already proving to be of great value to Bunzl as we expand and develop.

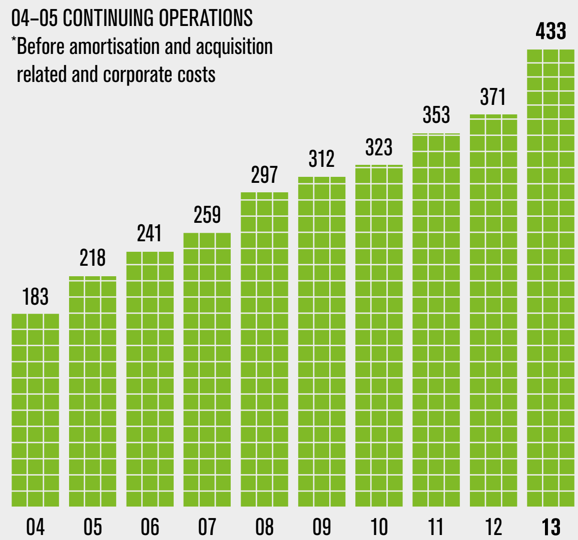
Philip Rogerson
Chairman
24 February 2014

SHARE PRICE RANGE p



OPERATING PROFIT* £m

04–05 CONTINUING OPERATIONS
*Before amortisation and acquisition related and corporate costs



CHIEF EXECUTIVE'S REVIEW

Michael Roney
Chief Executive

OPERATING PERFORMANCE

The Group has had another successful year in 2013 due to a combination of some organic growth, good performances from the acquisitions made in 2012 and a high level of acquisition spend during the year.

The overall positive translation effect of currency movements has increased the reported Group growth rates of revenue and operating profit by approximately 2%. The operations, including the relevant growth rates, are reviewed below at constant exchange rates to remove the distorting impact of these currency movements. Changes in the level of revenue and profits at constant exchange rates have been calculated by retranslating the results for 2012 at the average rates used for 2013. Unless otherwise stated, all references in this review to operating profit are to operating profit before intangible amortisation and acquisition related costs.

Revenue increased 12% (14% at actual exchange rates) to £6,097.7 million and operating profit was £414.4 million, an increase of 16% (18% at actual exchange rates). The percentage growth in operating profit was greater than that of revenue due to the improvement in Group operating margin at both actual and constant exchange rates by 20 basis points to 6.8% as a result of improved levels of profitability in some businesses and the impact of acquisitions.

In North America revenue rose 15% (17% at actual exchange rates) due to good organic revenue growth and the impact of acquisitions completed in both 2012 and 2013, while operating profit increased 14% (16% at actual exchange rates). Revenue in Continental Europe rose 2% (7% at actual exchange rates) as a result of improved organic revenue growth and the impact of acquisitions, with operating profit up 6% (11% at actual exchange rates) as margins improved. In UK & Ireland revenue was up 2% (3% at actual exchange rates) due to the impact of relatively small acquisitions, but operating profit rose 10% at both constant and actual exchange rates as margins continued to recover during the year. In Rest of the World revenue increased 47% (38% at actual exchange rates) and operating profit was up 65% (54% at actual exchange rates) due to both good organic revenue growth and the substantial impact of acquisitions.

Basic earnings per share were 7% higher (8% at actual exchange rates) at 63.5p. Adjusted earnings per share, after eliminating the effect of intangible amortisation, acquisition related costs and the disposal of vending, were 82.4p, an increase of 15% (17% at actual exchange rates). The return on average operating capital increased from 56.5% to 56.9%. Return on invested capital was 17.9%, in line with 2012, despite our ongoing acquisition spend.

Our operating cash flow continued to be strong with the ratio of operating cash flow before acquisition related costs to operating profit at 102%. The net debt to EBITDA ratio was 1.8 times, the same level as at the previous year end despite an acquisition cash outflow of £279.9 million.

Corporate Responsibility ('CR') remains intrinsic to the effective running of our business. In particular we have continued to give outstanding customer service by providing innovative products and service solutions, many of which assist our customers in reducing their impact on the environment. During the year Bunzl has received a number of awards for CR activities from customers, public bodies and other organisations.

ACQUISITIONS

Our committed acquisition spend in 2013 of £295 million was slightly higher than in 2012 and was the highest level since 2004. During the year 11 transactions were completed in addition to the completion in February 2013 of the purchase of Vicsa Brasil which we agreed to acquire in December 2012.

At the end of January 2013 we acquired McNeil Surgical in Australia. With revenue of £10 million in 2013, the business is engaged in the sale of healthcare consumables and equipment to aged care facilities, hospitals and medical centres as well as to distributors and increases our market presence in this growing sector. We completed the purchase of Vicsa Brasil in February, the proposed acquisition of which was agreed in December 2012, following clearance of the transaction from the Brazilian Competition Authority. Based in São Paulo, the business is engaged in the sale of personal protection equipment throughout Brazil and expands our growing safety business in Brazil. Revenue in 2013 was £6 million. In March we purchased Labor Import, a business principally engaged in the supply and distribution of own label medical and healthcare consumable products to distributors as well as to hospitals, clinics, laboratories and care homes throughout Brazil. Revenue in 2013 was £15 million. This is another important step for Bunzl as it represents our first move into the healthcare sector in Brazil, having previously acquired businesses in the safety and cleaning and hygiene sectors. The acquisition of MDA in the UK was also completed in March. The business, which had revenue in 2013 of £23 million, is involved in the procurement and fulfilment of promotional products and marketing point of sale materials for a variety of customers, principally in the food and drinks industries.

Our business in Australia was significantly expanded at the end of April with the purchase of three businesses which formed part of the Industrial & Safety division of Jeminex. The workwear and personal safety business distributes an extensive range of specialist personal protection equipment and workwear to the mining, resources, construction and general industrial sectors. The lifting, rigging and height safety business is principally engaged in the supply of lifting chains and ropes, slings and load restraints as well as the provision of accredited testing and repair services. The third business is involved in the supply of industrial packaging products to a variety of customers in different market sectors. Revenue of the acquired businesses was £98 million in 2013.

The acquisition of TFS in the UK was completed at the end of July. With revenue of £9 million in 2013, TFS complements MDA and has further strengthened that part of our business in the UK which is focused on marketing and point of sale materials. Espomega, which supplies a variety of safety products to distributors throughout Mexico, was acquired at the end of August. Revenue was £27 million in 2013 and the acquisition has expanded significantly our safety business in Mexico. ProEpta, a leading distributor of catering equipment throughout Mexico, principally to luxury hotels and restaurants, was acquired in September. Revenue in 2013 was £18 million.

Wesclean, a business engaged in the distribution of cleaning and hygiene equipment and supplies to a variety of customer markets throughout Western Canada with revenue of £40 million in 2013, was acquired in November. Our safety business in Germany was expanded with the acquisition at the end of November of pka Klöcker, a business based near Düsseldorf engaged in the sale to distributors of personal protection equipment, principally own label workwear. Revenue in 2013 was £5 million. De Santis, a business based near São Paulo principally engaged in the sale of personal protection equipment to end user customers in a number of different market sectors and with revenue of £5 million in 2013, was acquired in December. Finally, SAS Safety, a business based in California specialising in the sourcing and sale to distributors of a variety of own label personal protection equipment, principally safety gloves, was also acquired in December. Revenue in 2013 was £31 million.

Today we are announcing the acquisition of Bäumer and Protemo in Germany and Oskar Plast in the Czech Republic. The businesses in Germany had aggregated revenue of €11.9 million (c.£10 million) in 2013 and represent our first step into the cleaning and hygiene and healthcare sectors in Germany. Oskar Plast had revenue of CZK284 million (c.£9 million) in 2013 and has expanded our operations in the Czech Republic.

PROSPECTS

We believe that an improving macroeconomic outlook, Bunzl's strong competitive position and the full year impact of the 2013 acquisitions should lead to a good performance in 2014. However, with the recent strengthening of sterling, our reported results will be negatively affected by foreign exchange translation if exchange rates remain at their current levels.

At constant exchange rates each of our business areas is expected to grow. In North America, we expect good growth as a result of both organic revenue growth and the acquisitions made in 2013. Even though the economic environment continues to be sluggish in Continental Europe, we expect to see continued growth this year. In UK & Ireland, after a long period of time with a weak revenue line, we expect to see some sales growth in 2014 with margin stability. Rest of the World should show significant increase in revenue and profit, especially in Latin America, due to a combination of underlying growth and the impact of recent acquisitions.

We have had three consecutive years of higher than our historical average acquisition spend and the pipeline of potential acquisitions continues to be promising. Discussions are ongoing with a number of targets in all of the business areas and we expect to complete further acquisitions in the coming months.

The Board is confident that our strong market position will enable the Group to grow the business and continue to build value for our shareholders.

Michael Roney
Chief Executive
24 February 2014

MANAGEMENT TEAM

Managers from across the Group meet regularly to review performance, discuss trends affecting our businesses and seek further opportunities for growth and competitive advantage.

Brian May
Finance Director

Patrick Larmon
President and CEO
North America

Celia Baxter
Director of Group
Human Resources

Paul Hussey
General Counsel &
Company Secretary

Paul Budge
Managing Director
UK & Ireland

Andrew Mooney
Director of Corporate
Development

Frank van Zanten
Managing Director
Continental Europe

Rodrigo Mascarenhas
Managing Director
Latin America

Kim Hetherington
Managing Director
Australasia

27

Countries of operation across four continents

GROW DEVELOP SIMPLIFY

WE UNDERSTAND THE IMPORTANCE OF GROWING ORGANICALLY AND THROUGH ACQUISITIONS WHILE MAKING OUR BUSINESS MORE EFFICIENT

We have grown consistently and sustainably with a clear and focused strategy through the development of long term relationships and by identifying future business opportunities. Our service offer is based on a one-stop-shop solution which allows our customers to simplify their business processes.


924
COMPACT

NORTH AMERICA

+14%
Increase in operating profit at constant exchange rates

In North America revenue increased by 15% to £3,401.7 million due to organic sales growth from new customer wins and overall revenue gains in our existing business, together with the impact of acquisitions, particularly those businesses purchased in 2012. This sales growth contributed to an operating profit increase of 14% to £213.6 million.

Our largest business, which serves the grocery sector, continued to produce solid results in 2013. We maintained strong positions with our existing large national and regional customers. We also gained several new locally based accounts to bolster our sales in this sector during the year. Our uniform IT platform and ability to execute our programmes on a local, regional and national basis give us a distinct competitive advantage and the ability to accommodate supply chain disruptions, such as those caused by bad weather, and thereby sustain our level and quality of service.

The redistribution business once again provided opportunities for our distributor customers to increase their sales and profitability. As a result of our distribution scale and proximity, customers can rely on our one-stop-shop offering, excellent fill rates, dependable delivery capabilities and extensive product lines and use us as a virtual extension of their own inventory. Customers can thereby improve their asset utilisation and reallocate storage space to higher revenue generating items previously occupied by the items we provide. Our domestically sourced, environmentally friendly and imported private label lines give customers the opportunity to substitute quality private label alternatives to increase their gross margins and profits. Our sales teams assist in consolidating the sources of supply that lead to administrative and operating cost reductions. Additionally, we provide sophisticated marketing tools to drive increased customer sales of our products. The acquisition of SAS Safety in December is a significant and strategic addition to our safety business in North America.

We are increasing our marketing and communication activities through the FoodHandler brand, which is recognised by the foodservice market for excellence in innovation, quality and safety. We also established a new FoodHandler distribution centre in the Midwest, in addition to our existing East and West Coast facilities, to reduce our operating costs, improve product availability and reduce lead times.

Our food processor business continued to grow through our ability to supply a wide range of MRO, personal protection equipment and packaging products to major producers in the meat, field and fresh cut produce, dairy and prepared foods industries. We gained business with growers, packers and retailers through our Cool Pak, Netpak and Destiny Packaging businesses which assist our customers in designing and sourcing both flexible and rigid packaging solutions and programmes that meet their specialised needs in the agricultural processing sector.

Our business serving the non-food retail sector expanded further despite the slow growth in US retail sales. Our uniform operating platform, coupled with our extensive branch network, give us the ability to create programmes that offer our retail customers centralised account management while leveraging our sourcing and import expertise thereby enabling us to service retailer locations on a local basis coast to coast. Further integrating the expertise, facilities and customer base of Schwarz Paper Company, which we acquired in December 2012, has strengthened our retail fulfilment capabilities and position in the marketplace. Schwarz has also extended our product lines, especially in-store fixtures and store supplies. Their materials consolidation division offers a dynamic solution for our customers in handling store fixtures and equipment. Similarly CDW Merchants, which was also acquired in 2012, continues to deliver creative expertise in the design of point of sale displays and specialty retail packaging. Overall, the retail supplies businesses are together able to offer a wide breadth of resources to our customers in this sector.

'AS A FOCUSED ORGANISATION WE HAVE CONTINUED TO DEMONSTRATE THE STRENGTH AND DEPTH OF OUR CUSTOMER PROPOSITION AND SHOW OUR ABILITY TO DEVELOP FURTHER ACROSS THE MARKETS WE SERVE.'

Patrick Larmon
President and CEO North America

The convenience store sector also expanded in 2013. We have partnered with retail convenience store chains and increased the breadth of product lines provided through our programmes to assist retailers in improving their in-store offerings. We also developed our retail redistribution programme during the year and now distribute products for two of our preferred suppliers through a national wholesaler.

We increased the breadth of our imported private label product offering and significantly grew our import business. In order to do so we continued to utilise our state-of-the-art Shanghai export consolidation centre, quality control services and international logistics expertise. As a result, we have realigned our import sales and marketing resources to focus on growing import programme sales.

The recent acquisition of ProEpta in Mexico expands our presence in the restaurant and hospitality sector. This also gives us the opportunity to expand the business into other product lines available through our existing operations there.

Our business in Canada continued to grow and produce good results. McCordick Glove & Safety, acquired in 2012, performed well and has gained several new national accounts. Our recent acquisition of Wesclean has significantly expanded our operations in the cleaning and hygiene sector in Canada and broadened the range of products we can offer.

ProEpta

The acquisition of ProEpta further extends our business in Mexico into the catering equipment sector following the recent expansion into the safety sector with the acquisition of both Vicsa Safety and Espomega. The business has a strong position in this promising market.

Wesclean Equipment & Cleaning Supplies

The purchase of Wesclean is an important development for our business in Canada as it significantly expands our operations there in the cleaning and hygiene sector. The business has an excellent reputation for providing a broad range of products and services and should provide additional opportunities for us to develop further in this sector.

SAS Safety

SAS Safety is a significant and strategic addition to our safety business in North America. It specialises in the sourcing and sale of a variety of own label personal protection equipment, principally safety gloves, to distributors.

pka Klöcker

The acquisition of pka Klöcker extends our existing safety operations in Germany following the purchase of Majestic in 2011. The business is principally engaged in the sale of own label workwear to distributors.

CONTINENTAL EUROPE

+6%
Increase in operating profit at constant exchange rates

Revenue rose by 2% to £1,151.5 million and operating profit improved 6% to £97.0 million. While macroeconomic conditions remained challenging, overall profitability and operating margins have improved due to a combination of organic sales growth, improved margin management, continued tight cost control and the full year impact of the 2012 acquisitions of Zahav and Distrimondo together with the acquisition of pka Klöcker in late November 2013.

In France, our cleaning and hygiene business saw a slight decline in sales but improved its gross margin despite ongoing market pressures, particularly in the healthcare and public sectors, helped partly by an increase in sales of own brand products. Cost reduction measures continued to deliver savings such that operating profit improved significantly following the reduction in profit last year. Our personal protection equipment business enjoyed good sales growth and consequently improved its operating profit.

In the Netherlands, sales improved in the healthcare, cleaning and hygiene and horeca (hotel, restaurant and catering) sectors. However sales declined in the food and non-food retail sectors given the ongoing market pressures on our customers in these sectors. While overall sales decreased slightly, margins improved and cost increases were kept to a minimum. Two of our businesses successfully migrated to a new IT system. The personal protection equipment and safety products business recorded strong sales growth from gaining market share and achieved better margins from the increase in sales of own brand products. Overall the operating profit for the Netherlands was at a similar level to the previous year.

In Belgium, we recorded strong sales growth in the cleaning and hygiene sector, particularly from increasing business with a number of existing key accounts, although sales remained weak in the retail sector. With margins improving, profitability grew strongly.

In Germany, stronger sales to hotels and butchers were offset by weaker trading in the foodservice and bakery sectors. Margins improved and costs were reduced leading to an increase in operating profit. At the end of November we acquired pka Klöcker which is engaged in the sale of personal protection equipment, principally own label workwear, to distributors. The business is integrating well and will help improve our position in the safety sector in Germany through cross-selling activities with our existing operations, including Majestic. The recent acquisition of Bäumer and Protemo in January 2014 has extended our business in Germany into the cleaning and hygiene and healthcare sectors.

In Switzerland, our Weita business increased sales, in particular in the retail and medical sectors, but margins remained under pressure and operating profit declined. We have benefited from the full year impact of the acquisition of Distrimondo in mid 2012 which continues to trade well and benefit from the significant synergies generated from the combination with Weita.

'WE HAVE BEEN ABLE TO INCREASE BOTH REVENUE AND OPERATING PROFIT DESPITE THE DIFFICULT ECONOMIC CONDITIONS WE CONTINUED TO FACE THROUGHOUT THE REGION.'

Frank van Zanten
Managing Director Continental Europe

In Denmark, sales of personal protection equipment and packaging increased and revenue to horeca distributors improved but sales of horeca products to the public sector, which continues to seek significant cost savings, declined leading to a fall in overall revenue. Gross margins stabilised in the retail sector but declined in the horeca market, particularly as a result of public sector customers issuing a number of major tenders. Costs were reduced due to the impact of the new IT system in our horeca business and the same system was successfully implemented into the retail business but this was not sufficient to offset fully the reduction in gross margin, leading to a decrease in operating profit.

In Spain, trading conditions have started to improve although our cleaning and hygiene business saw full year sales decline slightly compared to 2012. Sales increased in our personal protection equipment businesses, particularly due to exports, but also as a result of a return to modest growth in the Spanish economy in recent months. Margins improved in both sectors and cost increases were limited such that operating profit grew well. During the year we consolidated our various warehouses in Catalonia into one new facility which will generate cost savings going forward.

In central Europe, sales grew strongly, particularly in Romania and the retail business in Hungary, although margins remained under pressure across the region. Costs were carefully controlled and operating profit grew significantly. The purchase of Oskar Plast in February 2014 is an important addition to our business in the Czech Republic.

In Israel, Silco saw sales decline following the loss of a major customer. This was more than compensated for by the full year impact of the 2012 acquisition of Zahav but overall operating profit reduced in a difficult market environment.

UK & IRELAND

+10%
Increase in operating profit at constant exchange rates

Our operations in the UK & Ireland continued to build on the improvements seen in recent years. Although revenue was up 2% to £1,018.5 million, operating profit rose significantly by 10% to £71.6 million as we improved the efficiency of our businesses and, as a result, the operating margin once again increased. A notable element of this year's performance is that we have made good progress in each of the sectors in which we operate, including those that were particularly adversely affected at the onset of the financial crisis.

Against the background of the challenging macroeconomic conditions over the last few years, we have remained focused on margin management and tight cost control while also continuing to enhance the levels of service that we provide to our customers. This service offering has not only built our reputation in the markets in which we compete but has also delivered an increasingly efficient organisation. We continue to manage cash flow closely and are pleased to report a further improvement in the return on capital employed which was already the highest of our business areas.

In our food and non-food retail supplies businesses, our broad mix of customers has helped to produce a strong performance in a difficult market with both revenue and operating profit ahead. As our retail customers adapt to changes in their market conditions, we have assisted them as they have developed smaller local retail concepts and their online sales offerings to their customers. The flexibility of our services across procurement and different models of delivery, including direct to store, has seen us continue to develop our offering. Our retail packaging business, Keenpac, has opened a sales office in Shenzhen which allows us to sell direct to global retail brands with outlets in China.

During the year we acquired two marketing services businesses, MDA and TFS. These businesses manage and deliver the supply of point of sale and marketing materials on behalf of leading consumer brands to retail outlets. They are both performing strongly and have fitted in well alongside, and provided complementary services to, our existing operations.

In the hospitality business, our own brand product offering has grown and been well received and has partly helped to compensate for a reduction in sales and operating profit, following the loss of some business towards the end of 2012. We have continued to make efficiency improvements, including in particular the consolidation of three branches and the imminent relocation to a purpose built facility in the West Midlands.

'DUE TO GOOD MARGIN MANAGEMENT AND TIGHT COST CONTROL, OUR OPERATING MARGIN HAS RETURNED TO 7.0%, ITS HIGHEST LEVEL FOR FIVE YEARS, WITH A FURTHER INCREASE IN OUR RETURN ON OPERATING CAPITAL TO 98.8%.'

Paul Budge
Managing Director UK & Ireland

Our cleaning and hygiene supplies business had another good year following a strong performance throughout the recession. Our focus on efficiency and high service levels has continued to help this business remain successful and we have further consolidated our branch network, reducing the number of facilities by two.

In our safety business, demand has started to grow once more. Our strong market position and our ability to offer both leading brands and our own label products, combined with a responsive and flexible service, continue to make us an attractive proposition to our customers and position us well to take advantage of some major construction and maintenance projects as they come on stream.

Our healthcare business operates in a market that continues to be subject to tight spending constraints and ongoing cost reduction initiatives. In this environment, although revenue was slightly lower, our offering has once again proved to be competitive and our high service levels have contributed to a continued improvement in this business.

In Ireland, the hospitality sector has continued to recover and, having significantly adjusted our cost base following the initial economic downturn, we are now well positioned for further growth and have seen a significant improvement in profitability during the year. During the year we relocated one of our two facilities in Dublin into a new facility. This investment has greatly enhanced the quality and efficiency of our business serving the cleaning and safety sectors.

mda

MDA is engaged in the procurement and fulfilment of promotional products and point of sale materials for a variety of customers, principally in the food and drinks industries. This is an exciting development for us as the acquisition has extended our product offering in the retail and hospitality sectors in the UK.

tfs

TFS complements MDA and has further strengthened that part of our business in the UK which is focused on products for marketing and point of sale displays. It has also expanded our service capabilities in these types of products into additional markets such as the automotive and charity sectors.

McNeil Surgical

McNeil Surgical has expanded our presence in the healthcare sector in Australia, supplying a broad range of medical consumables and equipment to aged care facilities, hospitals and medical centres as well as to distributors.

BIS

The acquisition of the industrial and safety businesses from Jeminex has significantly increased the size of our business in Australasia and extends our operations there into the safety market which is a successful sector for us in many countries. Together these businesses now form the Bunzl Industrial & Safety division ('BIS') in Australia.

Espomega

The purchase of Espomega has significantly increased the size of our safety business in Mexico, having entered the safety sector there with the acquisition of Vicsa Safety at the end of 2012. The business has an excellent range of own brand products which has extended our product offering to customers throughout the region.

De Santis

De Santis is the fifth acquisition we have made in the safety sector in Brazil since the purchase of Prot Cap in 2008. The business sells a variety of personal protection equipment to end user customers in a number of different market sectors.

Labor Import

Labor Import represents our first move into the healthcare sector in Brazil, having previously acquired businesses in the safety and cleaning and hygiene sectors. It has a market leading position and an excellent customer base which should provide a platform for us to develop a strong presence in this sector going forward.

REST OF THE WORLD

+65%
Increase in operating profit at constant exchange rates

In Rest of the World revenue increased 47% to £526.0 million and operating profit rose 65% to £51.2 million with the results benefiting significantly from the impact of acquisitions.

In Australia, the economy continued to be impacted by a slowdown in demand for resources from the major export markets in Asia. This has had a consequential effect on our customers supplying into the mining and resource sectors which in turn has reduced the demand for the products which we supply.

Our largest business, Outsourcing Services, which supplies the healthcare, cleaning and hygiene, catering and retail sectors, continued to develop its position providing consolidated value-added supply solutions for disposable consumables across Australia and New Zealand. Although the business faced challenging market conditions, we increased our presence in the healthcare sector, in particular the aged care and private hospital markets, where we supply a wide range of disposable and medical consumables. To support our growth in this sector, we acquired McNeil Surgical in January 2013 which has provided us with increased levels of expertise and a critical mass in the medical consumables and wound care categories.

In April we acquired part of the Industrial & Safety division of Jeminex. Based in Sydney, the businesses operate nationally from a network of locations throughout Australia. While these businesses have been impacted by the downturn in the resources sector, they have benefited from having a spread of quality customers across other markets and have achieved purchasing synergies and cost reductions since acquisition. The businesses have settled well into our ownership and we have already seen the benefits of creating cross-selling opportunities into existing Bunzl customers.

Our food processor business delivered a much improved performance in 2013. We made progress on our strategy to develop our operations into non-meat and other food processors. To build on this strategy and further consolidate our position as a leading national supplier into this sector, we merged our existing business with Network Packaging which was purchased as part of the acquisition from Jeminex. Network Packaging has a long and successful history supplying into the fruit and produce markets, predominantly in Western Australia, and the merger provides the combined business with an infrastructure and platform to develop these markets nationally. In addition, we are leveraging the expertise of our US operations which have already established a supply chain for the specialist products in this sector. These developments have also provided a good platform for the larger market on the east coast of Australia.

Our operations in Latin America have performed strongly in 2013 and have grown substantially. Despite slower economic growth and currency volatility in Brazil, the organic revenue growth there continued to be strong and was supplemented by a significant impact from acquisitions both in Brazil and elsewhere in Latin America.

Our personal protection equipment businesses in Brazil have continued to develop positively. Prot Cap has gained several new key accounts and has successfully introduced new products and suppliers to its portfolio. This has resulted in a strong performance with increases in both revenue and operating profit. We are currently investing in a new distribution centre in São Paulo that will significantly improve our efficiency and establish a sustainable platform for future growth. Danny, our own brand redistribution safety business, has been successfully integrated into the Group and continues to introduce new innovative solutions for our customers. Vicsa Brasil, which was acquired in February 2013, is meeting our expectations and is also benefiting from purchasing synergies. In particular the own label products they have developed have expanded the range of our product offering in the safety sector throughout Brazil. Its back office operation has been successfully integrated with Danny's and we are continuing to invest in more efficient logistics solutions. Finally, the acquisition of De Santis in December has further expanded our presence in the safety sector. Overall our safety businesses in Brazil performed strongly with substantial growth in both sales and operating profit.

'WE HAVE CONTINUED TO FOCUS ON OPERATIONAL EFFICIENCIES IN A WEAK ECONOMIC ENVIRONMENT WHILE EXTENDING OUR OPERATIONS IN AUSTRALASIA INTO THE SAFETY SECTOR.'

Kim Hetherington
Managing Director Australasia

'THE COMBINATION OF STRONG ORGANIC GROWTH AND THE IMPACT OF ACQUISITIONS IN BOTH NEW AND EXISTING COUNTRIES AND SECTORS HAS TRANSFORMED THE SIZE OF OUR BUSINESS IN LATIN AMERICA.'

Rodrigo Mascarenhas
Managing Director Latin America

Ideal, our cleaning and hygiene business in Brazil, achieved good organic growth winning some new key accounts and also improving gross margins which together have led to an increase in profitability.

In March we acquired Labor Import which is principally engaged in the distribution of own label medical and healthcare consumables and represents our first move into the healthcare sector in Brazil. It has a market leading position and an excellent customer base which should provide a platform for us to develop a strong presence in this sector going forward. The company has integrated well and we are in the process of implementing a new IT platform.

Vicsa Safety, our personal protection equipment business with operations in Chile, Argentina, Peru, Colombia and Mexico which was purchased in December 2012, is performing in line with our expectations. New product development and partnerships with our global suppliers are providing interesting opportunities in the region, particularly in the mining and retail sectors. The business has moved to new distribution centres in Chile and Colombia which will be key for our future expansion in the region. We are introducing new product lines and also benefiting from synergies both within Vicsa's operations in Latin America and other Bunzl companies.

The acquisition of Espomega in August has significantly expanded our safety business in Mexico and has extended our product offering to customers in this large and important market. Despite some volatility in the Mexican economy, the business performed strongly in 2013 and is integrating well.

360+

Warehouse locations throughout the world

WE CARE PASSIONATELY ABOUT OUR BUSINESS TO ENSURE THAT OUR STAKEHOLDERS' REQUIREMENTS ARE FULLY MET

LISTEN PROVIDE CARE

By listening to their needs, we have formed strong partnerships with our customers, providing them with reliable and value-added outsourcing solutions and service oriented distribution across the Americas, Europe and Australasia.

Brian May
Finance Director

'THE GROUP HAS PRODUCED ANOTHER STRONG SET OF RESULTS WITH FREE CASH FLOW OF £302 MILLION AND COMMITTED ACQUISITION SPEND OF £295 MILLION ON 11 ACQUISITIONS DURING THE YEAR.'

GROUP PERFORMANCE

Revenue increased to £6,097.7 million (2012: £5,359.2 million), up 12% at constant exchange rates and up 14% at actual exchange rates, reflecting organic growth of 2% and the benefit of acquisitions. Operating profit before intangible amortisation and acquisition related costs increased to £414.4 million (2012: £352.4 million), an increase of 16% at constant exchange rates and 18% at actual exchange rates, as a result of the revenue growth and the operating profit margin increasing from 6.6% to 6.8%. Currency translation had a positive impact of approximately 2% on the results for the year principally due to the strengthening of the US dollar and euro, partially offset by the weakening of the Australian dollar, Canadian dollar and Brazilian real.

Intangible amortisation and acquisition related costs of £82.3 million were up £23.7 million due to a £13.6 million increase in deferred consideration payments relating to the continued employment of former owners of businesses acquired, a £10.6 million increase in intangible amortisation and a £1.5 million increase in transaction costs and expenses, partially offset by a further reduction in estimated earn out payments of £2.0 million.

The net interest charge of £42.2 million was up £8.2 million on 2012, principally due to higher average net debt from the funding of acquisitions and additional interest expense from the new fixed interest US dollar bonds agreed in 2012 which replaced maturing floating interest US dollar bonds. Interest cover reduced to 9.8 times compared to 10.4 times in 2012.

Profit before income tax, intangible amortisation, acquisition related costs and disposal of business was £372.2 million (2012: £318.4 million), up 16% on 2012 at constant exchange rates and up 17% at actual exchange rates, due to the growth in operating profit before intangible amortisation and acquisition related costs, partially offset by the higher interest charge.

The profit on disposal of business of £4.0 million in 2012 reflects the reassessment of provisions relating to the disposal of the UK vending business in 2011.

TAX

A tax charge at a rate of 27.9% (2012: 27.7%) has been provided on the profit before tax, intangible amortisation, acquisition related costs and disposal of business. Including the impact of intangible amortisation of £58.3 million, acquisition related costs of £24.0 million and the associated deferred and current tax of £20.7 million, the overall tax rate is 28.7% (2012: 27.5%). The underlying tax rate of 27.9% is higher than the nominal UK rate of 23.3% for 2013 principally because many of the Group's operations are in countries with higher tax rates.

PROFIT FOR THE YEAR

Profit after tax of £206.8 million was up £15.5 million, primarily due to the £53.8 million increase in profit before income tax, intangible amortisation, acquisition related costs and disposal of business, partially offset by the increase in intangible amortisation and acquisition related costs of £23.7 million resulting from the increased acquisition activity in 2012 and 2013 and an increase in the tax charge of £10.6 million.

EARNINGS

The weighted average number of shares decreased to 325.8 million from 326.1 million due to shares being purchased from the market into the Company's employee benefit trust, partially offset by employee option exercises. Earnings per share were 63.5p, up 7% on 2012 at constant exchange rates and 8% at actual exchange rates. After adjusting for intangible amortisation, acquisition related costs and the respective associated tax and the profit on disposal of business, adjusted earnings per share were 82.4p, an increase on 2012 of 15% at constant exchange rates and 17% at actual exchange rates.

The intangible amortisation, acquisition related costs, profit on disposal of business and associated tax are items which are not taken into account by management when assessing the underlying performance of the business. Accordingly, such items are removed in calculating the adjusted earnings per share on which management assesses the performance of the Group.

DIVIDENDS

An analysis of dividends per share for the years to which they relate is shown below:

	2013	2012	Growth
Interim dividend (p)	**10.0**	8.8	14%
Final dividend (p)	**22.4**	19.4	15%
Total dividend (p)	**32.4**	28.2	15%
Dividend cover (times)*	**2.5**	2.5	

*Based on adjusted earnings per share

ACQUISITIONS

The acquisitions completed in 2013 were McNeil Surgical, Vicsa Brasil (which the Company agreed to acquire in December 2012), Labor Import, MDA, most of the Industrial & Safety division of Jeminex, TFS, Espomega, ProEpta, Wesclean Equipment & Cleaning Supplies, pka Klöcker, De Santis and SAS Safety. Annualised revenue and operating profit before intangible amortisation and acquisition related costs of the businesses acquired (excluding Vicsa Brasil) were £281.1 million and £37.5 million respectively. A summary of the effect of acquisitions is as follows:

	£m
Fair value of assets acquired	159.1
Goodwill	97.4
Consideration	256.5
Satisfied by:	
cash consideration	223.8
deferred consideration	32.7
	256.5
Contingent payments relating to continued employment of former owners	32.4
Net bank overdrafts acquired	7.5
Transaction costs and expenses	8.4
Total committed spend in respect of current year acquisitions	**304.8**
Spend on acquisition committed as at 31 December 2012	(9.7)
Total committed spend in respect of acquisitions agreed in the current year	**295.1**

The net cash outflow in the year in respect of acquisitions comprised:

	£m
Cash consideration	223.8
Net bank overdrafts acquired	7.5
Deferred consideration in respect of prior year acquisitions	22.5
Net cash outflow in respect of acquisitions	253.8
Acquisition related costs	26.1
Total cash outflow in respect of acquisitions	**279.9**

CASH FLOW

Cash generated from operations before acquisition related costs was £446.4 million, a £97.3 million increase from 2012, primarily due to a £53.8 million increase in profit before tax, intangible amortisation, acquisition related costs and disposal of business and a working capital inflow in 2013 of £16.8 million compared to a £22.4 million outflow in 2012. The Group's free cash flow of £301.8 million was up £67.1 million from 2012. After payment of dividends of £91.8 million in respect of 2012, an acquisition cash outflow of £279.9 million and a £43.3 million outflow on employee share schemes, the net cash outflow was £113.2 million. The summary cash flow for the year was as follows:

	£m
Cash generated from operations*	446.4
Net capital expenditure	(25.3)
Operating cash flow*	421.1
Operating cash flow* to operating profit†	**102%**
Net interest	(39.0)
Tax	(80.3)
Free cash flow	**301.8**
Dividends	(91.8)
Acquisitions	(279.9)
Employee share schemes	(43.3)
Net cash outflow	**(113.2)**

*Before acquisition related costs

†Before intangible amortisation and acquisition related costs

BALANCE SHEET

Return on average operating capital employed before intangible amortisation and acquisition related costs increased to 56.9% from 56.5% in 2012, with the impact of the lower return on operating capital from acquisitions being more than offset by improvements in the return on operating capital in the rest of the Group. Return on invested capital was 17.9%, in line with 2012, due to improved returns in the underlying business offsetting the adverse impact of recent acquisitions. Intangible assets increased by £116.3 million to £1,456.9 million, reflecting goodwill and customer relationships arising on acquisitions in the year of £208.5 million, partially offset by an amortisation charge of £58.3 million and a reduction of £33.9 million due to exchange. The Group's pension deficit of £45.0 million at 31 December 2013 was £30.5 million lower than at 31 December 2012, with an actuarial gain of £26.9 million and contributions of £14.1 million being partially offset by a current service cost of £6.6 million, net interest charge of £2.8 million and other net costs of £1.1 million. The actuarial gain arose primarily as a result of the actual return on scheme assets being £18.6 million higher than expected and the £8.2 million impact of changes in assumptions relating to the present value of scheme liabilities, principally due to higher discount rates.

The net debt to EBITDA ratio was 1.8 times, the same level as at the previous year end despite an acquisition cash outflow of £279.9 million. The movements in shareholders' equity and net debt during the year were as follows:

Shareholders' equity	£m
At 1 January 2013	885.5
Profit for the year	206.8
Dividends	(91.8)
Currency	(52.1)
Actuarial gain on pension schemes (net of tax)	16.8
Share based payments	15.2
Employee trust shares	(40.5)
At 31 December 2013	**939.9**

Net debt	£m
At 1 January 2013	(738.1)
Net cash outflow	(113.2)
Currency	1.8
At 31 December 2013	**(849.5)**
Net debt to EBITDA (times)	**1.8**

EXCHANGE RATES

Average	2013	2012
US$: £	**1.56**	1.59
€: £	**1.18**	1.23
A$: £	**1.62**	1.53
C$: £	**1.61**	1.58
Brazilian real: £	**3.38**	3.10

Closing	2013	2012
US$: £	**1.66**	1.63
€: £	**1.20**	1.23
A$: £	**1.85**	1.57
C$: £	**1.76**	1.62
Brazilian real: £	**3.91**	3.33

GROUP TAX STRATEGY

The Group's tax strategy is principally focused on ensuring compliance with the legal obligations of all countries in which it operates. This extends to filings, payments and disclosures to tax authorities. In alignment with the commercial and economic activity of the business, the Group manages its taxes so as to maximise value for its shareholders in a way that does not adversely impact its reputation as a responsible taxpayer. The Board has approved the Group's tax strategy and regularly reviews the Group's tax risks.

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 average operating capital employed and the return on invested 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, the Group arranges a mixture of borrowings from 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. The Group seeks to maintain an appropriate 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.

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 have been 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. 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 periodically reviewed by the executive directors and the Board. Controls over exposure changes and transaction authenticity are in place.

HEDGE ACCOUNTING

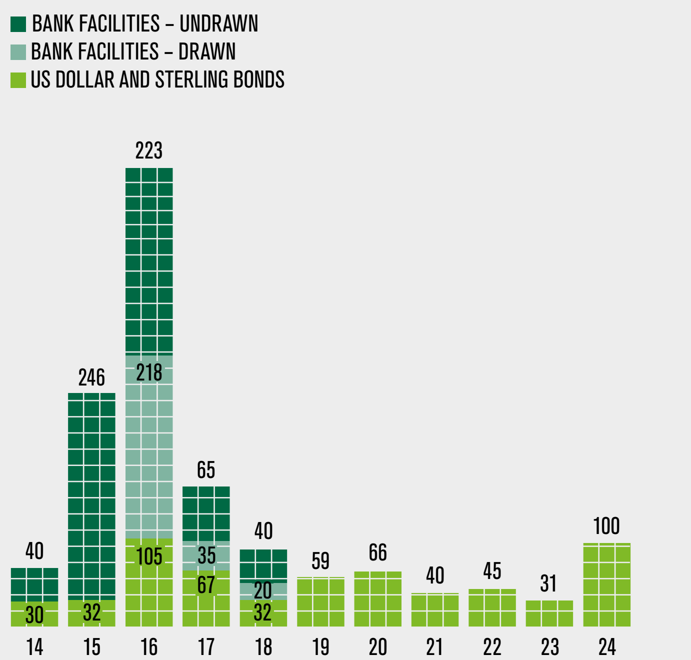
The Group designates derivatives which qualify as hedges for accounting purposes as either (a) a hedge of the fair value of a recognised asset or liability; (b) a hedge of the cash flow risk resulting from changes in interest rates or foreign exchange rates; or (c) a hedge of a net investment in a foreign operation. The Group tests the effectiveness of hedges on a prospective and retrospective basis to ensure compliance with IAS 39 'Financial Instruments: Recognition and Measurement'. Methods for testing effectiveness include dollar offset, critical terms and hypothetical derivatives.

LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group continually monitors net debt and forecast cash flows to ensure that sufficient facilities are in place to meet the Group's requirements in the short, medium and long term and, in order to do so, arranges borrowings from a variety of sources. Additionally, compliance with the Group's biannual debt covenants is monitored on a monthly basis. The principal covenant limits are net debt to operating profit before depreciation, intangible amortisation and acquisition related costs ('EBITDA') of no more than 3.5 times and interest cover of no less than 3.0 times. Sensitivity analyses using various scenarios are applied to forecasts to assess their impact on covenants and net debt. During 2013 all covenants have been complied with and based on current forecasts it is expected that such covenants will continue to be complied with for the foreseeable future.

The Group has substantial borrowing facilities available to it comprising multi-currency credit facilities from the Group's banks and US dollar and sterling bonds. An issue of fixed interest US dollar bonds of $240.0m which was agreed in 2012 was drawn by the Group in April 2013. At 31 December 2013 the total bonds outstanding were £607.1 million (2012: £618.9 million) with maturities ranging from 2014 to 2024. During the year the Group also refinanced or agreed new banking facilities totalling £264.2 million. The Group's committed bank facilities mature between 2014 and 2018. At 31 December 2013 the available committed bank facilities totalled £886.7 million (2012: £758.5 million) of which £273.1 million (2012: £169.2 million) was drawn down. The committed facilities maturity profile at 31 December 2013 is set out in the chart below.

COMMITTED FACILITIES MATURITY PROFILE 2014–2024 £m



INTEREST RATE RISK

The Group is funded by a mixture of fixed and floating rate debt. In addition, interest rate swaps and interest rate caps are used to manage the interest rate risk profile. At 31 December 2013 fixed rate debt of £607.1 million (2012: £472.2 million) related to fixed rate US dollar and sterling bonds stated at amortised cost with maturities ranging from 2014 to 2024.

At 31 December 2013 floating rate debt comprised £273.1 million of floating rate bank loans (2012: £174.3 million). Bank loans are drawn for various periods of up to three months at interest rates linked to LIBOR.

The interest rate risk on the floating rate debt is managed using interest rate options. Borrowings with a notional principal of £60.0 million were capped at 31 December 2013 (2012: £162.6 million). Hedge accounting is not applied to the interest rate caps since the majority of their value is related to time value. The strike rates of these options are based on LIBOR repricing every three months.

FOREIGN CURRENCY RISK

The majority of the Group's sales are made and income is earned in US dollars, euros and other foreign currencies. The Group does not hedge the impact of exchange rate movements arising on translation of earnings into sterling at average exchange rates. For the year ended 31 December 2013, a movement of one cent in the US dollar and euro average exchange rates would have changed profit before tax by £1.0 million and £0.3 million respectively and profit before tax, intangible amortisation, acquisition related costs and disposal of business by £1.1 million and £0.6 million respectively.

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 usually relatively limited. 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 cash flow hedges. However, the economic impact of foreign exchange on the value of uncommitted future purchases and sales is not hedged. As a result, sudden and significant movements in foreign exchange rates can impact profit margins where there is a delay in passing on to customers the resulting price increases.

The majority of the Group's borrowings are effectively denominated in sterling, US dollars and euros, aligning them to the respective functional currencies of the component parts of the Group's EBITDA. This currency profile is achieved using short term foreign exchange contracts, long term cross currency interest rate swaps and foreign currency debt. This currency composition minimises the impact of foreign exchange rates on the ratio of net debt to EBITDA.

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 and deposits, derivative financial instruments and trade and other receivables which represent the Group's maximum exposure to credit risk in relation to financial assets. The maximum exposure to credit risk for these financial assets is their carrying amount.

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.

For trade and other receivables, the amounts represented 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.

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

GOING CONCERN

Details of the Group's activities, developments and performance are set out on pages 10 to 37. This Financial review summarises the Group's financial performance, balance sheet and cash flows and provides information on its treasury policies, exposure to financial risks, debt profile and funding headroom. Note 13 to the consolidated financial statements provides further details of the Group's debt profile, capital management policy, treasury policies and controls, hedging activities and financial instruments and its policies and exposures to liquidity, interest rate, foreign currency and credit risks.

The Group has significant financial resources, a well established and fragmented customer base, strong supplier relationships and a diverse geographic presence. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully. Based on the expected future profit generation, cash conversion and current facilities' headroom over the 12 months to March 2015, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors believe it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

Brian May
Finance Director
24 February 2014

PRINCIPAL RISKS AND UNCERTAINTIES

Bunzl has an extensive risk management framework designed to identify and assess the likelihood and consequences of risks and to manage the actions necessary to mitigate their impact to acceptable levels. It also identifies the assurance activities relating to the relevant mitigating actions.

RISK OVERVIEW

The effective identification, management and mitigation of risks and uncertainties across the Group are an integral part of delivering the Group's strategic objectives. The 'Risk management and internal control' section of the Corporate governance report on pages 42 and 43 includes further information on the specific procedures designed to identify, manage and mitigate business risk which could have a material impact on the Group's business, financial condition or results of operations.

The Company's risk management framework provides a consistent methodology by which every business and business area, the Executive Committee and ultimately the Board assess the risks that the Group faces against a defined set of probability and impact criteria. In assessing impact, the following criteria are considered: business continuity; health, safety and the environment; regulatory; reputational; and financial. The probability and impact of each risk is assessed on two bases. The first, defined as Gross Risk, is the probability and impact of a risk if none of the mitigating actions or internal controls designed to reduce either the probability or the impact of a risk occurring were in place. The second, defined as Net Risk, is the residual probability and impact of a risk assuming that the mitigating actions and internal controls operated as intended in an effective way.

Using this framework, every business documents their key risks in a consistent reporting format which specifically identifies the mitigating activities, relevant controls and related assurance activities for each significant risk. Management then consolidates the risk information at both a business area and Group level using the same reporting format, culminating in the Group risk assessment. The Executive Committee then reviews the Group risk assessment, the relevant controls and other steps taken to mitigate the risks identified and the assurance procedures in place over such controls with a view to determining any further actions required in order to reduce the levels of risk to acceptable levels. The risk assessment is then submitted for review and approval by the Board.

CHANGES TO THE RISK PROFILE

The Group operates in many business environments and across a number of geographies in which risks and uncertainties exist, not all of which are necessarily within the Company's control. The risks identified in the 2012 Annual Report remain those of most concern to the business at the end of 2013. However, the risk of a negative impact due to countries leaving the eurozone is considered to have decreased since the previous year and is no longer regarded as a principal risk for the purposes of the Group risk assessment. The principal risks and uncertainties faced by the Group and the steps taken to mitigate such risks and uncertainties are detailed below. This summary is not intended to be exhaustive and is not presented in order of potential probability or impact.

Market risks	Mitigating factors
Competitive pressures The Group operates in highly competitive markets and faces competition from international companies as well as national, regional and local companies in the countries in which it operates. Increased competition and unanticipated actions by competitors or customers could lead to an adverse effect on results and hinder the Group's growth potential, either through pressure on sales volumes or margins from customers, the loss of customers, increased price competition or unforeseen changes in the competitive landscape due to changes in technology or routes to market.	The Group seeks to remain competitive by maintaining high service levels and close contacts with its customers to ensure that their needs and demands are being met satisfactorily, developing a national presence in the markets in which the Group operates and maintaining strong relationships with a variety of different suppliers thereby enabling the Group to offer a broad range of products to its customers. The Group also regularly reviews the competitive environment in which it operates.
Product price changes The purchase price of products distributed by the Group can fluctuate from time to time, thereby potentially affecting the results of operations. There could be significant increases in the cost of specific products leading to a diminution in margins if cost increases cannot be passed on in full to customers or substitute products sourced from elsewhere. In addition, adverse economic conditions resulting in a period of commodity price deflation and increased levels of imported products may lead to reductions in the price and value of the Group's products. If this were to occur, the Group's revenue and, as a result, its profits, could be reduced and the value of inventory held in stock may not be fully recoverable.	The Group endeavours, whenever possible, to pass on price increases from its suppliers to its customers and to source its products from a number of different suppliers so that it is not dependent on any one source of supply for any particular product. Increased focus on the Group's own import programmes and brands, together with the reinforcement of the Group's service and product offering to customers, helps to minimise the impact of price deflation. The Group mitigates against the risk of holding overvalued inventory in a deflationary environment by managing stock levels efficiently and ensuring they are kept to a minimum.
Economic environment The Group's business is partially dependent on general economic conditions in the US, the UK, France and other important markets. A significant deterioration in these conditions could have an adverse effect on the Group's business and results of operations.	The Group's operations and its customer base are diverse, with a variable and flexible cost base, and many of the sectors in which it competes are traditionally, by their nature, relatively resilient to economic downturns.

Financial risks	Mitigating factors
Foreign exchange The majority of the Group's sales are made and income is earned in US dollars, euros and other foreign currencies. The Group does not hedge the impact of exchange rate movements arising on translation of earnings into sterling at average exchange rates. As a result, movements in exchange rates may have a material translation impact on the Group's reported results. The Group may also be subject to transaction exposures where products are purchased in one currency and sold in another and movements in exchange rates may also adversely affect the value of the Group's net assets.	The Group believes that the benefits of its geographical spread outweigh the associated risks. The majority of the Group's transactions are carried out in the functional currency of the Group's operations. As a result, transaction exposures are usually limited and exchange rate fluctuations have minimal effect on the quality of earnings unless there is a sudden and significant adverse movement of a foreign currency in which products are purchased which may lead to a delay in passing on to customers the resulting price increases. The Group undertakes some forward purchasing of foreign currencies for identified exposures to reduce the impact of short term volatility. The impact of changes in foreign exchange rates and related hedging activity is regularly monitored by senior management. The Group's approach to managing foreign exchange risk is reviewed annually by the Board.
Financial liquidity and debt covenants The Group needs continuous access to funding in order to meet its trading obligations, to support investment in organic growth and to make acquisitions when appropriate opportunities arise. There is a risk that the Group may be unable to obtain the necessary funds when required or that such funds will only be available on unfavourable terms. The Group's borrowing facilities include a requirement to comply with certain specified covenants in relation to the level of net debt and interest cover. A breach of these covenants could result in a significant proportion of the Group's borrowings becoming repayable immediately.	The Group arranges a mixture of borrowings from different sources and continually monitors net debt and forecast cash flows to ensure that it will be able to meet its financial obligations as they fall due and that sufficient facilities are in place to meet the Group's requirements in the short, medium and long term. Compliance with the Group's biannual debt covenants is monitored on a monthly basis based on the management accounts. Sensitivity analyses using various scenarios are applied to forecasts to assess their impact on covenants.

Operational risks	Mitigating factors
Acquisitions A significant portion of the Group's historical growth has been achieved through the acquisition of businesses and the Group's growth strategy includes additional acquisitions. Although the Group operates in a number of fragmented markets which provide future acquisition opportunities, there can be no assurance that the Group will be able to make acquisitions in the future. There is also a risk that not all of the acquisitions made will be successful due to the loss of key people or customers after the acquisition, or deterioration in the economic environment of the acquired business. In the longer term, if an acquisition consistently underperforms compared to its original investment case, there is a risk that this will lead to a permanent impairment in the carrying value of the intangible assets attributed to that acquisition.	The Group's acquisition strategy is to focus on those businesses which operate in sectors where it has or can develop competitive advantage and which have good growth opportunities. The Group continually reviews acquisition targets and has established processes and procedures with regard to detailed pre-acquisition due diligence and post-acquisition integration. The Group endeavours to maximise the performance of an acquisition through the recruitment and retention of high quality management combined with effective strategic planning, investment in resources and infrastructure and regular reviews of performance by both business area and Group management.
Business continuity The Group would be affected if there was a significant failure of its major distribution facilities or information systems.	The Group seeks to reduce the impact of facilities' failure through the use of multi-site facilities with products stocked in more than one location and the impact of information systems' failure through the adoption of detailed back up plans which are periodically tested and which would be implemented in the event of any such failure.
Laws and regulations The international nature of the Group's operations exposes it to potential claims as the Group is subject to a broad range of laws and regulations in each of the jurisdictions in which it operates. In addition the Group faces potential claims from customers in relation to the supply of defective products or breaches of their contractual arrangements. The sourcing of products from lower cost countries increases the risk of the Group being unable to recover any potential losses relating thereto from the relevant supplier.	Although the Group does not operate in particularly litigious market sectors, it has in place processes to report, manage and mitigate against third party litigation using external advisers where necessary. The use of reputable suppliers and internal quality assurance and quality control procedures reduce the risks associated with defective products.

The Financial review on pages 26 to 29 and Note 13 to the consolidated financial statements include information relating to the Group's risk management policies so far as they relate to financial instruments.

4%

Decrease in accident incidence rate

SUPPORT IMPROVE SUSTAIN

We are fully engaged in our wider responsibilities, including reducing environmental impact, a commitment to social well-being and supporting our people to develop their skills to benefit community initiatives.

CORPORATE RESPONSIBILITY

Sustainable business practices remain a priority for both Bunzl and our supply chain while the services we provide continue to assist our customers to reduce their carbon footprint.

STRATEGY

We believe that positive actions with respect to Corporate Responsibility ('CR') are not only desirable in their own right but are also of potential economic and commercial benefit to the Group. For many years Bunzl has continued to pursue a consistent strategy of focusing on its strengths and consolidating the markets in which it competes. This requires continually redefining and deepening our commitment to customers and markets, as well as extending our business into new geographies. Our CR strategy and ambition directly supports Bunzl's strategic vision by seeking to gain sustainable business success through building relationships with stakeholders. We deliver this through an approach built on ethical values and behaviours and responsible business practices, aimed at winning the trust of our customers, suppliers, investors and other stakeholders by effectively managing our social, environmental and ethical impacts. It also helps us to attract and retain talented and committed employees.

OUR FRAMEWORK AND APPROACH TO MATERIALITY

Our approach to CR is straightforward:

- we communicate our stance on key issues impacting our business and, through our business conduct/code of ethics policy, are clear about the standards we expect of ourselves and those we work with;
- we consult with our employees, customers, suppliers, investors and wider stakeholder groups to understand the main social and environmental matters affecting our business;
- we identify and prioritise the risks we face and the opportunities we have and develop relevant activities, objectives and targets;
- we manage CR focusing on the most relevant issues and where we feel we have the greatest impact; and
- we communicate our performance with openness and transparency, so that our stakeholders understand the progress we are making.

A strong reputation for CR can provide business advantage and contribute to shareholder value. Conversely, perceived weakness in CR may damage our reputation and cause risks.

Materiality

Understanding our material issues is important to enable us to manage our CR related impacts and stakeholder relationships effectively. It also helps to focus our resources, engagement and reporting activities by addressing those issues most material to our business. Our current areas of focus are:

- business conduct/code of ethics training;
- employee engagement through clear communication using a variety of channels, as well as provision of training and development opportunities;
- improving safety in the warehouses and on our vehicles and ensuring that everyone takes personal responsibility for this;
- reducing our and our customers' impacts on the environment by reducing carbon emissions and promoting the reduction of waste;
- providing innovative products to meet our customers' needs, for example environmentally friendly packaging;
- providing local community support by the encouragement of employee fund raising and by donating stock and cash to charitable organisations and good causes; and
- working with our suppliers as partners to encourage high levels of CR and ethical trading initiatives.

These issues are governed by a policy framework, which is approved and monitored by the Board, with implementation at a business area level.

BUSINESS CONDUCT/CODE OF ETHICS

The Group's business conduct/code of ethics policy is disseminated to every employee as a guide to how employees are expected to conduct themselves both from a corporate and individual perspective. The policy clearly states that employees should avoid conflicts of interest, provides guidance on the giving and receiving of gifts and entertainment, prohibits illegal payments as well as political donations and reinforces the need to comply with laws, rules and regulations, protect confidential information and company assets and maintain high standards in relationships with our customers and suppliers.

No material breaches of our business conduct/code of ethics policy were recorded in 2013. However, some minor incidents relating to employee conduct, such as theft or misuse of the Group's property, did occur and were dealt with during the normal course of business using Group human resource ('HR') policies and procedures. Seven (2012: seven) calls/letters were received through our confidential whistle blowing process, 'Speak Up', none of which raised any issues of material concern.

Performance against 2013 objectives

- Our suite of nine tailored e-learning modules including modules which provide an overview of the business conduct/code of ethics policy and anti-bribery issues such as facilitation payments and gifts and entertainment, continues to be used for induction training of all managers and sales and procurement staff joining the Group. These e-learning modules are particularly useful for introducing staff from newly acquired businesses to Bunzl's standards of business conduct. During the year we reviewed the modules to identify any gaps and an additional module relating to competition law compliance has been developed and will be launched shortly.
- Taking into account the results of our monitoring and reviewing of the existing CR policies, processes and controls, communication of CR was enhanced by upgrading the Responsibility section of our website, www.bunzl.com. Previously the information provided on the website mirrored that within the Annual Report. Additional material has been introduced such as a video describing Bunzl's approach to CR, as well as case studies which describe the range of CR activities taking place in the Group. A 'frequently asked questions' section is now included to assist researchers.

2014 objectives

- Continue to review our policies, processes and controls to ensure that they continue to support the business appropriately and remain in line with good business practice.
- Refresh and enhance communication relating to business conduct across the Group.

EMPLOYEES

Bunzl currently operates in 27 countries worldwide. We are a service provider, not a manufacturer and, as such, our business relies heavily on the skills and experience of our employees. We pride ourselves on the fact that we run our businesses locally with local managers. We do not unfairly discriminate and we respect human rights. We seek to recruit the right people who are passionate about our business and to provide opportunities for people to progress within the organisation on the basis of their skills, experience and aptitude. We believe that to get the best from people we need to respect each other and encourage honest, straightforward communication. Our acquisition pipeline continues to be a valuable source of management talent for the Group and the completion of a number of acquisitions during the year has brought further highly skilled people into Bunzl. Details of the Group's workforce diversity at 31 December 2013 are set out in the pie charts below.

Human rights

Bunzl adheres to the Universal Declaration of Human Rights ('UDHR') and upholds the Fundamental Principles and Rights at Work policies, defined by the International Labour Organization, as well as local laws. The majority of countries in which Bunzl operates have their own laws banning child labour and promoting human rights. We monitor the age of our workforce across the world to ensure compliance and identify any potential succession issues. In the US some of our operations, particularly in the north east, are represented by trade unions with which we have negotiated pay contracts. Bunzl does not restrict any of its employees in any of the countries in which it operates from joining a trade union if they wish to do so. We also work closely with our suppliers to ensure that they at least meet internationally recognised minimum requirements for workers' welfare and conditions of employment, as defined by the International Labour Organization or the Ethical Trading Initiative.

Performance against 2013 objectives

- The Group's annual voluntary turnover, that is the percentage of employees resigning from the Group, is 7.5%. Considering the profile of our workforce, the current turnover level is low, reflecting the underlying economic conditions in many of the countries in which we operate rather than any intrinsic reasons related to the Group. Sickness absence has fallen slightly in Continental Europe, North America and UK & Ireland but has risen slightly in Rest of the World. No underlying issues of concern have been identified.
- An internal social networking tool was introduced into UK & Ireland to improve communication and share best practice. The effectiveness of this tool will be reviewed once it has been in place for over 12 months to consider whether there would be benefits in implementing it more widely across the Group.

2014 objectives

- Continue to monitor key HR measures such as voluntary turnover, sickness absence, training days, workforce gender and age mix and, as appropriate, take action to address any issues that may arise.

HEALTH & SAFETY

The health and safety of our employees and other stakeholders is a priority. Although we try to minimise the risks which occur, particularly relating to the operation of our warehouses and vehicles, incidents relating to manual handling, slipping and tripping remain the highest cause of accidents. Regretfully in the 2013 reporting period there was one fatality (2012: one) when a cyclist was killed in a road traffic accident in Canada having been struck by a Bunzl vehicle that was turning right at traffic lights. The accident was fully investigated and no charges have been brought against Bunzl or our driver. A number of actions have been taken to raise awareness and continue to improve our health and safety performance.

Performance against 2013 objectives

- The 2013 target was to reduce the Group accident incidence rate by 3% and the Group accident severity rate by 6% from the 2012 accident rates:
  - for the year ended 30 September 2013 our accident incidence rate reduced by 4%; and
  - for the same period our accident severity rate reduced by 1%.

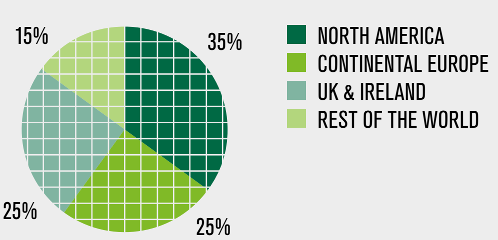
Accident incidence and severity rates for UK & Ireland and Rest of the World improved in excess of the respective targets. However, despite improvements in a number of areas, North America's and Continental Europe's performance deteriorated overall, albeit that some of this deterioration was due to the impact of acquiring a business with health and safety processes below Bunzl's standard. Details of our performance from 2011 to 2013 are provided in the bar charts on page 35. The accident data provided is for the whole Group with the exception of some of the most recent acquisitions which represent less than 4% of the total workforce.

2014 objectives

- Reduce the Group accident incidence rate by 3% from 2013.
- Reduce the Group accident severity rate by 5% from 2013.

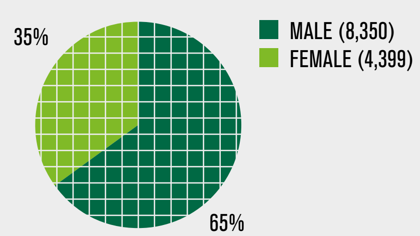
AVERAGE NUMBER OF EMPLOYEES

BY BUSINESS AREA



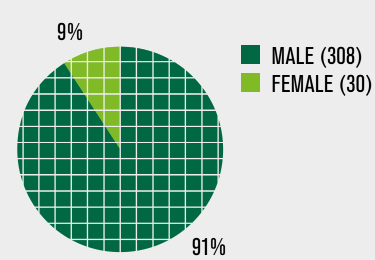
TOTAL WORKFORCE

GENDER SPLIT AT 31 DECEMBER 2013



BOARD AND SENIOR MANAGEMENT

GENDER SPLIT AT 31 DECEMBER 2013



BOARD COMPOSITION: 8 MALE, 1 FEMALE

ENVIRONMENT

We seek to prevent, mitigate and remediate the harmful effects of Bunzl's operations on the environment. To ameliorate our impact on and exposure to climate change, our facilities operate worldwide to Group standards, we promote environmental awareness throughout the business and our branch network mitigates against the effects of extreme local climate conditions. Our reported environmental data includes all businesses that are subsidiaries of the Group for financial reporting purposes, with the exception of recent acquisitions which are excluded from environmental data reporting to allow the acquired businesses sufficient time to adopt our reporting guidelines. Bunzl had no significant environmental incidents in 2013.

Our direct water usage and emissions are minimal and are largely unchanged since the 2011 water audit. Water usage is principally confined to workplace cleaning and hygiene purposes. If we lease a purpose built site, wherever possible the specification includes water harvesting to further minimise our use. We continue to measure water usage across a sample of our sites worldwide.

ISO 14001 accreditation was renewed in a number of locations. To date all sites in UK & Ireland and Australasia, with the exception of the most recent acquisitions, and many sites in Continental Europe are accredited. By revenue this represents more than 30% of the Group.

Performance against 2013 objectives

Our carbon emissions data has been restated for prior years in order to account for material changes to the conversion factors provided by Defra for company reporting purposes.

Greenhouse gas emissions data for period 1 October to 30 September

	Tonnes of CO_2e		
	Base year 2010	2012	2013◊
Scope 1	95,249	83,932	**89,397**
Scope 2	28,757	24,599	**30,465**
Total gross emissions	124,006	108,531	**119,862**
Total carbon emissions per £m revenue	26.3	20.4	**20.8**

◊ Included in the external auditor's limited assurance scope referred to on page 36.

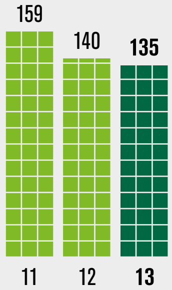
- Our target for 2013 was to reduce our Scope 1 and Scope 2 carbon emissions relative to revenue by 22% from 2010, our base year. This data covers around 99% of the Group by revenue. During the reporting period 14 acquisitions were completed providing total revenue of c. £350 million. 10 of these acquisitions, representing 78% of this revenue, are included in the 2013 carbon emissions data from the date of acquisition.
- Scope 1: emission rates per £m of revenue have decreased between 2012 and 2013 by 2% (see the KPI bar chart on page 7) and from 2010, our base year, by 23%. In 2013 fuel for transportation contributed about 85% of Bunzl's Scope 1 emissions. The level of fuel consumed per £000 of revenue decreased between 2012 and 2013 by 9% (see the KPI bar chart on page 7). We continue to focus on improved fuel efficiency through regular renewal of our fleet, driver training and the use of telematics providing in-cab feedback on performance. Many of the businesses acquired since 2010 do not operate their own transport fleets and there has been some transfer from own fleet to carriers where this has been shown to be more cost effective. Gas consumption has increased by around 50% against the previous year. This is in part the result of our ongoing acquisition programme which has increased the overall size of our estate despite a continued programme of site consolidations. In addition, we experienced a longer period of cold weather than in the previous year. We continue to focus on gas usage and boiler maintenance.
- Scope 2: emission rates per £m of revenue increased between 2012 and 2013 by 15% (see the KPI bar chart on page 7) but from 2010, our base year, have decreased by 13%. Most of the increase in this year's Scope 2 CO_2e emissions was attributable to the impact of new acquisitions. We have continued to implement measures to reduce electricity consumption including investment in energy efficient lighting systems, replacement of battery chargers with high frequency energy efficient chargers, purchase of more efficient manual handling equipment and 'Switch off' campaigns. However, the benefits of these measures were offset by the extended period of cold weather in the year which resulted in an increased requirement for artificial lighting and space heating.
- Waste data now covers 96% of the Group by revenue. Our businesses in Latin America, Israel and recent acquisitions are not currently included. The reduction in general waste has been achieved by improved waste management including the elimination and reuse of transit packaging and more sites providing waste segregation facilities for increased recycling. The lack of suitable weighing equipment, especially for waste to landfill, continues to challenge the accuracy of this data and last year's estimated figures for North America have proved to be overstated. However we are working with our contractors to improve this.

2014 objectives

- Using the 2010 data as the baseline, reduce the Scope 1 carbon emissions by 26% (3% from 2013 to 2014) and the Scope 2 carbon emissions by 15% (2% from 2013 to 2014).
- Develop a Scope 3 carbon emissions report in line with the Group's reporting guidelines.
- More closely integrate the environmental reporting with our financial reporting processes.

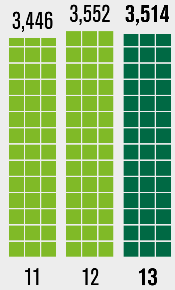
INCIDENCE RATE

AVERAGE NUMBER OF INCIDENTS PER MONTH PER 100,000 EMPLOYEES



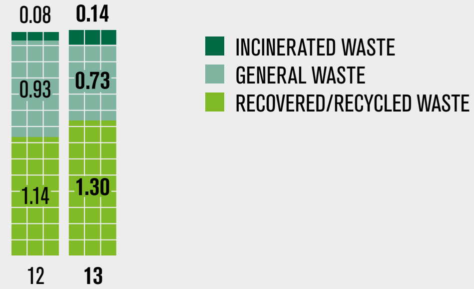
SEVERITY RATE

AVERAGE NUMBER OF DAYS LOST PER MONTH PER 100,000 EMPLOYEES



WASTE

TONNES PER £M REVENUE



External assurance

We engaged KPMG Audit Plc to undertake a limited assurance engagement, reporting to Bunzl plc only, using International Standard on Assurance Engagements ('ISAE') 3000: 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' and ISAE 3410: 'Assurance Engagements on Greenhouse Gas Statements' over the three KPIs on page 7 and the data on page 35, in each case that has been highlighted with the symbol ◊. They have provided an unqualified opinion in relation to the relevant KPIs and data and their full assurance opinion is available in the Responsibility section of our website, www.bunzl.com.

The level of assurance provided for a limited assurance engagement is substantially lower than a reasonable assurance engagement. In order to reach their opinion, KPMG Audit Plc performed a range of procedures which included interviews with management, examination of reporting systems and visits to some of our businesses in the UK, France and the US as well as specific data testing at these businesses and the Group head office. A summary of the work they performed is included in their assurance opinion.

Non-financial performance information, including greenhouse gas quantification in particular, is subject to more inherent limitations than financial information. It is important to read the selected corporate responsibility information contained in this Annual Report in the context of KPMG Audit Plc's full limited assurance opinion and the Company's Corporate Responsibility Performance Reporting Guidelines which are also available in the Responsibility section of our website.

COMMUNITY

Although Bunzl's operations are international, our strength is in the local nature of our businesses. In keeping with this ethos, we particularly support the fund raising activities championed by our employees locally. This is supplemented by donations made at Group level to charities predominantly in the fields of healthcare, disability and the environment as well as benevolent societies to support projects in communities where our operations are based. Where possible and appropriate, Bunzl also looks to donate stock free of charge ('in-kind'). Group wide, Bunzl donated a total of £580,000 (2012: £480,000) to charities in 2013. This does not include in-kind donations or employee fund raising.

CUSTOMERS

As a service business, our ability both to anticipate and meet our customers' needs is key to our success. We strive to ensure that we provide high levels of service. We achieve this by building solid relationships at a local level by regularly meeting with and seeking feedback from our customers. We continue to provide innovative service and product solutions to meet our customers' needs, including requirements to meet sustainability goals. The Group provides customers with the ability to benefit from a consolidated delivery of their consumable products. This reduces carbon emissions by eliminating the need for multiple deliveries from many different suppliers and streamlining the related administration for our customers. Bunzl is not a manufacturer and therefore there is complete flexibility to offer products that meet customers' requirements. A full range of environmentally friendly products are available. Bunzl continues to receive awards from its customers for high levels of service.

SUPPLIERS

Price is only one factor in our purchasing decisions and matters such as quality, availability, our customers' preferences and our policies are also taken into account. The vast majority of our products are sourced locally by our businesses but many products are sourced elsewhere if it is appropriate to do so. In 2013 approximately 18% of our products were sourced from lower cost countries. Each business area is responsible for implementing appropriate processes to assess key suppliers' compliance with the relevant CR standards and to monitor performance and improvements against such standards. Bunzl focuses on its key suppliers to ensure that they meet the same CR standards we have set for ourselves. We have written to those suppliers that provide us with 50% of our products by value to update them on our CR aspirations and to encourage them to adopt a similar approach.

To facilitate the business areas, we have our own quality assurance/quality control team based in Shanghai whose main aim is to perform regular audits of our suppliers in Asia to ensure that they meet international standards, as well as testing the factories' production capabilities and their quality assurance and quality control systems. Employees' terms and conditions of work, customer service, hygiene management systems and their policies on environmental issues are also checked. Our policy is that all our suppliers meet internationally recognised minimum requirements for workers' welfare and conditions of employment, as defined by the International Labour Organization or the Ethical Trading Initiative. A key tool available to the quality control team is an on-site professional laboratory where they undertake tests on manufacturers' products.

Suppliers who are unable to meet all the requirements after an initial assessment/audit will be given the opportunity to comply fully within a period which is deemed appropriate for the circumstances. If a serious breach is identified following assessment, an action plan will be documented and the supplier will be expected to commit to addressing all the areas where discrepancies have been identified. The process of improvement via this method is principally down to the commitment of the supplier's management team/owner/agent to ensure that all areas are addressed. If we have reason to believe that the supplier is not making sufficient or committed progress, this could lead to a suspension in the relationship until such time that we are confident that all areas are being satisfactorily addressed. Bunzl companies reserve the right to cease a relationship with a supplier if it is found that unacceptable practices are being employed at any sites used for producing or sourcing Bunzl products. Such practices include use of child labour, forced or bonded labour as well as physical abuse or discipline and intimidation.

During 2013 we have been liaising with suppliers to ensure that any paper or wood based products are from sustainable sources in compliance with the relevant timber regulations.

For more information on all of Bunzl's CR policies and activities please visit the Responsibility section of www.bunzl.com.

RISKS

The Principal risks and uncertainties section on pages 30 and 31 details the principal risks and uncertainties which could have a material impact on the Group's business, financial condition or results of operations. Although many CR risks are not seen as principal risks to the Group, as part of the Group risk analysis a number of CR risks which could impact the Group's business have been identified and these are set out below together with the steps taken by management to mitigate such risks:

Risk	Mitigating factors
CR compliance failures Lack of adherence to the Group's CR policies could result in a variety of issues including those relating to inappropriate business practices, accidents at work and increased levies due to levels of waste or carbon emissions.	The Group has comprehensive CR policies and procedures (including those relating to anti-bribery and corruption) in place throughout the business as well as an established reporting framework.
Loss of key employees The Group is not capital intensive but the business is based on strong customer and supplier relationships which are built up locally. Stability of key relationship roles amongst the Group's employees is therefore important.	The Group seeks to secure key staff with appropriate incentive packages, development opportunities and career progression. Voluntary staff turnover is measured on a monthly basis, which enables any issues to be identified and resolved.
Loss of operating facilities/unavailability of staff Climate change may result in higher frequency of extreme weather conditions. This could result in some of the Group's facilities being affected or employees being unable to attend for work.	The Group has multi-site facilities with products stocked in more than one location as a result of which the Group usually has the ability to distribute products from nearby facilities. Business continuity plans are in place to minimise the impact of any such issues.
Suppliers' non-compliance with good CR practices The Group is not a manufacturer and has many international suppliers across the world. The failure of one of the Group's key suppliers to adhere to recognised CR standards could affect the Group's reputation.	The Group's key suppliers are principally publicly owned multinational organisations with high standards of operations. Suppliers are monitored by the Group's purchasing departments and the QA/QC department based in China audits many suppliers throughout Asia. Key suppliers are made aware of the Group's CR aspirations.

These risks are seen to be outweighed by a variety of opportunities that arise as a consequence of CR and its impact on the business environment as previously outlined in this report.

BOARD OF DIRECTORS

1 Philip Rogerson # (Age 69)
Appointed to the Board in January 2010 and became Chairman in March 2010. Chairman of the Nomination Committee. He was an executive director of BG plc (formerly British Gas plc) from 1992 to 1998, latterly as Deputy Chairman. He is Chairman of Carillion plc and De La Rue plc.

2 Michael Roney # (Age 59)
Chief Executive since 2005 having been a non-executive director since 2003. After holding a number of senior general management positions within Goodyear throughout Latin America and then Asia, he became President of their Eastern European, African and Middle Eastern businesses and subsequently Chief Executive Officer of Goodyear Dunlop Tires Europe BV. He is the senior independent non-executive director of Johnson Matthey Plc.

3 Peter Johnson *†#• (Age 66)
Non-executive director since 2006, senior independent director and Chairman of the Remuneration Committee. Having spent most of his earlier career in the motor industry, he joined Inchcape plc in 1995, became Chief Executive in 1999 and was Chairman from 2006 until 2009. He was the senior independent non-executive director of Wates Group Limited from 2011 until 2013 and was Chairman of The Rank Group Plc from 2007 until 2011.

4 Patrick Larmon (Age 61)
Executive director since 2004 and President and Chief Executive Officer, North America. Having joined Bunzl in 1990 when Packaging Products Corporation, of which he was an owner, was acquired, he held various senior management positions over 13 years before becoming President of North America in 2003 and additionally assuming the role of Chief Executive Officer in 2004.

5 Brian May (Age 49)
Finance Director since 2006. A chartered accountant, he qualified with KPMG and joined Bunzl in 1993 as Internal Audit Manager. Subsequently he became Group Treasurer before taking up the role of Finance Director, Europe & Australasia in 1996 and Finance Director designate in 2005. He is a non-executive director of United Utilities Group PLC and United Utilities Water PLC.

6 David Sleath *†#• (Age 52)
Non-executive director since 2007 and Chairman of the Audit Committee. Formerly a Partner and Head of Audit and Assurance for the Midlands region of Arthur Andersen, he subsequently became Finance Director of Wagon plc before joining SEGRO plc, the European industrial property group, where he was Group Finance Director from 2006 and has been Chief Executive since 2011.

7 Eugenia Ulasewicz *†#• (Age 60)
Non-executive director since 2011. After holding a number of senior retail positions with Bloomingdale's, Galeries Lafayette and Saks Fifth Avenue, she joined Burberry Group plc and was President of Burberry, Americas, one of three global regions of Burberry Group plc which includes North and Latin Americas, from 1998 until 2013. She is a non-executive director of Signet Jewelers Limited.

8 Jean-Charles Pauze *†#• (Age 66)
Non-executive director since January 2013. Having previously held a number of senior positions with PPR Group, Strafor Facom Group and Alfa Laval Group in France and Germany, he was Chairman and Chief Executive of Rexel SA from 2002 until 2012. He is presently Chairman of Europcar Groupe SA and Chairman of the Supervisory Board of CFAO SA.

9 Meinie Oldersma *†#• (Age 54)
Non-executive director since April 2013. With over 20 years' experience in the technology distribution sector, he held a variety of senior positions with Ingram Micro and served as Chief Executive and President of their China Group and Managing Director of their business in Northern Europe before joining 20:20 Mobile Group Limited where he was Chief Executive from 2008 until February 2014.

* Member of the Audit Committee
† Member of the Remuneration Committee
\# Member of the Nomination Committee
• Independent director

CORPORATE GOVERNANCE REPORT

INTRODUCTION

Bunzl's corporate governance framework is designed to facilitate effective, entrepreneurial and prudent management that can safeguard shareholders' interests and sustain the success of the Company over the longer term. In order to achieve this the Company is committed to high standards of corporate governance. In September 2012 the Financial Reporting Council published the 2012 edition of the UK Corporate Governance Code ('the Code') a copy of which is available at www.frc.org.uk. This contains broad principles together with more specific provisions which set out standards of good practice in relation to Board leadership and effectiveness, accountability, remuneration and relations with shareholders. This report describes how these principles have been applied by the Company during the year ended 31 December 2013. Since the Financial Conduct Authority has yet to change the Listing Rules and therefore requires that certain compliance statements are made in relation to the predecessor edition of the Code, this report addresses the requirements of both editions of the Code. The Company confirms that it has complied throughout 2013 with the provisions of both editions of the Code.

BOARD COMPOSITION

As at 31 December 2013 and as at the date of this report, the Board was made up of nine members comprising a Chairman, a Chief Executive, two other executive directors and five non-executive directors. Brief biographical details of the directors are given on page 38. Jean-Charles Pauze and Meinie Oldersma were appointed to the Board as non-executive directors on 1 January and 1 April 2013 respectively and Ulrich Wolters retired from the Board following the Company's Annual General Meeting on 17 April 2013. None of the Company's non-executive directors had any previous connection with the Company or its executive directors on appointment to the Board and all of them are considered by both the Board and the criteria set out in the Code to be independent. The Chairman and each of the non-executive directors have a breadth of strategic, management and financial experience gained in each of their own fields in a range of multinational businesses. In accordance with the terms of the Code each of the directors will be subject to re-election at the forthcoming Annual General Meeting.

THE ROLE OF THE BOARD

To ensure directors maintain overall control over strategic, financial and operational and compliance issues, the Board meets regularly throughout the year and has formally adopted a schedule of matters which are required to be brought to it for decision. Key aspects of the Board's role include:

- setting the Group's strategic aims and ensuring that the Company has the necessary capabilities to deliver the Group's strategy;
- reviewing the Group's operating performance and approving the Group's financial results;
- reviewing and approving larger capital expenditure and acquisition/divestment proposals and material increases to borrowing and loan facilities; and
- overseeing the Group's risk management and internal controls processes and procedures.

There is a clear division of responsibilities between the Chairman and the Chief Executive which is set out in writing and has been agreed by the Board and encompasses the following parameters:

- the primary job of the Chairman is to be responsible for the leadership of the Board and ensuring its effectiveness on all aspects of its role while the Chief Executive is responsible for the leadership and the operational and performance management of the Company within the strategy agreed by the Board.
- the Chairman is viewed by investors as the ultimate steward of the business and the guardian of the interests of all the shareholders.
- the Chairman:
  - takes overall responsibility for the composition and capability of the Board and its Committees;
  - consults regularly with the Chief Executive and is available on a flexible basis to provide advice, counsel and support to the Chief Executive; and
  - ensures corporate governance is conducted in accordance with current best practice, as appropriate to the Group.
- the Chief Executive:
  - manages the executive directors and the Group's management and day-to-day activities;
  - prepares and presents to the Board the strategy for growth in shareholder value;
  - sets the operating plans and budgets required to deliver the agreed strategy;
  - ensures that the Group has in place appropriate risk management and control mechanisms; and
  - communicates with the Company's shareholders and analysts on a day-to-day basis as necessary (subject to an overview of such matters by the Chairman).

The Chief Executive is also the designated member of the Board responsible for environmental, social and governance matters and reports to the Board in relation to such matters.

Peter Johnson is the senior independent director and is available to shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive or Finance Director has failed to resolve or for which such contact is inappropriate. He is also available to the other directors should they have any concerns which are not appropriate to raise with the Chairman or which have not been satisfactorily resolved by the Chairman.

The non-executive directors play a key role in corporate governance and accountability through both their attendance at Board meetings and their membership of the various Board Committees. The non-executive directors bring a broad and diverse range of business and financial expertise and experience to the Board which complements and supplements the experience of the executive directors. This enables them to evaluate information provided and constructively challenge management's viewpoints, assumptions and performance.

The Board has appointed Audit, Remuneration and Nomination Committees all of which comply with the provisions of the Code and play an important governance role through the detailed work they carry out to fulfil the responsibilities delegated to them. Briefing papers are prepared and circulated to Committee members in advance of each meeting and, in respect of the Audit Committee, made available to the other directors. Further information relating to the Board Committees is set out on pages 40 and 41.

INFORMATION AND SUPPORT

Board agendas are set by the Chairman in consultation with the Chief Executive and with the assistance of the Company Secretary, who maintains a rolling programme of items for discussion by the Board to ensure that all matters reserved for the Board and other key issues are considered at the appropriate time. The Board is supplied with full and timely information, including detailed financial information, to enable the directors to discharge their responsibilities. To enable informed decision making, briefing papers are prepared and circulated to directors approximately one week before the scheduled Board meeting. All directors have access to the advice and services of the Company Secretary who is tasked with ensuring that Board procedures are complied with and the Board is fully briefed on relevant legislative, regulatory and corporate governance developments. Directors may also take independent professional advice at the Company's expense where they judge this to be necessary in the furtherance of their duties to discharge their responsibilities as directors.

The Board meets formally at least eight times a year and the Board calendar is planned to ensure that the directors discuss a wide range of topics throughout the year. Normally at least two Board meetings a year are held at or near Group locations in the UK and overseas where the directors have the opportunity to meet and interact with senior executives from different businesses within the Group's portfolio as well as observe the operations in situ. During 2013 a number of the Group's senior executives made presentations to the Board about a variety of different and diverse topics including reviews of the post-acquisition performance of businesses acquired in prior years, the Group's financing facilities and treasury policies, the Group's pension schemes and cyber risk.

In addition to regular Board meetings, the directors meet annually to review and discuss the Group's overall strategy. As part of this process, presentations are made by the Chief Executive and the heads of each of the business areas together with the Director of Corporate Development.

All new directors receive a tailored induction on joining the Board, including meetings with senior management and visits to some of the Group's locations. They also receive a detailed information pack which includes details of directors' duties and responsibilities, procedures for dealing in Bunzl's shares and a number of other governance related issues. Directors are continually updated on the Group's businesses and their markets and the changes to the competitive and regulatory environments in which they operate.

Training and development needs of the Board are kept under review and directors attend external courses where it is considered appropriate for them to do so.

CONFLICTS OF INTEREST

The directors are required to avoid situations where they have, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. In accordance with the Companies Act 2006, the Company's Articles of Association allow the Board to authorise potential conflicts of interest that may arise and to impose such limits or conditions as it thinks fit.

Directors are required to give notice of any potential situational and/or transactional conflicts which are then considered by the Board and, if considered appropriate, authorised accordingly. A director is not however permitted to participate in such considerations or to vote in relation to their own conflicts.

The Board has considered and authorised a number of potential situational conflicts all of which relate to the holding of external directorships and have been entered on the Company's conflicts register. No actual conflicts have been identified during the year. The Board considers that these procedures operate effectively.

AUDIT COMMITTEE

The Audit Committee comprises all of the independent non-executive directors and is chaired by David Sleath who, as Chief Executive and formerly Group Finance Director of SEGRO plc and as a fellow of the ICAEW, is considered by the Board to have recent and relevant financial experience as required by the Code. While the other directors are not members of the Committee, they normally attend meetings of the Committee by invitation together with the Head of Internal Audit and representatives from the external auditor. The Secretary to the Committee is Paul Hussey, Company Secretary. Further details about the Audit Committee and the work undertaken by it during the year and prior to the publication of the Group's results for 2013 are set out in the Audit Committee report on pages 44 to 46. Members' attendance at the Committee meetings held during the year is set out in the table on page 41. The terms of reference of the Committee, which were reviewed by the Board during the year, are available on the Company's website, www.bunzl.com.

REMUNERATION COMMITTEE

The Remuneration Committee comprises all of the independent non-executive directors and is chaired by the senior independent director, Peter Johnson. While neither the Chairman of the Company nor the Chief Executive are members of the Committee, they normally attend meetings by invitation except when the Committee is considering matters concerning themselves. The Secretary to the Committee is Celia Baxter, Director of Group Human Resources. Further details of the Remuneration Committee, the Company's remuneration policy and how it is applied are set out in the Directors' remuneration report on pages 47 to 67. Members' attendance at the Committee meetings held during the year is set out in the table on page 41. The terms of reference of the Committee, which were reviewed and revised by the Board during the year, are available on the Company's website.

NOMINATION COMMITTEE

Composition

The Nomination Committee comprises the Chairman of the Company, who chairs the Committee (unless the Committee is dealing with the matter of succession of the Chairman of the Company), the Chief Executive and all of the non-executive directors. In accordance with the provisions of the Code, the majority of the members are independent non-executive directors. The Secretary to the Committee is Paul Hussey, Company Secretary.

Role

The Committee's principal role is to consider, and make recommendations to the Board concerning, the composition of the Board and its Committees including proposed appointees to the Board, whether to fill any vacancies that may arise or to change the number of Board members. It is the Committee's role to ensure that the Board and its Committees maintain the appropriate balance of skills, knowledge, experience and diversity to ensure their continued effectiveness.

The Committee's responsibilities include:

- reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and making recommendations to the Board with regard to any proposed changes;
- nominating, for the approval of the Board, appropriate individuals to fill Board vacancies as and when they arise having considered candidates with relevant experience from a wide range of backgrounds; and
- succession planning, taking into account the challenges and opportunities facing the Company and the background, skills and expertise that will be required on the Board in the future, and reviewing annually management succession planning processes in relation to the Company's senior executives.

The Committee meets as necessary throughout the year to discharge its responsibilities. An external search consultancy which does not have any other connection with the Company is retained by the Company to assess potential candidates to be considered as prospective non-executive directors and, when appropriate, executive directors. This process was adopted in relation to the appointments of both Jean-Charles Pauze and Meinie Oldersma as non-executive directors with effect from 1 January 2013 and 1 April 2013 respectively. The work undertaken by the Committee in connection with these appointments was carried out during 2012 and further information about the appointment process which was followed can be found in the Corporate governance report set out in the 2012 Annual Report.

Activities

The Committee met on five occasions during 2013. Members' attendance at those meetings is set out in the table opposite.

During the year the Committee reviewed and took account of the balance of skills, knowledge, experience and diversity of the Board, the time commitment expected of the non-executive directors and the conclusions of the formal evaluation process which was carried out when considering and recommending the nomination of directors for re-election at the 2014 Annual General Meeting. In particular the Committee reviewed the performance of Peter Johnson and David Sleath, who were appointed to the Board in January 2006 and September 2007 respectively. The Committee believes that they continue to be effective and to demonstrate strong independence in character and judgement in the manner in which they discharge their responsibilities as directors. Consequently the Committee is satisfied that, despite their respective lengths of tenure, they remain independent.

The Chief Executive presented his annual management succession plan to the Committee. The Company recognises that having the right directors and senior management is crucial for the Group's success and it is a key task of the Committee to ensure that the Company has a robust and continuous succession planning process. As part of the review in 2013 the Committee retained an external consultant to provide objective insight into the development of the Company's senior executives.

As part of the review of the composition of the Board and the succession planning process, the Committee notes the publication of the Davies Review on Women on Boards in February 2011 and the subsequent amendments which have been made to the Code which apply to the 2013 financial year. Both the Board and the Committee recognise the importance of gender diversity throughout the Group. Currently one of the nine Board members and one of the five Executive Committee members are female. The Committee aims to have a Board with a broad range of skills, backgrounds, experience and diversity and while the Committee will continue to follow a policy of ensuring that the best people are appointed for the relevant roles, the Committee recognises the benefits of greater diversity and will continue to take account of this when considering any particular appointment. However, the primary responsibility of the Committee in selecting and recommending candidates to the Board when making new appointments is to ensure the strength of the Board's composition and the overriding aim is to always select and recommend the best candidate for the position. Although the Board has not set a formal target in relation thereto, it is the Board's aim to increase its level of female representation as part of the ongoing succession planning process. Further information about the Company's workforce diversity is set out on page 34.

The terms of reference of the Committee, which were reviewed by the Board during the year, are set out on the Company's website.

BOARD AND COMMITTEE ATTENDANCE

The following table shows the attendance in 2013 of directors at Board meetings and at meetings of the Board Committees of which they are members:

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings	8	5	5	5
Philip Rogerson	8			5
Michael Roney	8			5
Ulrich Wolters*	3	2	1	2
Patrick Larmon	8			
Peter Johnson	8	5	5	5
Brian May	8			
David Sleath	8	5	5	5
Eugenia Ulasewicz	8	5	5	5
Jean-Charles Pauze	8	5	5	5
Meinie Oldersma†	6	3	4	3

*Ulrich Wolters retired as a director on 17 April 2013 having attended all of the Board and Committee meetings held between 1 January 2013 and that date.

† Meinie Oldersma was appointed as a director on 1 April 2013 and attended all of the Board and Committee meetings held between that date and the end of the year.

PERFORMANCE EVALUATION

The Company has a formal performance evaluation process for the Board, its Committees and individual directors overseen by the Chairman. This includes individual discussions between the Chairman and each director when their individual training and development needs are reviewed. Led by the senior independent director, the non-executive directors also meet without the Chairman present at least annually to appraise the Chairman's performance including a review of his other commitments to ensure that he is able to allocate sufficient time to the Company to discharge his responsibilities effectively. The Chairman also periodically holds meetings with the non-executive directors without the executive directors present. All of these processes were carried out satisfactorily during the year.

In accordance with the requirements of the Code an external performance evaluation was carried out in 2012 and the results were subsequently presented to the Board. The facilitator of the external evaluation, Lintstock, does not provide any other services to, or have any other connection with, the Company. Although the Code only requires that the evaluation of the Board and its Committees should be externally facilitated at least every three years, it was decided to appoint Lintstock to carry out a further performance evaluation in 2013. By doing so, the Board was able to ensure that there was consistency and continuity in the evaluation process from one year to the next. Following the evaluation, the Board agreed to implement a number of recommendations including:

- continuing the focus of the Nomination Committee on the management succession plans for the Group, including in particular increased exposure to the Group's senior management below Board level;
- adapting the process followed as part of the Board's annual strategy review to allow more discussion on the key strategic issues facing the Group; and
- reviewing in more detail the opportunities and threats presented by future developments in technology and how these might impact on the continuing success of the Group.

As a result of the overall performance evaluation process carried out, the Board concluded that both it and its Committees are operating effectively.

FINANCIAL AND BUSINESS REPORTING

The responsibilities of the directors in respect of the preparation of the Group and parent company financial statements are set out on page 116 and the auditor's report on pages 117 and 118 includes a statement by the external auditor about their reporting responsibilities. As set out on page 29, the directors are of the opinion that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

The process of preparing the Annual Report has included the following:

- verification procedures, both internally and by the external auditor, to deal with the factual content of the Annual Report; and
- comprehensive reviews undertaken at different levels in the Group in order to ensure the accuracy, consistency and overall balance of the Annual Report.

From the information and assurance provided by the ongoing work of the internal audit department, the reviews conducted by the external auditor in relation to both the half year and full year results, the Board's understanding of the Group's business and the information provided by the senior executive management team, the Board considers that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

RISK MANAGEMENT AND INTERNAL CONTROL

The directors acknowledge that they have overall responsibility for identifying and managing the risks faced by the Group and for the Group's system of internal control relating to those risks. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. In accordance with Principle C.2 of the Code and the related guidance, the Company has established the procedures necessary to ensure that there is an ongoing process for identifying, evaluating, managing and mitigating significant risks to the Group and for determining the nature and extent of the significant risks it is willing to take to achieve its strategic objectives. The directors confirm that such procedures have been in place for the year ended 31 December 2013 and up to the date of approval of these financial statements and have been reviewed during the year.

Further information relating to how the directors maintain overall control over all significant strategic, financial, operational and compliance issues is set out in the 'Role of the Board' section on page 39.

In addition, the Board has delegated to an Executive Committee, consisting of the Chief Executive, Finance Director and other functional managers, the responsibility for identifying, evaluating and monitoring the risks facing the Group and for deciding how these are managed and to establish a system of internal control appropriate to the business environments in which the Group operates. The principal features of this system include:

- a procedure for monitoring the effectiveness of the internal control system through a tiered management structure with clearly defined lines of responsibility and delegation of authority;
- clearly defined authorisation procedures for capital investment and acquisitions;
- strategic plans and comprehensive budgets which are prepared annually by the business areas and approved by the Board;
- formal standards of business conduct (including a code of ethics and whistle blowing procedure) based on honesty, integrity, fair dealing and compliance with the local laws and regulations of the countries in which the Group operates;
- a well established consolidation and reporting system for the statutory accounts and monthly management accounts;
- continual investment in IT systems to ensure the production of timely and accurate management information relating to the operation of the Group's businesses; and
- detailed manuals covering Group accounting policies and policies and procedures for the Group's treasury operations supplemented by internal control procedures at a business area level.

Some of the procedures carried out in order to monitor the effectiveness of the internal control system and to identify, manage and mitigate business risk are listed below:

- central management holds regular meetings with business area management to discuss strategic, operational and financial issues including a review of the significant risks affecting each of the business areas and the policies and procedures by which these risks are managed;
- the Executive Committee meets twice per month and also reviews the outcome of the discussions held at business area meetings on internal control and risk management issues;
- the Board in turn reviews the outcome of the Executive Committee discussions on internal control and risk management issues which ensures a documented and auditable trail of accountability;
- each business area, the Executive Committee and the Board carry out an annual fraud risk assessment;
- actual results are reviewed monthly against budget, forecasts and the previous year and explanations obtained for all significant variances;
- all treasury activities, including in relation to the management of foreign exchange exposures and Group borrowings, are reported and reviewed monthly;
- the Group's bank balances around the world are monitored on a weekly basis and significant movements are reviewed centrally;
- the internal audit department periodically reviews individual businesses and procedures, makes recommendations to improve controls and follows up to ensure that management implement the recommendations made. The internal audit department's work is determined on a risk assessment basis and their findings are reported to Group and business area management as well as to the Audit Committee and the external auditor;
- an annual self-assessment of the status of internal controls measured against a prescribed list of minimum standards is performed by every business and action plans are agreed where remedial action is required;
- the Audit Committee, which comprises all of the independent non-executive directors of the Company, meets regularly throughout the year. Further details of the work of the Committee, which includes a review of the effectiveness of the Company's internal financial controls and the assurance procedures relating to the Company's risk management system, are set out in the Audit Committee report on pages 44 to 46;
- regular meetings are held with insurance and risk advisers to assess the risks throughout the Group;
- a management committee, which oversees issues relating principally to environment, health & safety, insurance and business continuity planning matters, sets relevant policies and practices and monitors their implementation;
- risk assessments, safety audits and a regular review of progress against objectives established by each business area are periodically carried out; and
- developments in tax, treasury and accounting are continually monitored by Group management in association with external advisers.

The directors confirm that they have reviewed the effectiveness of the system of internal control and risk management in operation during 2013.

The external auditor is engaged to express an opinion on the financial statements. The audit includes the review and test of the system of internal financial control and the data contained in the financial statements to the extent necessary for expressing an audit opinion on the truth and fairness of the financial statements.

RELATIONS WITH SHAREHOLDERS

The Company reports formally to shareholders twice a year with the half year results announced normally at the end of August and the annual results announced normally at the end of February. In addition the Company publishes two interim management statements a year as required by the Disclosure and Transparency Rules.

The Chief Executive and Finance Director have regular meetings with representatives of institutional shareholders and report to the Board the views of major shareholders. Additional forms of communication include presentations of the half year and annual results. The Chairman and the senior independent director and the other non-executive directors are available to meet with major shareholders on request. The Board also periodically reviews and discusses analysts' and brokers' reports and surveys of shareholder opinions conducted by the Company's own brokers.

Notice of the Annual General Meeting is sent to shareholders at least 20 working days before the meeting. All shareholders are encouraged to participate in the Annual General Meeting, are invited to ask questions at the meeting and are given the opportunity to meet all of the directors informally. Shareholders unable to attend are encouraged to vote using the proxy card mailed to them or electronically as detailed in the Notice of Meeting. Shareholders are given the option to withhold their vote on the proxy form. As in previous years, at the forthcoming Annual General Meeting each of the resolutions put to the meeting will be taken on a poll rather than on a show of hands as directors believe that a poll is more representative of shareholders' voting intentions because shareholder votes are counted according to the number of shares held and all votes tendered are taken into account. The results of the poll will be publicly announced and made available on the Company's website as soon as practicable following the Annual General Meeting.

On behalf of the Board

Paul Hussey
Secretary
24 February 2014

AUDIT COMMITTEE REPORT

David Sleath
Chairman of the Audit Committee

'I AM PLEASED TO INTRODUCE THE REPORT OF THE AUDIT COMMITTEE FOR 2013, THE PURPOSE OF WHICH IS TO GIVE SHAREHOLDERS AN OVERVIEW OF THE OPERATION AND SCOPE OF THE AUDIT COMMITTEE'S FUNCTION AND TO REPORT ON ITS ACTIVITIES UNDERTAKEN OVER THE PAST YEAR.'

In 2012 the Financial Reporting Council introduced a number of changes to the UK Corporate Governance Code (the 'Code'), some of which related to the role and reporting requirements of Audit Committees. In particular, these new requirements, which apply for the first time to the Company's financial year ended 31 December 2013, are centred on the Audit Committee's relationship with the external auditor and its review of the financial statements. This report has been prepared in accordance with the revised requirements of the Code.

ROLE

The Committee's principal role is to gain assurance as to the integrity of the financial reporting and auditing processes and the maintenance of sound internal control and risk management systems. In particular the Committee is responsible for:

- monitoring and reviewing the integrity of the financial statements of the Group and the significant reporting judgements contained in them;
- reviewing the effectiveness of the Company's internal financial controls;
- reviewing the process for the management of risk and the assurance procedures over controls designed to manage key risks;
- reviewing the appropriateness of the Company's relationship with the external auditor, including auditor independence, fees and provisions of non-audit services;
- making recommendations to the Board in relation to the appointment of the external auditor; and
- developing and implementing a policy on the engagement of the external auditor to supply non-audit services.

The Committee's terms of reference, which were reviewed and revised by the Board at the end of 2012 to take account of the recent changes to the Code which apply to the 2013 financial year, are available on the Company's website, www.bunzl.com.

In the performance of its duties, the Committee has independent access to the services of the Company's internal audit function and to the external auditor and may obtain outside professional advice as necessary. Both the Head of Internal Audit and the external auditor have direct access to me as the Chairman of the Committee and I held a number of meetings with each of them during the year outside formal Committee meetings.

ACTIVITIES

As Chairman of the Committee, I hold preparatory discussions with the Company's senior management, the Head of Internal Audit and the external auditor prior to Committee meetings to discuss the items to be considered at the Committee meetings. In addition, separate discussions are held between the Committee and the Head of Internal Audit and the external auditor without management present. I also attend the Annual General Meeting to respond to any shareholder questions that might be raised on the Committee's activities. The Committee met on five occasions during the year and members' attendance at those meetings is set out in the table on page 41.

During the year the Committee's activities included:

- receiving and considering reports from the external auditor in relation to the half yearly financial report and the annual financial statements, further details of which are set out below;
- reviewing the half yearly financial report and the annual financial statements and the formal announcements relating thereto, further details of which are also set out below;
- receiving and considering reports from the Head of Internal Audit in relation to the work undertaken by the internal audit function and reviewing and approving the internal audit work programme for the year;
- reviewing the effectiveness of the Company's internal financial controls and the assurance procedures relating to the Company's risk management systems;

- reviewing the arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and receiving periodic reports relating to the matters raised through such arrangements;
- reviewing the Committee's terms of reference and the Committee's effectiveness;
- reviewing the effectiveness of both the external auditor and the internal audit function following completion of detailed questionnaires by both the Board and senior management within the Company;
- making recommendations to the Board concerning the appointment of the external auditor and approving the remuneration and terms of engagement of the auditor including the audit strategy and planning process for the current financial year;
- reviewing and approving the level and type of non-audit work which the external auditor performs, including the fees paid for such work, further details of which are set out below; and
- reviewing the principal tax risks applicable to the Company and the steps taken to manage such risks.

Following each Committee meeting, I report any significant findings to the Board and copies of the minutes of the Committee meetings are circulated to all of the directors and to the external auditor.

FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING MATTERS

During the year and prior to the publication of the Group's results for 2013, the Audit Committee reviewed the 2013 half yearly financial report, the 2013 Annual Report (including the financial statements), the 2013 annual results news release and the reports from the external auditor, KPMG Audit Plc, on the outcomes of their half year review and audit relating to 2013.

As part of its work, the Committee considered the following significant accounting issues, matters and judgements in relation to the Group's financial statements:

Accounting for business combinations

For business combinations, the Group has a long-standing process for the identification of the fair values of the assets acquired and liabilities assumed including separate identification of intangible assets using external valuation specialists where required. The Committee reviewed this process and discussed with management and the external auditor the methodology and assumptions used to value the assets and liabilities of the significant acquisitions completed in 2013. The Committee concluded that it was satisfied with management's valuations of these assets and liabilities, including the degree to which such valuations are supported by professional advice from external advisers.

The carrying value of goodwill

Goodwill is allocated to cash generating units ('CGUs') and is tested annually for impairment. The Committee critically reviewed and discussed management's report on the annual impairment testing of the carrying value of goodwill of each CGU and considered the external auditor's testing thereof including the sensitivity of the outcome of impairment testing to the use of different discount rates. After due challenge and debate, the Committee concluded that it was satisfied with the assumptions and judgements applied in relation to such testing and agreed that there was no impairment to goodwill. Details of the key assumptions and judgements used are set out in Note 9 to the financial statements.

Taxation

The Committee reviewed reports and received presentations from the Head of Tax highlighting the principal tax risks that the Group faces, the tax strategy and the judgements underpinning the provisions for potential tax liabilities. The Committee also reviewed the results of the external auditor's assessment of provisions for income taxes and deferred tax assets and liabilities and, having done so, was satisfied with the key judgements made by management.

Defined benefit pension scheme obligations

The Committee considered reports from management and the external auditor in relation to the valuation of the defined benefit pension schemes and reviewed the key actuarial assumptions used in calculating the defined benefit pension liabilities, especially in relation to discount rates, inflation rates and mortality/life expectancy. The Committee discussed the reasons for the decrease in the net pension deficit and was satisfied that the assumptions used were appropriate and were supported by independent actuarial specialists. Details of the key assumptions used are set out in Note 20 to the financial statements.

Provisions

The Group holds a number of provisions relating to properties (including liabilities for onerous lease commitments, repairs and dilapidations) and actual and anticipated legal, environmental and other claims. The Committee reviewed reports from management and the external auditor concerning the significant provisions held for such matters including any provisions with notable movements and those provisions requiring a greater degree of judgement. The Committee considered the background to such provisions and discussed with management the judgements applied in determining the value of provisions required. The Committee enquired of management and the external auditor as to the existence of other matters potentially requiring a provision to be made. The Committee concluded that it was satisfied with the value of provisions carried.

EXTERNAL AUDITOR'S INDEPENDENCE AND EFFECTIVENESS

The Committee ensures that the external auditor remains independent of the Company and receives written confirmation from the external auditor as to whether it considers itself independent within the meaning of its own internal and the relevant regulatory and professional requirements. Key members of the audit team rotate off the Company's audit after a specific period of time.

In order to ensure that the objectivity and independence of the external auditor is not compromised, the Committee has also pre-approved the non-audit service categories that can be provided by the external auditor and agreed monetary amounts for each service category that can be provided by them, subject to a maximum individual engagement value. Certain categories of services are prohibited under the ethical standards of the Accounting Practices Board. A permitted service requires specific authorisation from the Committee or myself as the Committee Chairman where it does not fall within the pre-approved categories or where its value exceeds the maximum pre-approved individual engagement value. Such non-audit service categories which are pre-approved principally comprise tax services and further assurance services relating to pre-acquisition due diligence and other duties carried out in respect of acquisitions and disposals of businesses. The Committee believes that given the external auditor's detailed knowledge of the Group's operations, its structure and accounting policies and the importance of carrying out tax services and detailed due diligence as part of the acquisition process, it is sometimes appropriate for this additional work to be carried out by the Company's auditor. However other firms are also used by the Company to provide non-audit services and it is the Company's policy to assess the services required on a case by case basis to ensure that the best placed adviser is retained.

Details of the fees paid to the external auditor in 2013 in respect of the audit and for non-audit services are set out in Note 4 to the financial statements.

During the year the Committee carried out a review of the effectiveness of the external audit process. As part of this review, the Committee considered feedback on the audit gathered through a detailed survey which was completed by each of the directors and members of the Company's senior management team at both Group and business area levels. The survey covered a total of 22 different aspects of the audit process grouped under three separate headings; the robustness of the audit process, the quality of delivery of the audit process and the quality of the people in the audit team and the service provided by them. Each respondent was asked to award a rating on a scale of 1 to 5 for each aspect reviewed and to provide any additional comments they wished to make in relation to the questions raised. The Committee discussed the findings of the survey and their overall assessment of the work of the auditor.

AUDITOR RE-APPOINTMENT

As part of the decision to recommend to the Board the re-appointment of the external auditor, the Committee takes into account the tenure of the auditor in addition to the results of its review of the effectiveness of the external auditor and considers whether there should be a full tender process. There are no contractual obligations restricting the Committee's choice of external auditor.

KPMG Audit Plc (or its predecessor firms) has been the Company's external auditor since 1986, being the date when an audit tender was last conducted. As a consequence of its satisfaction with the results of its review of the external auditor's activities during the year, the Committee has recommended to the Board that a resolution proposing the re-appointment of KPMG Audit Plc as external auditor be put to shareholders at the forthcoming Annual General Meeting.

However, notwithstanding this recommendation, in line with the new requirement under the Code and the recent report of the UK Competition Commission for listed companies to tender the external audit at least once every 10 years, the Committee has also made a recommendation to the Board that the Company should carry out such a tender during 2014 with a view to the successful firm performing the external audit for the year ending 31 December 2014. The Board intends to implement this recommendation later this year. Any firm so appointed during the year would then be subject to re-appointment by the Company's shareholders at the 2015 Annual General Meeting.

In order to comply with good governance practice and given KPMG's length of tenure as the Company's auditor and the current regulatory environment which may soon impose an obligation on listed companies to rotate their auditor periodically, the Board has decided that it intends to appoint a new audit firm as the Company's external auditor following the tender process. As a result KPMG Audit Plc will not be invited to participate in the process. KPMG has served the Company very well over many years and we thank them for their hard work.

INTERNAL CONTROL AND RISK MANAGEMENT

As mentioned above, the Committee is responsible for reviewing on behalf of the Board the effectiveness of the Company's internal financial controls and the assurance procedures relating to the Company's risk management system. These controls and procedures are designed to manage, but not eliminate, the risk of failure of the Company to meet its business objectives and, as such, provide reasonable, but not absolute, assurance against material misstatement or loss. During the year, the Committee monitors the effectiveness of the internal financial controls framework through reports from the Finance Director, the Head of Internal Audit and the external auditor. In particular the Committee considered the scope and results of work of the internal audit function, the findings of the external auditor in relation to the year end audit, the assessment of fraud risk carried out by management, the controls over the Company's financial consolidation and reporting system, the treasury controls, the tax risks and the processes for setting strategic plans and budgets and for monitoring the ongoing performance of the Company.

In relation to the risk management system, the Committee reviewed the process by which significant risks had been identified by management and the Board, the key controls and other processes designed to manage and mitigate such risks and the assurance provided by the internal audit function, the external auditor and other oversight from management and the Board.

INTERNAL AUDIT

The Company has an internal audit department which comprises eight in-house auditors, including the Head of Internal Audit who reports jointly to me, in my capacity as Chairman of the Audit Committee, and the Finance Director. The scope of work of the internal audit function covers all systems and activities of the Group. Work is prioritised according to the Company's risk profile with the annual audit plan being approved by the Committee each year. Internal audit reports are regularly provided to the Committee which include details of the audit findings, and the relevant management actions required in order to address any issues arising therefrom, as well as updates on the progress made by management in addressing any outstanding recommendations from previously reported findings. In addition, the internal audit function reports on any significant issues relating to the processes for controlling the activities of the Group and the adequacy and effectiveness of such processes. Together the work of the internal audit function provides the Committee with a further means of monitoring the processes and actions to manage and mitigate those risks identified as posing the greatest threat to the Company.

A review by the Committee of the effectiveness of the internal audit function was carried out during the year. The Committee considered the results of a questionnaire completed by each of the directors and those members of the senior management team who interact with the internal audit department and discussed generally the work of the internal audit department, the adequacy of resources and the skills and capabilities of the internal audit team.

David Sleath
Chairman of the Audit Committee
24 February 2014

DIRECTORS' REMUNERATION REPORT

Peter Johnson
Chairman of the Remuneration Committee

'OUR REMUNERATION POLICIES AND PRACTICES ARE DESIGNED TO REWARD MANAGEMENT FOR DELIVERING THE CONTINUAL STRATEGIC GROWTH OF OUR BUSINESS.'

This report has been prepared on behalf of and has been approved by the Board. It complies with Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) (the 'Regulations'), the UK Corporate Governance Code and the Financial Conduct Authority Listing Rules and takes into account the accompanying Directors' Remuneration Reporting Guidance and the relevant policies of shareholder representative bodies. As required this report is presented in three main sections: an annual statement from the Chairman of the Committee; the Directors' remuneration policy report; and the Annual report on remuneration for 2013. The report also contains information relating to the directors' remuneration for 2014 and additional information on directors' share interests.

STATEMENT FROM PETER JOHNSON, CHAIRMAN OF THE REMUNERATION COMMITTEE

During late 2012 and 2013 we have, together with Deloitte LLP ('Deloitte'), reviewed our long term incentive arrangements in the context of the overall remuneration package. Bunzl's current Long Term Incentive Plan ('LTIP') is due to expire in May 2014 and so the review included the development of appropriate replacement arrangements which would continue to align executive reward with returns to shareholders and support our strategy going forward. Since the introduction of the current LTIP, the business has performed consistently well and grown significantly with operating profit before intangible amortisation and acquisition related and corporate costs growing in the 10 year period to 2013 from £183 million to £433 million (10% compound growth per annum over this period) without raising any new equity. When conducting the review, the Committee considered a number of key principles which are set out below:

- Our remuneration arrangements should be **simple and transparent** for both employees and shareholders.
- One of Bunzl's main objectives is to **build shareholder value**. Our strategic focus places great importance on continuing to grow organically and by acquisition. The remuneration framework should be designed to reinforce the link between pay and performance and reward senior executives for delivering superior shareholder returns.
- Performance should be assessed against measures and targets that are **relevant to Bunzl's business** and are stretching, whilst providing maximum clarity.
- A significant amount of Bunzl's success can be attributed to the **strong leadership** of the management team. It is important that key individuals are retained and that we can attract new talent into the business by recruitment or acquisition. The competitiveness of the remuneration package we offer is key.
- Bunzl is an **international business** providing outsourcing solutions and value-added distribution across the Americas, Europe and Australasia. The remuneration framework should be structured in a way which will allow us to compete for talent across multiple geographies whilst also complying with UK corporate governance good practice.

The conclusion of our review was that whilst the current remuneration structure has served the business well, there were a number of changes that needed to be made to ensure the remuneration framework continues to support the strategic direction of the business and further comply with good practice whilst addressing various matters previously raised by shareholder representative bodies. The principal change relates to the proposed introduction of a revised LTIP to be known as the 2014 LTIP.

Overview of the 2014 LTIP

Grants of executive share option (part A) and performance share (part B) awards will continue to be made on a biannual basis and performance will be measured over a three year performance period. The Committee considered whether a holding period post vesting would be appropriate but felt that the current three year performance period with no additional holding period was more suitable to Bunzl's business cycle. For awards made after the Annual General Meeting ('AGM') in 2014, we are introducing clawback terms on both executive share option and performance share awards referred to on page 50. We have set out below the main design features of the proposed 2014 LTIP.

Executive share options (Part A)

- The maximum value of annual share option awards which can be granted under the 2014 LTIP rules to be reduced from 300% to 250% of base salary.
- Under the 2014 LTIP, executive share option awards for the directors will vest subject to a performance condition linked to the growth of the Company's earnings per share over the performance period, with the introduction of scaled vesting as referred to on pages 50 and 64. The intrinsic value of an option will reduce compared with the current plan.
- To maintain the current expected value of the option element of the 2014 LTIP, the annual grant level will be increased from 150% to 200% of annual salary for the Chief Executive and by a similar percentage for the other executive directors.
- It is no longer considered appropriate to measure performance against the Retail Prices Index ('RPI') in the UK given that only 17% of revenue and 25% of operating profit now relates to Bunzl's UK & Ireland operations and these percentages are expected to decline further as the Group's business continues to grow internationally. The Committee will review the growth targets annually to ensure that the performance conditions remain sufficiently challenging.

Performance shares (Part B)

- The maximum value of annual performance share awards which can be granted under the 2014 LTIP rules will be reduced from 200% to 150% of base salary.
- There will be no change in the actual award levels for directors. The Chief Executive will continue to receive annual awards with a face value of 112.5% of base salary.
- 50% of an award will continue to be subject to earnings per share growth performance over the performance period, but not relative to UK RPI as mentioned above, with scaled vesting as referred to on pages 50 and 64.
- 50% of an award will be subject to relative Total Shareholder Return ('TSR') performance over the performance period. TSR performance will be measured against the constituents of the FTSE 50 – 150 with significant international operations, excluding companies in the financial services, oil & gas and natural resources sectors. The vesting schedule will be unchanged from the 2004 LTIP as referred to on pages 50 and 64.

The earnings per share performance targets are determined, based on both historic and consensus forecast performance for the business, to be stretching yet achievable. In setting the proposed targets for 2014 the Committee has taken into consideration that the intrinsic value of a performance share is much higher than that of an executive share option and therefore that it is appropriate that a more challenging target be set.

Changes to other elements of the remuneration framework

When reviewing the proposed structure of the 2014 LTIP, we also conducted a review of other elements of the remuneration framework. In light of this we have doubled the shareholding guideline to 200% of annual salary for all executive directors to align further their interests with shareholders.

As mentioned above the Committee also reviewed and discussed the appropriateness of the performance measures for the 2014 LTIP and whether the addition of other measures would be more appropriate. After full discussion the Committee decided that the use of earnings per share and TSR remained appropriate for a company such as Bunzl. It was felt that the principal measure of performance for the annual bonus should remain constant exchange rate earnings per share performance against the target for the year but that the annual bonus outcome will be modified based on the return on average operating capital performance for the year relative to a target level of return.

Consultation

As part of the process to develop the new remuneration arrangements we wrote to 19 of the Company's principal shareholders representing around 60% of the shareholder base, as well as two major shareholder representative bodies, seeking their views with regard to our proposals. Subsequently I, the Secretary of the Remuneration Committee and the General Counsel and Company Secretary took part in a number of meetings and telephone conferences to gain feedback and answer questions. The vast majority of those consulted indicated that they were supportive of the Company's directors' remuneration policy.

Reporting and disclosure

We have restructured our reporting in line with the revised regulations and associated guidance relating to remuneration matters and have tried to make it as clear as possible and explain the rationale for the decisions that we have made during the year.

I look forward to receiving your support for both the annual report on remuneration and our directors' remuneration policy for future years.

Peter Johnson
Chairman of the Remuneration Committee
24 February 2014

DIRECTORS' REMUNERATION POLICY REPORT

Bunzl continues to pursue its well defined strategy of developing the business through organic growth, consolidating the markets in which we compete through focused acquisitions in both existing and new geographies and continuously improving the efficiency of our operations. Bunzl's business model relies on excellent customer and supplier relationships and the skills, knowledge and experience of its directors and employees. The Company's remuneration policy supports this strategy by ensuring that the overall remuneration package is set at a competitive level whilst ensuring that additional reward is paid for high performance over a sustained period. This policy is designed to ensure the recruitment, retention and motivation of the executive directors and other senior executives over the long term.

The performance related elements of the remuneration package are designed to incentivise executives to meet key performance metrics which align their interests and remuneration with those of shareholders, for example targets relating to earnings per share and TSR. In setting such targets the Committee takes due account of the potential effect such targets could have on the attitude and behaviour of executives to risk within the business. In addition the Committee has the discretion to take into account performance on environmental, social and governance matters.

The following table summarises the proposed policy for the remuneration of executive directors effective from the 2014 AGM which, if approved by shareholders, will become binding until the AGM to be held in 2017. To aid shareholders' understanding, explanations are included where appropriate on how this policy differs from the policy in operation for the 2013 financial year.

Salary	
Purpose	• recognise knowledge, skills and experience as well as reflect the scope and size of the role • reward individual performance without encouraging undue risk • promote the importance of environmental, social and governance issues
Operation	• paid in 12 equal monthly instalments during the year • reviewed annually, normally in December (with any changes usually effective from January) • taking into consideration individual and Group performance, salary increases across the Group are benchmarked for appropriate salary levels using a comparator group of similarly sized companies with a large international presence • pensionable
Maximum potential value	• salary increases are normally considered in relation to the salary increases of other employees in the Group and performance of the individual unless there has been a major change in role or responsibility or major market movement. The annual salaries for the executive directors for 2013 and 2014 are on pages 58 and 64 respectively
Performance metrics	• individual performance in the role, as well as the performance of the Group and achievements related to environmental, social and governance issues, are all taken into consideration

Annual bonus	
Purpose	• incentivise the attainment of annual corporate targets • retain high performing employees • align with shareholders' interests
Operation	• annual award based on financial targets set by the Committee at the beginning of the year • at the end of the performance period, which is the Group's financial year from 1 January until 31 December, the Committee assesses the extent to which the performance measures have been achieved. The level of bonus for each measure is determined by reference to the actual performance relative to that measure's performance targets, on a pro rata basis • any bonus is paid as 50% in cash and 50% in shares (with the shares normally deferred for three years under the Deferred Annual Share Bonus Scheme ('DASBS')) • a clawback facility is in operation by which part or the full deferred bonus award may be reduced or cancelled to the extent that the value of the bonus originally awarded is subsequently found to have been overstated as a result of a material misstatement of the financial accounts by which the bonus was originally determined • non-pensionable
Maximum potential value	• the annual on target bonus opportunity for Michael Roney and Brian May is 70% of salary with a threshold award of 49% of salary and a maximum award of 115% of salary and for Patrick Larmon is 65% of salary with a threshold award of 31% of salary and a maximum award of 110% of salary
Performance metrics	• the principal measure for performance is the growth at constant exchange rates in the Company's earnings per share adjusted to exclude items which do not reflect the Company's underlying financial performance ('eps') against the relevant target • the bonus derived from constant exchange rate eps performance will be increased or decreased according to the Company's performance against the target return on average operating capital ('RAOC'), referred to as the RAOC modifier • the use of eps and RAOC measures are seen as appropriate as they are two of Bunzl's key performance indicators ('KPIs'). The use of eps growth aligns the executive directors' interests with those of the shareholders and the RAOC modifier ensures the continued focus on working capital management together with profit growth • bonus awards are at the Committee's discretion and may take into account performance on environmental, social and governance matters as appropriate • Patrick Larmon has additional measures based on the profit before interest and tax ('pbit') and working capital employed in the business area for which he has direct responsibility (North America). The additional measures relating to pbit and working capital are relevant for Patrick Larmon as these are both KPIs of the business area he is responsible for running and these measures, together with other performance measures, are used to incentivise the management group in North America • the Group RAOC modifier has been introduced as a performance metric to the executive directors' bonus plan from 1 January 2014 • the performance metrics and targets are reviewed annually to ensure they remain appropriate. The Committee retains the discretion to set alternative metrics as appropriate • the current relevant performance metrics are: threshold (which must be exceeded to attract any payment of bonus); target; and maximum amount (the level at which the bonus is capped). These performance metrics are determined at the start of the year by reference to the Group's annual budget. No elements of the bonus are guaranteed. As in previous years, the specific targets will not be disclosed while still commercially sensitive

Long term incentives	
Purpose	• incentivise growth in longer term eps and TSR • align with shareholders' interests • recruit and retain senior employees
Operation	• discretionary biannual grants of executive share option awards and performance share awards which vest subject to performance conditions measured over three years and subject to continuous Company service. There is no opportunity to retest • a clawback facility is in operation under which part or the full amount of a vested award may be recovered, by reduction in the amount of any future bonus, subsisting award, the vesting of any subsisting award or future share awards and/or a requirement to make a cash payment, to the extent that the value of a vested award is subsequently found to have been overstated as a result of a material misstatement of the financial accounts by which the vesting was determined • all awards are subject to the discretions contained in the relevant plan rules
Maximum potential value	*Executive share options* • maximum annual award of 250% of salary • normal grant levels for executive directors are expected to be between 167% and 200% of salary and the Committee would not grant above this level to incumbent executive directors without further consultation with shareholders *Performance shares* • maximum annual award of 150% of salary • normal grant levels for executive directors are expected to be between 94% and 112.5% of salary and the Committee would not grant above this level to incumbent executive directors without further consultation with shareholders
Performance metrics	Performance and service conditions must be met over a three year performance period *Executive share options* • eps performance measure relates to the absolute growth in the Company's eps against the targets set for the performance period • the vesting is scaled as follows: – no vesting for performance below the threshold target – 25% of an award will vest for achieving the threshold target – 100% of an award will vest for achieving or exceeding the maximum target – for performance between these targets, the level of vesting will vary on a straight line sliding scale • the Committee annually reviews the performance conditions outlined above and, in line with the rules of the 2014 LTIP, reserves the right to set different targets for forthcoming annual grants provided it is deemed that the relevant performance conditions remain appropriately challenging in the prevailing economic environment • the targets set out in the Remuneration report on page 61 relate to the previously approved 2004 LTIP. The targets set for the 2014 LTIP are shown on page 64 *Performance shares* • TSR performance measure (50% of the total award) compares a combination of both the Company's share price and dividend performance during the performance period against a comparator group of the constituents of the FTSE 50 – 150 with significant international operations, excluding companies in the financial services, oil & gas and natural resources sectors • the other 50% of the award is subject to an eps performance measure which relates to the absolute growth in the Company's eps against the targets set for the performance period • the vesting for both performance measures is scaled as follows: – no vesting for performance below median performance (TSR) or the threshold target (eps) – 25% of an award will vest for achieving median performance (TSR) or the threshold target (eps) – 100% of an award will vest for achieving or exceeding upper quartile performance (TSR) or the maximum target (eps) – for performance between these targets, the level of vesting will vary on a straight line sliding scale • the Committee annually reviews the performance conditions outlined above and, in line with the rules of the 2014 LTIP, reserves the right to set different targets for forthcoming annual grants provided it is deemed that the relevant performance conditions remain appropriately challenging in the prevailing economic environment • the targets set out in the Remuneration report on page 61 relate to the previously approved 2004 LTIP. The targets set for the 2014 LTIP are shown on page 64

All employee share plans	
Purpose	• encourage employees including the executive directors to build a shareholding through the operation of all employee share plans such as the HM Revenue & Customs ('HMRC') approved Sharesave Scheme in the UK and the Internal Revenue Service ('IRS') approved Employee Stock Purchase Plan (US) (the 'ESPP') in the US
Operation	• the Sharesave Scheme has standard terms under which participants can normally enter a savings contract, over a period of either three or five years, in return for which they are granted options to acquire shares at a discount of up to 20% of the market price prevailing on the day immediately preceding the date of invitation to apply for the option. Options are normally exercisable either three or five years after they have been granted • the ESPP provides an opportunity for employees in the US to purchase the Company's shares in the market at a 15% discount to the market price. The purchase of the shares is funded by after tax payroll deductions from the employee with the employing company contributing the 15% discount • rules of both of the above plans were approved by shareholders at the 2011 AGM
Maximum potential value	• in the UK, the Sharesave Scheme is linked to a contract for monthly savings within the HMRC limits over a period of either three or five years (currently £250 per month) • in the US, the ESPP allows the purchase in the market of shares within IRS limits (currently up to an annual maximum of 10% of remuneration or US$25,000 worth of shares, whichever is lower)
Performance metrics	• service conditions apply

Retirement benefits	
Purpose	• provision of competitive retirement benefits • retain executive directors
Operation	• all defined benefit pension plans in the Group have been closed to new entrants since 2003 with any new recruits being offered defined contribution retirement arrangements and/or a pension allowance • legacy arrangements exist for one UK based executive director and the US based executive director as disclosed previously • pension contributions and allowances are normally paid monthly
Maximum potential value	• company pension contributions to defined contribution retirement arrangements or cash allowances are capped at 30% of annual salary • benefits under the legacy UK defined benefit pension plan accrue at a rate of 2.4% on salary up to the notional pensionable salary cap (from 6 April 2014 £145,800 per annum)
Performance metrics	Not applicable

Other benefits	
Purpose	• provision of competitive benefits which helps to recruit and retain executive directors
Operation	• benefits may include a car allowance or a car which may be fully expensed, various insurances such as life, disability and medical and in some jurisdictions club expenses and other benefits provided from time to time • some benefits may only be provided in the case of relocation, such as removal expenses, and in the case of an international relocation might also include fees for children's schooling, home leave, tax equalisation and professional advice etc
Maximum potential value	• the value of benefits is based on the cost to the Company and varies according to individual circumstances. For example the cost of medical insurance varies according to family circumstances and the jurisdiction in which the family is based
Performance metrics	Not applicable

Shareholding requirement	
Purpose	• strengthen the alignment between the interests of the executive directors and those of shareholders
Operation	• Executives will be normally expected to retain shares through the exercise of awards under the DASBS and the LTIP until they attain the required holding. Three years is allowed for executives who are promoted from within the Company to achieve the required shareholding. It is recognised that a longer time period may be required for externally recruited executives to achieve the required shareholding
Maximum potential value	• retain shareholdings worth equal to at least 200% of annual salary. This does not include any holdings of deferred shares or vested but unexercised share options or performance shares
Performance metrics	Not applicable

Performance measures and targets

The key measures used by the Committee for incentivising the executive directors are: eps modified by RAOC for the annual bonus and eps and relative TSR for the 2014 LTIP. The Committee considers that all of these measures are appropriate for incentive purposes:

- Eps is one of Bunzl's KPIs. The use of eps aligns the executive directors' interests with those of shareholders. In addition, one of the executive directors, Patrick Larmon, President and Chief Executive Officer of North America, also has part of his annual bonus determined by additional measures relating to pbit and working capital which are relevant as these are two of the KPIs of the business area he is responsible for running
- RAOC is another of Bunzl's KPIs. The RAOC modifier ensures continued focus on working capital and profit growth by rewarding efficient profit generation, taking into account acquisitions once they are established, and uses average capital employed rather than only capital at the end of the period
- Relative TSR provides an external assessment of the Company's performance against similar sized companies listed in the UK. It also aligns the rewards received by executives with the returns received by shareholders

This combination of performance measures provides an important balance relevant to the Group's business and market conditions as well as providing a common goal for the executive directors, senior management and shareholders. The Committee does not feel that the introduction of non-financial measures for the executive directors is appropriate at this time.

The Committee reviews performance targets on an annual basis taking into account the Company's annual budgeting process, the economic environment in the jurisdictions in which the Company operates and external expectations.

Changes to the remuneration policy from that operating in 2013 and 2012

As described above in the Statement from the Chairman of the Remuneration Committee, during late 2012 and 2013 a review of the executive directors' remuneration arrangements took place, particularly with regard to the proposed replacement of the 2004 LTIP. A number of changes have been made for implementation following the 2014 AGM to bring the arrangements in line with best practice.

Element	Operation	Maximum potential value	Performance metric
Salary	No change	No change	No change
Annual bonus	No change	No change	Introduction of RAOC modifier
Long term incentives	*Executive share options:* Increase of normal annual grants to: Chief Executive: from 150% to 200% Finance Director: from 140% to 187% Other executive director: from 125% to 167% *Performance shares:* No change to normal annual grant levels Clawback introduced	*Executive share options:* Reduction of maximum grant from 300% to 250% of salary *Performance shares:* Reduction of maximum grant from 200% to 150% of salary	*Executive share options and performance shares:* UK RPI removed and absolute eps measure introduced *Executive share options:* Eps performance measure retained but vesting will vary on a straight line sliding scale *Performance shares:* No change to TSR measure Comparator group changed to FTSE 50 – 150 with significant international operations, excluding companies in financial, oil & gas and natural resources sectors
All employee share/ stock purchase plans	No change	No change	No change
Retirement benefits	No change	No change	No change
Other benefits	No change	No change	No change
Shareholding guidelines	No change	Increased to 200% of annual salary	No change

Differences in remuneration policy for executive directors and employees in general

The main difference in remuneration policy between the executive directors and employees in general is the split of fixed and performance related pay such as bonus and long term incentives. Overall the percentage of performance related pay, in particular longer term incentive pay, is greater for the executive directors. This reflects that executive directors have more freedom to act and the consequences of their decisions are likely to have a broader and more far reaching time span of effect than those decisions made by employees with more limited responsibility. As a consequence only executive directors, Executive Committee members and other key employees (currently 22 people) are granted both executive share option and performance share awards. Approximately 300 senior managers are granted executive share option awards on an annual basis, which helps to provide a common focus for the management in the Company's decentralised organisation structure, whereas the annual bonuses are related to the performance of individual operating units.

Bonus arrangements vary throughout the Group and are related to the specific role and the country in which the employee operates. The majority of bonus plans have quantitative targets but the performance measures and targets vary according to each specific role. Sales representatives often have high levels of annual bonus payments which may be commission based.

When there is a critical mass of employees within a country to make it cost effective to do so, to encourage wider employee share ownership an all employee share plan is offered. Currently plans are offered to all employees based in Australia, Canada, Germany, Ireland, the Netherlands, US and UK. In France employees take part in profit sharing arrangements in accordance with local regulations.

Retirement and other benefits offered to employees across the Group differ according to the country in which the job is based, as social provision and market norms differ, and the function and seniority of the relevant role.

Statement of consideration of employment conditions elsewhere in the Group

The Committee is provided annually with information on the salaries and proposed increases for the Executive Committee members and other senior direct reports of the Chief Executive, as well as data on the average salary increases within each geographical region within the Group. In addition the Committee reviews and agrees all grants of executive share option and performance share awards.

In 2014 employees across the Group have received, on average, salary increases in the range of 2% – 3%, dependent on geographical location with the exception being those employees based in Latin America and China where, due to inflation, current market salary increases are much higher. The actual increases received by employees have been based on each individual's contribution and performance as well as the market competitiveness of the salary.

The Company did not consult with employees when drawing up the directors' remuneration policy set out in this part of the report.

Recruitment of executive directors – approach to remuneration

For the ongoing stability and growth of the Group, it is important to secure, as necessary, the appointment of high calibre executives to the Board by either external recruitment or internal promotion. The overarching principles applied by the Committee in developing the remuneration package will be to set an appropriate base salary together with benefits and short and long term incentives taking into consideration the skills and experience of the individual, the complexity and breadth of the role, the particular needs and situation of the Group, internal relativities, the marketplace in which the executive will operate and an individual's current remuneration package and location. In addition, the Committee recognises that it may need to meet certain relocation expenses as appropriate.

To ensure consistency across the Board, the expected components of the package would be in line with the remuneration policy as set out on pages 49 to 52. In order to provide the Company with sufficient flexibility on the recruitment of an executive director, the Committee has set the maximum level of variable remuneration on recruitment at 427.5% of annual salary. This covers the maximum annual bonus, including the deferred annual share bonus award, and the maximum face value of any long term incentive awards.

For an external appointment, the Committee may consider offering additional cash and/or share based elements to the remuneration package when it considers these to be in the best interests of the Company and its shareholders. Such elements, as appropriate, would be made under Section 9.4.2 of the Listing Rules and take account of any remuneration relinquished when leaving the former employer and would reflect the nature, time horizons and performance requirements attaching to that remuneration. Shareholders will be informed of any such payments at the time of appointment.

For an internal appointment, any variable pay element or benefit awarded in respect of the prior role may be allowed to remain in place according to its terms, adjusted as relevant to take into account the new appointment.

Executive directors' service contracts

It is the Company's policy that executive directors are normally employed on contracts that provide for 12 months' notice from the Company and six months' notice from the executive. For Michael Roney and Brian May there is no predetermined compensation for termination of these contracts. Patrick Larmon's contract provides that on termination by the Company without cause he is entitled to receive payment of 12 months' base salary plus health insurance coverage, reduced by any interim earnings. The date of each service contract is noted in the table below.

	Date of service contract
Michael Roney	1 September 2005
Brian May	9 December 2005
Patrick Larmon	1 January 2005

Policy on payment for departure from office

On termination of an executive director's service contract, the Committee will take into account the departing director's duty to mitigate his loss when determining the amount of compensation. The Committee's policy in respect of the treatment of executive directors leaving the Group is described below and is designed to support a smooth transition from the Company taking into account the interests of shareholders:

<table>
<tr><th>Component of pay</th><th>Voluntary resignation or termination for cause</th><th>Death, ill health, disability (excluding redundancy)</th><th>Departure on agreed terms</th></tr>
<tr><td>Base salary, pension and benefits</td><td>Paid for the proportion of the notice period worked and any untaken holidays pro rated to the leaving date</td><td>Paid up to the date of death or leaving, including any untaken holidays pro rated to such date. In the case of ill health, a payment in lieu of notice may be made and, according to the circumstances, may be subject to mitigation. In such circumstances some benefits such as company car or medical insurance may be retained until the end of the notice period</td><td rowspan="5">Treatment will normally fall between the two treatments described in the previous columns, subject to the discretion of the Committee and the terms of any termination agreement</td></tr>
<tr><td>Annual bonus cash</td><td>Cessation of employment during a bonus year will normally result in no cash bonus being paid</td><td>Cessation of employment during a bonus year or after the year end but prior to the normal bonus payment date will result in cash and deferred bonus being paid and pro rated for the relevant portion of the financial year worked and performance achieved</td></tr>
<tr><td>Annual bonus deferred shares</td><td>Unvested deferred shares will lapse</td><td>In the case of the death of an executive, all deferred shares will be transferred to the estate as soon as possible after death. In all other cases, subject to the discretion of the Committee, unvested deferred shares will be transferred to the individual on a date determined by the Committee</td></tr>
<tr><td>Executive share options</td><td>Unvested executive share options will lapse</td><td>Approved options will vest in full on the cessation of employment and be exercisable for the following 12 months after which any unexercised options will lapse

Subject to the discretion of the Committee, unvested unapproved share options will normally be retained by the individual for the remainder of the vesting period and remain subject to the relevant performance conditions. However in the case of the death of an executive, the Committee will determine the extent of vesting within 12 months of the date of death</td></tr>
<tr><td>Performance shares</td><td>Unvested performance shares will lapse</td><td>Subject to the discretion of the Committee, unvested performance shares will normally be retained by the individual for the remainder of the vesting period and remain subject to the relevant performance conditions. However in the case of the death of an executive, the Committee will determine the extent of vesting within 12 months of the date of death</td></tr>
<tr><td>Options under Sharesave</td><td>As per HMRC regulations</td><td colspan="2">As per HMRC regulations</td></tr>
<tr><td>Other</td><td>None</td><td colspan="2">Disbursements such as legal costs and outplacement fees</td></tr>
</table>

Notes

a) For share options granted under Part A of the 2004 LTIP, any unvested executive share options which are subject to the discretion of the Committee may vest in full on the termination date and be exercisable for the following 12 months following which any unexercised options will lapse.

b) The Committee will have the authority to settle any legal claims against the Company, e.g. for unfair dismissal etc, that might arise on termination.

Discretions retained by the Committee in operating the incentive plans

The Committee operates the Group's various incentive plans according to their respective rules and in accordance with HMRC and IRS rules where relevant. To ensure the efficient administration of these plans, the Committee may apply certain operational discretions. These include the following:

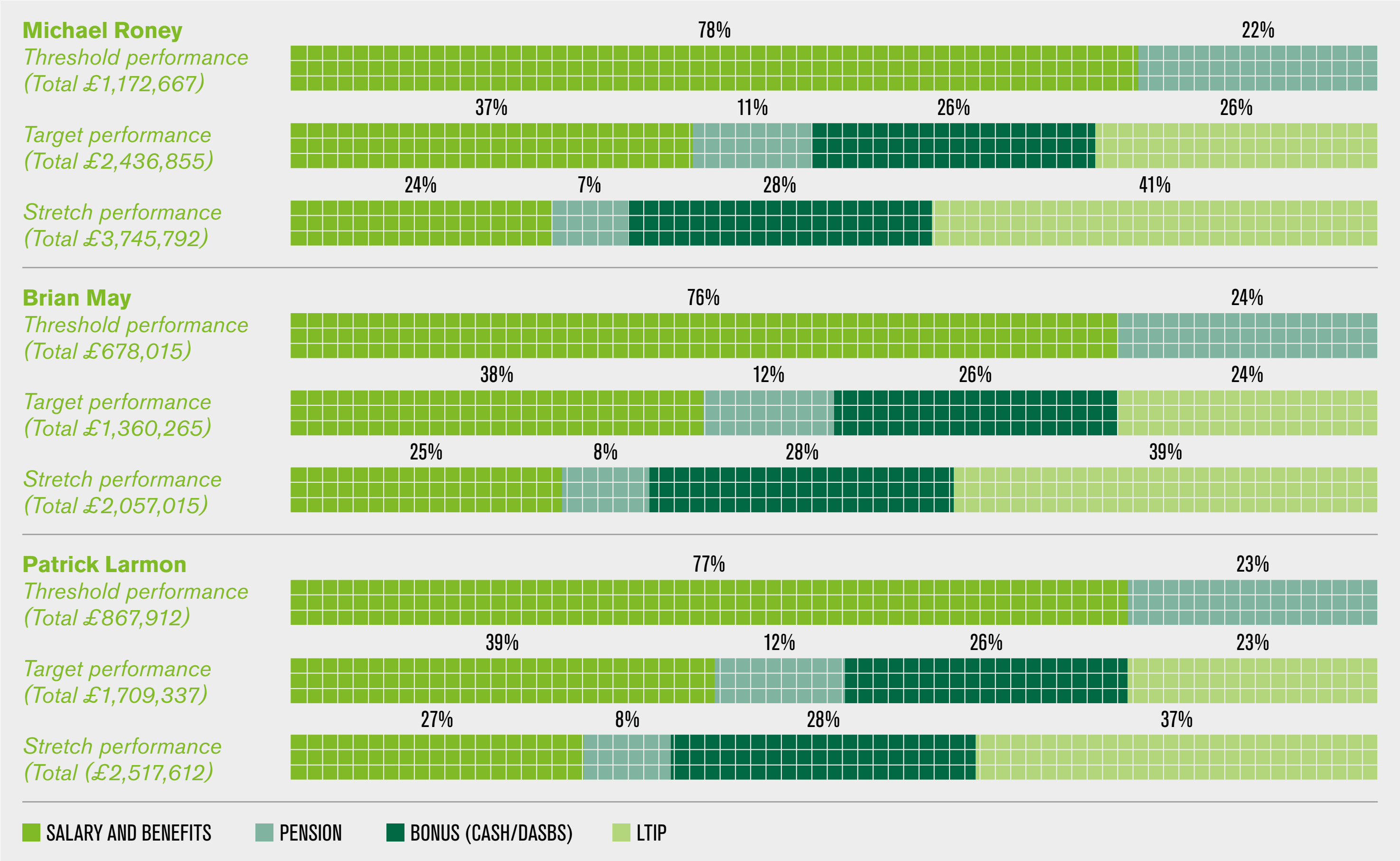
- selecting the participants in the plans;
- determining the timing of grants and/or payments;
- determining the quantum of grants and/or payments (within the limits set out in the policy table above);
- adjusting the constituents of the TSR comparator group;
- determining the extent of vesting based on the assessment of performance;

- determining 'good leaver' status and the extent of vesting in the case of the share based plans;
- determining the extent of vesting of awards under share based plans in the event of a change of control;
- making the appropriate adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events, variation of capital and special dividends); and
- under the annual review of weighting of performance measures, setting targets for the annual bonus plan and 2014 LTIP from year to year.

The Committee may vary the performance conditions applying to share based awards if an event occurs which causes the Committee to consider that it would be appropriate to amend the performance conditions, provided the Committee considers the varied conditions are fair and reasonable and not materially less challenging than the original conditions would have been but for the event in question.

Remuneration overview

The remuneration package comprises both core fixed elements (base salary, pension and other benefits) and performance based variable elements (cash bonus, the DASBS and the LTIP). The Committee has set a guideline that for on target performance approximately half of the remuneration package should be performance related. The structure of the remuneration packages for on target and stretch performance for each of the executive directors is illustrated in the bar charts below.



Notes

a) Salary represents annual salary for 2014. Patrick Larmon's salary is paid in US dollars but has been translated at the exchange rate of £1: US$1.56. Benefits such as a car or car allowance and private medical insurance are as shown on page 58.

b) Pension represents the cost of pension accrued in 2013 in the Defined Benefit Section of the Bunzl Pension Plan for Brian May, the value of the annual pension allowance for Michael Roney and Brian May, the contributions to the Defined Contribution Section of the Bunzl Pension Plan for Michael Roney and the total of Company contributions to Patrick Larmon's 401K Plan, Retirement Savings Benefit (the 'RSB') and through the Defined Contribution Senior Executive Retirement Agreement ('SERA'), further details of which are shown on page 60.

c) Below threshold performance comprises salary, benefits and pension only with no bonus awarded and no LTIP awards vested.

d) Target performance comprises annual bonus awarded at target level (i.e. 70% of base salary comprised of 50% cash and 50% deferred shares under the DASBS) and, for the LTIP, an assumption that 50% of performance shares will vest and that 50% of the share options will vest and deliver 30% of their face value in gain to the executives.

e) Stretch performance comprises annual bonus awarded at maximum level (i.e. 115% of base salary for Michael Roney and Brian May and 110% of base salary for Patrick Larmon comprised of 50% cash and 50% deferred shares under the DASBS) and, for the LTIP, an assumption that 100% of performance shares will vest delivering 100% of their face value in gain to the executive directors and 100% of share options will vest which will deliver 30% of their face value in gain to the executives.

Legacy arrangements

For the avoidance of doubt, in approving this Remuneration policy report, authority is given to the Company to honour any commitments entered into with current or former directors (that have been disclosed to shareholders in previous remuneration reports) or internally promoted future directors (in each case, such as the payment of a pension or the unwind of legacy share plans). Details of any payments to former directors will be set out in the Remuneration report as they arise.

Policy of executive directors' external appointments

With the specific approval of the Board in each case, executive directors may accept external appointments as non-executive directors of other companies and retain any related fees paid to them.

Non-executive directors' terms of appointment

On appointment of a new Chairman of the Board or non-executive director, the fees will be set taking into account the experience and calibre of the individual and the prevailing fee rates of the other non-executive directors at that time.

The non-executive directors do not have service contracts with the Company but instead have letters of appointment. The date of appointment and the most recent re-appointment and the length of service for each non-executive director are shown in the table below.

	Date of appointment	Date of last re-appointment at AGM	Length of service as at 2014 AGM
Philip Rogerson	1 January 2010	17 April 2013	4 years 3 months
Ulrich Wolters*	1 July 2004	n/a	n/a
Peter Johnson	1 January 2006	17 April 2013	8 years 3 months
David Sleath	1 September 2007	17 April 2013	6 years 7 months
Eugenia Ulasewicz	1 April 2011	17 April 2013	3 years
Jean-Charles Pauze	1 January 2013	17 April 2013	1 year 3 months
Meinie Oldersma	1 April 2013	17 April 2013	1 year

*Ulrich Wolters retired from the Board at the conclusion of the 2013 AGM.

On termination, at any time, a non-executive director is entitled to any accrued but unpaid director's fees but not to any other compensation.

Fees policy for Chairman and non-executive directors (the 'NEDs')	
Purpose	• provision of a competitive fee to attract NEDs who have a broad range of experience and skills to oversee the implementation of the Company's strategy
Operation	• determined in light of market practice and with reference to time commitment and responsibilities associated with the roles • annual fees are paid in 12 equal monthly instalments during the year • the senior independent director and Chairman of the Audit and Remuneration Committees are paid an extra fee to reflect their additional responsibilities • the NEDs and the Chairman are not eligible to receive benefits and do not participate in pension or incentive plans. Expenses incurred in respect of their duties as directors of the Company are reimbursed • the NEDs' fees are reviewed annually in January each year and the Chairman's fee is reviewed biennially, the last date being February 2014 • the Board as a whole considers the policy and structure for the NEDs' fees on the recommendation of the Chairman and the Chief Executive. The NEDs do not participate in discussions on their specific levels of remuneration; the Chairman's fees are set by the Committee
Maximum potential value	• determined within the overall aggregate annual limit of £1,000,000 authorised by shareholders with reference to the Company's Articles of Association
Performance metrics	Not eligible to participate in any performance related elements of remuneration

Statement of consideration of shareholder views

The Committee considers shareholder feedback received in relation to the AGM each year and guidance from shareholder representative bodies more generally. In addition the Committee consults proactively with its major shareholders prior to making significant changes to its policy.

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Committee remit and membership

The following independent non-executive directors were members of the Committee during 2013:

	Date of appointment to the Committee	Meetings eligible to attend	Meetings attendance
Ulrich Wolters*	21 July 2004	1	1
Peter Johnson	18 January 2006	5	5
David Sleath	5 December 2007	5	5
Eugenia Ulasewicz	20 April 2011	5	5
Jean-Charles Pauze	1 January 2013	5	5
Meinie Oldersma	1 April 2013	4	4

*Ulrich Wolters retired from the Board at the conclusion of the 2013 AGM.

The Secretary to the Committee is Celia Baxter, Director of Group Human Resources. No director plays any part in determining his or her remuneration. During the year ended 31 December 2013, both the Chief Executive and the Chairman were consulted and invited to attend meetings of the Committee, but were not present during any part of the meeting when their own remuneration was under consideration.

The terms of reference of the Committee have been formally adopted by the Board and are available for inspection in the Investor Centre section of the Company's website, www.bunzl.com. The key responsibilities of the Committee include:

- ensuring that executive directors and senior executives are properly incentivised to attract, retain and fairly reward them for their individual contribution to the Company and having due regard to the policies and practices applied to the rest of the employees within the Group;
- determining the framework or broad policy for the remuneration of the Chairman and the executive directors of the Board including setting their individual remuneration packages as well as their level of remuneration and overseeing all the Company's long term incentive plans;
- ensuring that remuneration is aligned with and supports the Company's strategy and performance, having due regard to the shareholders and to the financial and commercial health of the Company, while at the same time not encouraging undue risk taking; and
- communicating and discussing any remuneration issues with the Company's stakeholders as and when appropriate.

Advisers to the Remuneration Committee

In carrying out these responsibilities, the Committee seeks external remuneration advice as necessary. During the year the Committee received advice from Deloitte, PwC and New Bridge Street. Deloitte undertook a review of the long term incentive arrangements and made recommendations to the Committee on changes to the LTIP and other elements of remuneration as described in the Committee Chairman's statement. PwC provided external survey data on directors' remuneration and benefit levels. New Bridge Street drafted the rules of the 2014 LTIP and provided information to determine whether, and if so to what extent, the performance conditions attached to existing share option and performance share awards under the 2004 LTIP had been satisfied. The fees payable to each adviser, based on hourly rates, were: £48,000 (Deloitte), £19,065 (PwC) and £14,150 (New Bridge Street) for such work undertaken in 2013. In addition to the work undertaken on behalf of the Committee, Deloitte also provides the Company with some tax related services, PwC also provides the Company with some tax related and pre-acquisition due diligence services and New Bridge Street may from time to time also provide services to the Company on remuneration and benefit related matters that are not subject to review by the Committee. The Committee remains satisfied that the provision of these other services does not in any way compromise the independence of their advisers.

Statement of voting at the 2013 AGM

Last year the remuneration report received a 98.37% shareholder vote in favour as set out below:

Votes cast	Votes For	% of shares voted	Votes Against	% of shares voted	Votes Withheld
261,017,954	256,760,966	98.37	4,256,988	1.63	1,837,707

Notes

a) The votes 'For' include votes given at the Company Chairman's discretion.

b) A vote 'Withheld' is not a vote in law and is not counted in the calculation of the votes 'For' or 'Against' the resolution. Votes 'For' and 'Against' are expressed as a percentage of the votes cast.

Single total figure of remuneration 2013 (audited information)

Executive directors

	Salary £000		Taxable benefits £000		Bonus £000		LTIP £000		Pension £000		Total £000	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Michael Roney	**870.0**	845.0	**16.7**	16.4	**906.5**	650.6	**1,964.5**	1,737.4	**261.0**	253.5	**4,018.7**	3,502.9
Brian May	**480.0**	468.0	**16.7**	16.4	**500.2**	360.4	**1,016.5**	893.7	**161.3**	161.3	**2,174.7**	1,899.8
Patrick Larmon	**634.0**	603.8	**18.2**	16.5	**540.9**	518.6	**1,068.6**	950.2	**199.7**	232.3	**2,461.4**	2,321.4
Total	**1,984.0**	1,916.8	**51.6**	49.3	**1,947.6**	1,529.6	**4,049.6**	3,581.3	**622.0**	647.1	**8,654.8**	7,724.1

Non-executive directors

	Board fees £000		Committee Chair/SID fees £000		Total £000	
	2013	2012	**2013**	2012	**2013**	2012
Philip Rogerson	**310.0**	310.0	**–**	–	**310.0**	310.0
Ulrich Wolters	**21.0**	61.5	**–**	–	**21.0**	61.5
Peter Johnson	**63.0**	61.5	**29.0**	28.0	**92.0**	89.5
David Sleath	**63.0**	61.5	**13.0**	12.0	**76.0**	73.5
Eugenia Ulasewicz	**63.0**	61.5	**–**	–	**63.0**	61.5
Jean-Charles Pauze	**63.0**	–	**–**	–	**63.0**	–
Meinie Oldersma	**47.2**	–	**–**	–	**47.2**	–
Total	**630.2**	556.0	**42.0**	40.0	**672.2**	596.0

Notes

a) The figures above represent remuneration earned as directors during the relevant financial year including the bonus of which the cash element, 50% of the bonus, is paid in the year following that in which it is earned. The other 50% of the bonus shown above is deferred and conditionally awarded as shares under the rules of the DASBS. Shares relating to the 2012 deferred bonus were awarded in 2013 as shown in the table on page 65 and the shares relating to the 2013 deferred bonus will be awarded in 2014.

b) The remuneration for Patrick Larmon is determined and paid in US dollars and has been translated at the average exchange rates for the year of £1: US$1.56 in respect of 2013 and £1: US$1.59 in respect of 2012.

c) The long term incentives are in the form of awards under the 2004 LTIP which were granted in 2010 and 2011. See page 59 for details of the performance conditions applicable and for the valuation method applied to such awards. Long term incentive figures exclude any gain from the purchase of shares by Patrick Larmon through the ESPP described on page 51.

d) Benefits provided for all executive directors are a car or car allowance and medical insurance coverage for them and their families. In addition to these benefits Patrick Larmon's club fees are paid by the Company.

e) Ulrich Wolters retired from the Board on 17 April 2013.

f) Meinie Oldersma was appointed to the Board on 1 April 2013.

g) There were no payments made to former directors during the year and no payments were, or are due to be, made in respect of loss of office.

Executive directors' annual salary (audited information)

Executive directors' salaries were reviewed with effect from 1 January 2013 in accordance with normal policy and were increased taking into account the average salary increases for employees across the Group.

	Salary from 1 January 2013	Salary from 1 January 2012	Increase in salary 2012 to 2013 %
Michael Roney	**£870,000**	£845,000	3.0
Brian May	**£480,000**	£468,000	2.6
Patrick Larmon	**US$989,000**	US$960,000	3.0

Executive directors' salaries were also reviewed with effect from 1 January 2014 and the increases awarded are shown on page 64.

Executive directors' external appointments

Michael Roney served as a non-executive director of Johnson Matthey Plc throughout 2013 and retained fees of £68,000. Brian May served as a non-executive director of United Utilities Group PLC throughout 2013 and retained fees of £60,468. Patrick Larmon does not hold any such appointments.

Non-executive directors' fees (audited information)

The Chairman's fee is reviewed every two years and, as a result, no review of the fee took place in 2013. The fees for the non-executive directors were reviewed with effect from 1 January 2013 in accordance with normal policy.

	With effect from January 2013 £	Fees paid in 2012 £	Increase in fees 2012 to 2013 %
Chairman's fee	**310,000**	310,000	–
Non-executive director fee	**63,000**	61,500	2.4
Supplements:			
Senior independent director	**16,000**	16,000	–
Audit Committee Chairman	**13,000**	12,000	8.3
Remuneration Committee Chairman	**13,000**	12,000	8.3

The Chairman's and non-executive directors' fees were reviewed with effect from 1 January 2014 and the increases awarded are shown on page 65.

Performance against annual bonus targets (audited information)

The annual bonus plan and DASBS operate as set out in the policy section on page 49. 100% of Michael Roney's and Brian May's and 25% of Patrick Larmon's bonus potential in 2013 related to the growth in the Company's constant exchange rate eps relative to budget. This resulted in a bonus payment between the target and maximum bonus opportunity. For Patrick Larmon, a further 75% of his bonus potential related to the pbit performance of North America which was modified by the achievement of North America's return on average operating capital relative to the target set. Pbit performance for North America resulted in a bonus payment 1.2% above target and the return on average operating capital slightly exceeded target as a result of which the bonus related to North America's performance was increased by a further 0.8%. Accordingly the total payments under the annual bonus plan were:

	Total bonus payment (cash and deferred shares) as a % of salary				
	2013 %	2012 %	2011 %	2010 %	2009 %
Michael Roney	**104.2**	77.0	114.0	81.6	52.2
Brian May	**104.2**	77.0	114.0	81.6	52.2
Patrick Larmon	**85.3**	85.9	110.0	76.7	54.2

The monetary values of the bonus payments for 2013 and 2012 are included in the table on page 58.

LTIP grants/awards with performance periods ending in 2013 (audited information)

Executive share options – LTIP Part A

Executive share option awards, granted three years previously, are due to vest on 3 March 2014 and 2 September 2014. The Committee assessed the relevant performance of the Company against the performance conditions. Eps (restated on adoption of IAS 19 (revised 2011)) growth was 38.02% for the three years ended 31 December 2013 which compared to an increase in RPI of 10.95% over the same period. Since the performance condition would have been satisfied if eps had grown by at least 20.22% over the period, all of the options will vest. Included in the single total figure of remuneration table on page 58 is the estimated value of these awards based on the difference between the grant price and the average of the Company's closing mid-market share price for the three month period ended 31 December 2013 (1,372p).

Performance shares – LTIP Part B

Awards of performance shares were made to the executive directors on 1 April 2010 and 8 October 2010 with the three year performance periods being completed on 31 March 2013 and 30 September 2013 respectively. The Committee subsequently assessed the performance of the Company against the relevant performance conditions. The extent to which half of the awards would vest was subject to a performance condition based on eps growth relative to RPI. Eps growth was 28.4% for the three years ended 31 December 2012 compared to an increase in RPI of 13.2% over the same period. A quarter of the award would have been exercisable if eps had grown by at least 25.7% over the period and the whole award would have been exercisable if eps had grown by at least 46.3%. As a result of the Company's actual growth in eps over the period, 35.0% of this part of the awards vested (17.5% of the full awards).

The extent to which the other half of the awards vested was based on the Company's TSR performance against the relevant comparator group. For the April 2010 award, the Company ranked 12th out of the remaining 38 companies in the comparator group of companies, as a result of which 86.5% of this part of the award vested (43.3% of the full award) for performance between median and upper quartile. For the October 2010 award, the Company ranked 11th out of the remaining 37 companies in the comparator group of companies, as a result of which 89.9% of this part of the award vested (44.9% of the full award) for performance between median and upper quartile.

Accordingly 60.7% of the total performance shares awarded in April 2010 and 62.4% of the total performance shares awarded in October 2010 vested in April and October 2013 respectively. Included in the single total figure of remuneration table on page 58 is the value of these vested awards at the closing mid-market share price on the dates of vesting, 8 April 2013 and 8 October 2013, which were 1,290p and 1,305p respectively.

Total pension entitlements (audited information)

	Accrued benefits at 31.12.13 per annum £	Change in transfer value of accrued benefits during the year £	Transfer value of accrued benefits at 31.12.13 £	Defined benefit pension (DB) entitlements: Pension plan's normal retirement age	Additional value of pension on early retirement	Pension value in the year from DB scheme	Value of cash allowance including any company DC and/or 401k contributions in 2013	Total pension 2013
Michael Roney	–	–	–	–	–	–	261,000	**261,000**
Brian May	58,479	(159,428)	957,860	60	–	59,378	101,970	**161,348**
Patrick Larmon	15,738	(11,257)	153,923	65	–	–	199,663	**199,663**

Notes

a) The changes in the transfer values of accrued benefits have been calculated on the basis of actuarial advice in accordance with any relevant actuarial legislation and, in the case of Brian May, are net of his contributions of £12,609. The changes in the transfer values of accrued benefits for Brian May and Patrick Larmon include the effect of fluctuations in the transfer values due to factors such as changes in the assumptions used to value pension assets and, in particular, the higher assumed discount rates as a result of an increase in long dated gilt yields.

b) Michael Roney receives a pension allowance of 30% of base salary. He has chosen to join the Defined Contribution Section of the Bunzl Pension Plan ('BPP') and his contribution of 5% of base salary, up to the pensionable salary cap (notionally £141,000 for tax year 2013/2014 and £137,400 for tax year 2012/2013) is matched by the Company. During 2013 such contributions amounted to £7,005 (2012: £6,773) and this amount was deducted from his pension allowance.

c) Brian May, who joined the Group in the UK prior to the closure of the defined benefit sections of the BPP, is a member of the Bunzl Senior Pension Section of the BPP. His pension accrues at the rate of 2.4% per annum up to two thirds of the pensionable salary cap, as described above. The employee contribution rate is currently 9% of pensionable salary. In addition to benefits from the BPP, Brian May receives a pension allowance of 30% of base salary above the pensionable salary cap which permits him to make provision, of his own choice, in respect of that part of his salary which exceeds the cap.

d) Patrick Larmon originally joined the US Plan, subject to IRS limits, which accrued at a rate of 1.67% per annum up to 50% of the five year average pensionable salary less the primary social security benefit, with a normal retirement age of 65 years. Pensionable salary in the US Plan is capped at US$140,000. On closure of the US Plan, Patrick Larmon chose to freeze his benefit and no further benefits have accrued. The decrease in transfer value shown in the table above is principally due to foreign exchange translation. Patrick Larmon is currently a member of a defined contribution plan, the Retirement Saving Benefit ('RSB'). Contributions to the RSB are fully funded by the employer on a sliding scale that is age related. The contributions are a percentage of base salary (maximum 5%) which is capped at US$200,000 per annum. The Company made contributions in respect of Patrick Larmon in 2013 of £6,410 (2012: £6,289).

e) In addition, Patrick Larmon receives a supplementary pension through a defined benefit Senior Executive Retirement Agreement ('SERA'). Patrick Larmon's SERA, which became fully accrued in 2012, provides for a lifetime pension of US$100,000 per annum, payable upon retirement. In 2013 the Company paid all necessary expenses, due to changes in assumptions and other factors outside of the Company's control such as change in market conditions, on actuarial advice, to the SERA which amounted to £47,490 (2012: £74,030). In 2007, this SERA arrangement was closed to new entrants and existing members' benefits were frozen. A new defined contribution SERA ('DC SERA') was put in place for Patrick Larmon. During 2013 the contribution to the DC SERA amounted to £185,897 (2012: £182,390).

f) Patrick Larmon also participates in the Bunzl USA, Inc Deferred Savings (401k) Plan. The Company makes matching contributions to this Plan. During 2013 contributions for Patrick Larmon amounted to £7,356 (2012: £6,934).

LTIP grant policy

Conditional awards of executive share options and performance shares are granted twice a year to executive directors and other senior executives. Executive share option awards are normally granted in February or March and August or September dependent on the date of announcement of the Company's results. Performance share awards are normally granted in April and October each year. In 2013 executive share options were granted in February and August and for performance shares in April and October in accordance with the existing grant policy and performance conditions as detailed on pages 52 and 61 respectively.

LTIP interests awarded during the financial year (audited information)

	Plan	Date of grant	Basis of award	Face value £'000	% vesting at threshold performance	Number of shares	Performance period end date
Michael Roney	LTIP Part A	28.02.13	75% of salary	657.2	100%	53,000	31.12.15
	LTIP Part B	05.04.13	56.25% of salary	491.6	25%	38,500	31.03.16
	LTIP Part A	30.08.13	75% of salary	653.1	100%	47,500	31.12.15
	LTIP Part B	07.10.13	56.25% of salary	490.3	25%	37,000	30.09.16
Brian May	LTIP Part A	28.02.13	70% of salary	341.0	100%	27,500	31.12.15
	LTIP Part B	05.04.13	52.5% of salary	255.4	25%	20,000	31.03.16
	LTIP Part A	30.08.13	70% of salary	336.9	100%	24,500	31.12.15
	LTIP Part B	07.10.13	52.5% of salary	258.4	25%	19,500	30.09.16
Patrick Larmon	LTIP Part A	28.02.13	62.5% of salary	390.6	100%	31,500	31.12.15
	LTIP Part B	05.04.13	47% of salary	293.7	25%	23,000	31.03.16
	LTIP Part A	30.08.13	62.5% of salary	391.9	100%	28,500	31.12.15
	LTIP Part B	07.10.13	47% of salary	291.5	25%	22,000	30.09.16

Note

The face value of the awards is calculated using the closing mid-market share price on the day prior to the grant of the award. Options were awarded under LTIP Part A on 28 February and 30 August 2013 at a value of 1,240p and 1,375p per share respectively. Performance shares were awarded under LTIP Part B on 5 April and 7 October 2013 at a value of 1,277p and 1,325p per share respectively.

Performance conditions for 2013 awards

Executive share options

Executive share option awards may vest based solely on the Company's eps growth (adjusted to exclude items which do not reflect the Company's underlying financial performance) relative to UK inflation (RPI) over three years, based on the following sliding scale:

Face value of annual executive share options granted as a proportion of salary	Total margin over UK inflation (RPI) after three years
First 150% of salary	9.3%
Next 75% of salary	12.5%
Next 75% of salary	19.1%

Performance shares

The extent to which half of the awards may vest is subject to a performance condition based on the Company's eps growth (adjusted to exclude items which do not reflect the Company's underlying financial performance) relative to UK inflation (RPI) over three years, based on the following sliding scale:

Total margin over UK inflation (RPI) after three years	Proportion of performance share awards exercisable
Below 12.5%	Nil
12.5%	25%
Between 12.5% and 33.1%	Pro rata between 25%–100%
33.1% or above	100%

The extent to which the other half of the performance share awards may vest is subject to the Company's TSR performance, a combination of both the Company's share price and dividend performance during the three year performance period, relative to the TSR performance of a specified group of companies of similarly sized companies with large international presence. The comparator group consists of at least 40 UK based companies (excluding companies in the financial services, oil & gas and natural resources sectors) that have substantial operations overseas and have at 30 September prior to the grant of the awards similar levels of revenue, profit and market capitalisation as Bunzl. The applicable comparator group for the LTIP Part B awards in October 2013 are shown below and will form the basis of the comparator group for the LTIP Part B awards in April 2014.

Aggreko	Hays	Reckitt Benckiser Group
Ashstead Group	IMI	Rexam
ARM Holdings	Inchcape	SABMiller
Burberry Group	Informa	SIG
Carnival Corporation	Inmarsat	Smith & Nephew
Cobham	Intercontinental Hotels Group	Smiths Group
Computacenter	International Consolidated Airlines Group	Spectris
Croda International	Intertek Group	Tate & Lyle
Diageo	Johnson Matthey	Thomas Cook Group
Dixons Retail	Meggitt	Vesuvius
Easyjet	Melrose	Weir Group
Experian	Millennium & Copthorne Hotels	Wolseley
G4S	Mondi	WPP
GKN	Pearson	

These performance share awards vest in line with the following vesting schedule:

TSR	Proportion of performance share awards exercisable
Below median	Nil
Median	25%
Between median and upper quartile	Pro rata between 25%–100%
Upper quartile or above	100%

Awards granted in 2011 and 2012 were subject to the same performance conditions as described above.

Shareholder consultation

In 2012, the Chairman of the Committee met with one of the shareholder representative bodies to discuss the introduction of a performance condition on a sliding scale for the vesting of the share options. These views were taken into account in developing the proposals for the amendments to the remuneration arrangements outlined in the Committee Chairman's statement on pages 47 and 48. In 2013, 19 major shareholders and two shareholder representative bodies were consulted on the proposed changes to the remuneration policy. The vast majority of those consulted indicated that they were supportive of the Company's directors' remuneration policy.

Shareholder dilution

In accordance with the Principles of Remuneration issued by the Association of British Insurers, the Company can satisfy awards to employees under all its share plans with new issue shares or shares issued from treasury up to a maximum of 10% of its issued share capital (adjusted for share issuance and cancellation) in a rolling 10 year period. Within this 10% limit, the Company can only issue (as newly issued shares or from treasury), 5% of its issued share capital (adjusted for share issuance and cancellation) to satisfy awards under executive (discretionary) plans.

As well as the LTIP, the Company operates various all employee share schemes as described on page 51. Newly issued shares are currently used to satisfy the exercise of options under the Sharesave Scheme and International Sharesave Scheme. Awards under the LTIP of executive options and performance shares are principally satisfied by shares delivered from the Employee Benefit Trust which buys shares on the market, unless security laws in relevant jurisdictions prevent this.

Limit on awards	Cumulative options and performance shares granted as a percentage of issued share capital as at 31 December 2013 (including those held in treasury)
10% in any rolling 10 year period	3.0%
5% in any rolling 10 year period (executive (discretionary) plans)	1.6%

Statement of directors' shareholding and share interests (audited information)

As at 31 December 2013, all executive directors and their connected persons owned shares outright at a level exceeding their required shareholding. In 2013 executive directors were required to hold 100% of their annual salary in the Company's shares. The shareholding requirement is increasing in 2014 to 200% of their annual salary in the Company's shares as described on page 52.

	Actual share ownership as a percentage of salary at 31 December 2013 at the closing mid-market price (1,450p)
Michael Roney	520%
Brian May	318%
Patrick Larmon	270%

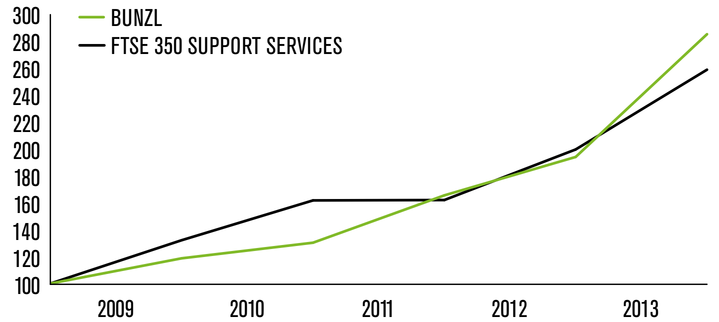
Interests in shares and share options

The interests of the directors, and their connected persons, in the Company's ordinary shares and share options at 31 December 2013 were:

	Shares			Options (LTIP Part A and Sharesave)			Total interests held
	Owned outright	Unvested and subject to holding period (DASBS)	Unvested and subject to performance conditions (LTIP Part B)	Unvested and subject to performance conditions	Unvested and subject to continued employment	Vested but not exercised	
Michael Roney	**312,263**	117,672	289,000	385,500	1,948	270,000	1,376,383
Brian May	**105,240**	64,911	150,500	200,000	3,462	–	524,113
Patrick Larmon	**117,838**	82,766	163,500	218,000	–	203,500	785,604
Philip Rogerson	**10,000**	–	–	–	–	–	10,000
Peter Johnson	**6,630**	–	–	–	–	–	6,630
David Sleath	**4,000**	–	–	–	–	–	4,000
Eugenia Ulasewicz	**4,000**	–	–	–	–	–	4,000
Jean-Charles Pauze	**2,500**	–	–	–	–	–	2,500
Meinie Oldersma	**2,500**	–	–	–	–	–	2,500

Performance graph and table

Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 requires that the Company must provide a graph comparing the TSR performance of a hypothetical holding of shares in the Company with a broad equity market index over a five year period. The Company's TSR performance against the FTSE 350 Support Services Sector over a five year period commencing on 1 January 2009 is shown to the right.



Source: Thomson Reuters datastream

Chief Executive's pay in last five years (audited information)

The table below summarises the Chief Executive's single figure for total remuneration, as shown on page 58, annual bonus and long term incentive payout as a percentage of maximum opportunity for 2013 and the previous four years.

Year		2009	2010	2011	2012	2013
Single figure of remuneration £'000		1,943.2	2,314.2	3,394.1	3,502.9	**4,018.7**
Annual variable element award rates against maximum opportunity		45%	71%	99%	67%	**91%**
Long term incentive vesting rates against maximum opportunity	LTIP Part A (options)	100%	100%	100%	100%	**100%**
	LTIP Part B (performance shares)	84%	65%	29%	45%	**62%**

Percentage change in Chief Executive's remuneration

The table below sets out the increase in the salary, benefits and bonus of the Chief Executive and that of a Bunzl UK and US management population. This population has been selected for this comparison because it is considered to be the most relevant as these countries have the Group's largest concentration of employees with a similarly structured remuneration package. Employees from businesses acquired by Bunzl in 2013 and leavers and joiners in either year have been removed from the data to prevent distortion.

	Chief Executive	UK and US management population
	Percentage change (2013 vs 2012)	Percentage change (2013 vs 2012)
Salary	3%	5%
Benefits	1%	0%
Bonus	39%	3%

Notes

a) US and UK management population includes any promotional increases that occurred during either year

b) Bonus relates to the performance targets of the companies for which the relevant individuals work

Relative importance of spend on pay

The table below shows a comparison between the overall expenditure on pay and dividends paid to shareholders for 2013 and 2012 (as stated in Note 21 and Note 17 to the financial statements on pages 103 and 98 respectively).

£ million unless otherwise stated	2013	2012	Percentage change
Overall expenditure on pay	**509.4**	442.0	**15.2%**
Dividend paid in the year	**91.8**	85.7	**7.1%**

Note

a) Overall expenditure on pay excludes employer's social security costs.

b) Dividends paid in the year relate to the previous financial year's interim and final dividends.

2014 REMUNERATION (AUDITED INFORMATION)

The remuneration policy will be implemented with effect from the 2014 AGM as follows:

Salary

The salary increases for the executive directors for 2014, which are in line with increases that have been implemented for other employees in the Group as discussed on pages 53, are as follows:

	Salary from 1 January 2014	Salary from 1 January 2013	Increase in salary 2013 to 2014 %
Michael Roney	£895,000	£870,000	2.9
Brian May	£500,000	£480,000	4.2
Patrick Larmon	$1,014,000	US$989,000	2.5

2014 bonus targets

The structure for Michael Roney's, Brian May's and 25% of Patrick Larmon's annual bonus for 2014 is described on page 49. The threshold for bonus payments on growth in constant exchange rate eps has been set above the actual result achieved in 2013 on a constant exchange rate basis. For Patrick Larmon the other 75% of his bonus will relate to the attainment of pbit performance of North America relative to budget which will be modified, positively or negatively, by the achievement of North America's return on average operating capital relative to the target set. The relevant performance points are: threshold (which must be exceeded to attract any payment of bonus); target; and maximum amount (the level at which the bonus for that measure is capped). These performance points are determined at the start of the year by reference to the Group's annual budget. No elements of the bonus are guaranteed. As in previous years, the specific performance points will not be disclosed while still commercially sensitive.

Performance measures for long-term incentives to be awarded in 2014

Grants of executive share options and performance shares awarded in February and April 2014 respectively will have the same performance conditions as those awarded in 2013 as shown on page 61. However, assuming that the proposed 2014 LTIP is approved by shareholders at the 2014 AGM, grants of executive share options and performance shares awarded to executive directors and senior executives in August and October 2014 will be subject to the following performance measures:

Executive options – LTIP Part A

Executive share options may vest based solely on the Company's eps growth (adjusted to exclude items which do not reflect the Company's underlying financial performance) over three years, based on the following sliding scale:

Absolute annual growth in the Company's eps over a three year period	Proportion of share option awards exercisable
Below 5%	Nil
5%	25%
Between 5% and 8%	Pro rata between 25%–100%
8% or above	100%

Performance shares – LTIP Part B

The extent to which half of the awards may vest is subject to a performance condition based on the Company's eps growth (adjusted to exclude items which do not reflect the Company's underlying financial performance) over three years, based on the following sliding scale:

Absolute annual growth in the Company's eps over a three year period	Proportion of performance share awards exercisable
Below 6%	Nil
6%	25%
Between 6% and 12%	Pro rata between 25%–100%
12% or above	100%

The extent to which the other half of the performance share awards may vest is subject to the Company's TSR performance, a combination of both the Company's share price and dividend performance during the three year performance period, relative to the TSR performance of a specified comparator group of similarly sized companies with large international presence. These performance share awards may vest based on the following sliding scale:

TSR	Proportion of performance share awards exercisable
Below median	Nil
Median	25%
Between median and upper quartile	Pro rata between 25%–100%
Upper quartile or above	100%

The comparator group for the April 2014 award will be the same as that used for the October 2013 award being a minimum of 40 companies of similar revenue, profit and market capitalisation to Bunzl, with significant international operations, excluding companies in the financial services, oil & gas and natural resources sectors, as shown on page 61. For the October 2014 award the comparator group will be those companies in the FTSE 50 – 150 with significant international operations, excluding companies in the financial services, oil & gas and natural resources sectors.

Non-executive directors' fees for 2014 (audited information)

The current fee structure for the non-executive directors is shown below:

	With effect from 1 January 2014 £	Fees paid in 2013 £	Increase in fees 2013 to 2014 %
Chairman's fee	325,000	310,000	4.8
Non-executive director basic fee	64,500	63,000	2.4
Supplements:			
Senior independent director	16,000	16,000	–
Audit Committee Chairman	14,000	13,000	7.7
Remuneration Committee Chairman	14,000	13,000	7.7

Note

Prior to 2014 the Chairman's fee was last increased in January 2012.

ADDITIONAL INFORMATION ON DIRECTORS' INTERESTS

Details of the executive director's interests in outstanding share awards under the DASBS, LTIP and all employee share plans are set out below.

Deferred share awards as at 31 December 2013

The outstanding awards granted to each director of the Company under the DASBS are set out in the table below. Further information relating to the deferred bonus is provided on page 49.

	Shares held at 1 January 2013	Shares awarded during 2013	Shares vested during 2013	Total number of award shares at 31 December 2013	Normal vesting date	Share price at grant p	Market price at vesting p	Monetary value of vested award £000
Michael Roney	29,724	–	29,724	–	01.03.13	680.5	1,282	381
	43,215	–	–	43,215	01.03.14	760	–	–
	48,882	–	–	48,882	01.03.15	962	–	–
	–	25,575	–	25,575	01.03.16	1,272	–	–
Brian May	16,300	–	16,300	–	01.03.13	680.5	1,282	209
	23,728	–	–	23,728	01.03.14	760	–	–
	27,018		–	27,018	01.03.15	962	–	–
	–	14,165	–	14,165	01.03.16	1,272	–	–
Patrick Larmon	23,268	–	23,268	–	01.03.13	680.5	1,266	295
	28,372	–	–	28,372	01.03.14	760	–	–
	33,349	–	–	33,349	01.03.15	962	–	–
	–	21,045	–	21,045	01.03.16	1,272	–	–

Note

The deferred element of the 2013 annual bonus plan as shown on page 58 is not included in the table above as the appropriate number of shares have not yet been awarded. No shares lapsed during the year.

LTIP

The tables below show the number of executive share options and performance shares held by the executive directors under the LTIP. Details of the relevant performance conditions of the LTIP are set out on page 61.

Executive share options – LTIP Part A

	Options at 1 January 2013	Grant date	Exercise Price p	Options exercisable between	Options at 31 December 2013
Michael Roney	99,500	27.08.09	585	27.08.12–26.08.19	**99,500**
	89,500	25.02.10	676.5	25.02.13–24.02.20	**89,500**
	81,000	03.09.10	746	03.09.13–02.09.20	**81,000**
	85,500	03.03.11	724.5	03.03.14–02.03.21	**85,500**
	76,500	02.09.11	812.5	02.09.14–01.09.21	**76,500**
	66,000	01.03.12	962	01.03.15–28.02.22	**66,000**
	57,000	31.08.12	1,116	31.08.15–30.08.22	**57,000**
	–	28.02.13	1,240	28.02.16–27.02.23	**53,000**
	–	30.08.13	1,375	30.08.16–29.08.23	**47,500**
Total	555,000	–	–	–	**655,500**
Brian May	33,000	28.02.08	721.5	28.02.11–27.02.18	**–**
	42,500	29.08.08	700.5	29.08.11–28.08.18	**–**
	46,000	25.02.10	676.5	25.02.13–24.02.20	**–**
	41,500	03.09.10	746	03.09.13–02.09.20	**–**
	44,500	03.03.11	724.5	03.03.14–02.03.21	**44,500**
	39,500	02.09.11	812.5	02.09.14–01.09.21	**39,500**
	34,500	01.03.12	962	01.03.15–28.02.22	**34,500**
	29,500	31.08.12	1,116	31.08.15–30.08.22	**29,500**
	–	28.02.13	1,240	28.02.16–27.02.23	**27,500**
	–	30.08.13	1,375	30.08.16–29.08.23	**24,500**
Total	311,000	–	–	–	**200,000**
Patrick Larmon	43,000	01.09.06	652.5	01.09.09–31.08.16	**–**
	47,000	01.03.07	659	01.03.10–28.02.17	**–**
	45,000	31.08.07	684.5	31.08.10–30.08.17	**–**
	44,500	28.02.08	721.5	28.02.11–27.02.18	**–**
	45,500	29.08.08	700.5	29.08.11–28.08.18	**–**
	56,500	26.02.09	564	26.02.12–25.02.19	**56,500**
	54,500	27.08.09	585	27.08.12–26.08.19	**54,500**
	48,500	25.02.10	676.5	25.02.13–24.02.20	**48,500**
	44,000	03.09.10	746	03.09.13–02.09.20	**44,000**
	46,500	03.03.11	724.5	03.03.14–02.03.21	**46,500**
	41,500	02.09.11	812.5	02.09.14–01.09.21	**41,500**
	36,000	01.03.12	962	01.03.15–28.02.22	**36,000**
	34,000	31.08.12	1,116	31.08.15–30.08.22	**34,000**
	–	28.02.13	1,240	28.02.16–27.02.23	**31,500**
	–	30.08.13	1,375	30.08.16–29.08.23	**28,500**
Total	586,500	–	–	–	**421,500**

Notes

a) Executive share options were exercised during 2013 by:

(i) Brian May on 7 November 2013 in respect of 33,000 ordinary shares at an exercise price of 721.5p, 42,500 ordinary shares at an exercise price of 700.5p, 46,000 ordinary shares at an exercise price of 676.5p and 41,500 ordinary shares at an exercise price of 746p, at a market price of approximately 1,385p resulting in a gain of £1,100,963; and

(ii) Patrick Larmon on 25 February 2013 in respect of 43,000 ordinary shares at an exercise price of 652.5p and 47,000 ordinary shares at an exercise price of 659p at a market price of 1,221p resulting in a gain of £508,595. In addition Patrick Larmon exercised share options on 3 April 2013 in respect of 45,000 ordinary shares at an exercise price of 684.5p at a market price of 1,313p resulting in a gain of £282,825. Patrick Larmon also exercised share options on 11 November 2013 in respect of 44,500 ordinary shares at an exercise price of 721.5p at a market price of 1,409p resulting in a gain of £305,938 and on 14 November 2013 in respect of 45,500 ordinary shares at an exercise price of 700.5p at a market price of 1,397p resulting in a gain of £316,908.

b) The mid-market price of a share on 31 December 2013 was 1,450p and the range during 2013 was 1,014p to 1,450p.

c) The performance conditions have been satisfied in relation to options granted prior to 2012 under the LTIP Part A.

Performance shares – LTIP Part B

	Awards (shares) held at 1 January 2013	Conditional shares awarded during 2013	Award date	Market price per share at award p	Lapsed awards (shares) during 2013	Exercised awards (shares) during 2013	Market price per share at exercise p	Value at exercise £000	Awards (shares) held at 31 December 2013
Michael Roney	63,000	–	01.04.10	721	24,734	38,266	1,285	492	**–**
	60,000	–	08.10.10	759	22,560	37,440	1,322	495	**–**
	64,500	–	08.04.11	725	–	–	–	–	**64,500**
	59,000	–	11.10.11	787	–	–	–	–	**59,000**
	48,000	–	05.04.12	990.5	–	–	–	–	**48,000**
	42,000	–	08.10.12	1,137	–	–	–	–	**42,000**
	–	38,500	05.04.13	1,277	–	–	–	–	**38,500**
	–	37,000	07.10.13	1,325	–	–	–	–	**37,000**
Total	336,500	75,500	–	–	47,294	75,706	–	987	**289,000**
Brian May	32,500	–	01.04.10	721	12,761	19,739	1,285	254	**–**
	31,000	–	08.10.10	759	11,657	19,343	1,325	256	**–**
	33,500	–	08.04.11	725	–	–	–	–	**33,500**
	30,500	–	11.10.11	787	–	–	–	–	**30,500**
	25,000	–	05.04.12	990.5	–	–	–	–	**25,000**
	22,000	–	08.10.12	1,137	–	–	–	–	**22,000**
	–	20,000	05.04.13	1,277	–	–	–	–	**20,000**
	–	19,500	07.10.13	1,325	–	–	–	–	**19,500**
Total	174,500	39,500	–	–	24,418	39,082	–	510	**150,500**
Patrick Larmon	34,500	–	01.04.10	721	13,545	20,955	1,282	269	**–**
	32,500	–	08.10.10	759	12,221	20,279	1,322	268	**–**
	35,000	–	08.04.11	725	–	–	–	–	**35,000**
	32,000	–	11.10.11	787	–	–	–	–	**32,000**
	26,500	–	05.04.12	990.5	–	–	–	–	**26,500**
	25,000	–	08.10.12	1,137	–	–	–	–	**25,000**
	–	23,000	05.04.13	1,277	–	–	–	–	**23,000**
	–	22,000	07.10.13	1,325	–	–	–	–	**22,000**
Total	185,500	45,000	–	–	25,766	41,234	–	537	**163,500**

Note
The closing mid-market price of the Company's shares as at the vesting dates on 8 April 2013 and 8 October 2013 were 1,290p and 1,305p respectively.

All employees share scheme

Sharesave Scheme

The table below shows the number of share options granted to the executive directors under the Sharesave Scheme. Details of the Sharesave Scheme are set out on page 51.

	Options at 1 January 2013	Grant date	Exercise price p	Options exercisable between	Options at 31 December 2013
Michael Roney	1,948	27.03.12	770	01.05.17–31.10.17	**1,948**
Brian May	3,462	24.03.09	452	01.05.14–31.10.14	**3,462**

Peter Johnson
Chairman of the Remuneration Committee
24 February 2014

OTHER STATUTORY INFORMATION

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at The Park Suite, The Dorchester, Park Lane, London W1K 1QA on Wednesday 16 April 2014 at 11.00 am. The Notice convening the Annual General Meeting is set out in a separate letter from the Chairman to shareholders which explains the items of business which are not of a routine nature.

DIVIDENDS

An interim dividend of 10.0p was paid on 2 January 2014 in respect of 2013 and the directors recommend a final dividend of 22.4p, making a total for the year of 32.4p per share (2012: 28.2p). Dividend details are given in Note 17 to the consolidated financial statements. Subject to approval by the shareholders at the Annual General Meeting on 16 April 2014, the final dividend will be paid on 1 July 2014 to those shareholders on the register at the close of business on 9 May 2014.

SHARE CAPITAL

The Company has a single class of share capital which is divided into ordinary shares of 32¹⁄₇p each which rank pari passu in respect of participation and voting rights. The shares are in registered form, are fully paid up and are quoted on the London Stock Exchange. In addition, the Company operates a Level 1 American Depositary Receipt programme with Citibank N.A. under which the Company's shares are traded on the over-the-counter (OTC) market in the form of American Depositary Receipts.

Details of changes to the issued share capital during the year are set out in Note 16 to the consolidated financial statements.

BUNZL GROUP GENERAL EMPLOYEE BENEFIT TRUST

Bunzl Employee Trustees Limited is trustee of the Bunzl Group General Employee Benefit Trust ('the EBT') which holds shares in respect of employee share options and awards that have not been exercised or vested. The current position is that the EBT abstains from voting in respect of these shares. The trustee has agreed to waive the right to dividend payments on shares held within the EBT. Details of the shares so held are set out in Note 16 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDINGS

As at 31 December 2013 the directors had been notified by the following shareholders that they were each interested in 3% or more of the issued share capital of the Company.

Shareholder	Date of notification	Number of shares	% of issued share capital
INVESCO plc	20.05.10	32,571,686	9.8
Cascade Investment, LLC	20.04.12	16,593,248	5.0
Lloyds Banking Group plc	27.05.10	16,425,039	4.9
Newton Investment Management Ltd	07.03.11	13,864,410	4.2

As at 24 February 2014 no further notifications have been received since the year end.

RIGHTS AND OBLIGATIONS ATTACHING TO SHARES

Subject to the provisions of the Companies Act 2006 and without prejudice to any rights attached to any existing shares, the Company may resolve by ordinary resolution to issue shares with such rights and restrictions as set out in such resolution or (if there is no such resolution or so far as it does not make specific provision) as the Board may decide. Subject to the provisions of the Companies Act 2006 and of any resolution of the Company passed pursuant thereto and without prejudice to any rights attached to existing shares, the Board is duly authorised to issue and allot, grant options over or otherwise dispose of the Company's shares on such terms and conditions and at such times as it thinks fit. If at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class may be varied or abrogated by special resolution passed at a separate general meeting of such holders. Subject to the rights attached to any existing shares, rights attached to shares will be deemed to be varied by the reduction of capital paid up on the shares and by the allotment of further shares ranking in priority in respect of dividend or capital or which confer on the holders more favourable voting rights than the first-mentioned shares, but will not otherwise be deemed to be varied by the creation or issue of further shares.

POWER TO ISSUE AND ALLOT SHARES

The directors are generally and unconditionally authorised under the authorities granted at the 2013 Annual General Meeting to allot shares or grant rights to subscribe for or to convert any security into shares of the Company up to a maximum nominal amount of £35.6 million. At the same meeting authority was also granted to the directors to allot the Company's shares for cash, up to a maximum nominal amount of approximately £5.7 million, without regard to the pre-emption provisions of the Companies Act 2006. No such shares were issued or allotted under these authorities in 2013, nor is there any current intention to do so, other than to satisfy share options under the Company's share option schemes and, if necessary, to satisfy the consideration payable for businesses to be acquired.

These authorities are valid until the conclusion of the forthcoming Annual General Meeting. The directors again propose to seek equivalent authorities at such Annual General Meeting.

RESTRICTIONS ON TRANSFER OF SHARES

Dealings in the Company's ordinary shares by its directors, persons discharging managerial responsibilities, certain employees of the Company and, in each case, their connected persons, are subject to the Company's dealing code which adopts the Model Code of the Listing Rules published by the Financial Conduct Authority.

Certain restrictions, which are customary for a listed company, apply to transfers of shares in the Company. The Board may refuse to register an instrument of transfer of any share which is not a fully paid share and of a certificated share at its discretion unless it is:

- lodged, duly stamped or duly certified, at the offices of the Company's registrar or such other place as the Board may specify and is accompanied by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;
- in respect of only one class of shares; and
- in favour of not more than four transferees.

Registration of a transfer of an uncertificated share may be refused in the circumstances set out in the uncertificated securities rules, and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

In addition, no instrument of transfer for certificated shares shall be registered if the transferor has been served with a restriction notice (as defined in the Company's Articles of Association (the 'Articles')) after failure to provide the Company with information concerning certain interests in the Company's shares required to be provided under the Companies Act 2006, unless the transfer is shown to the Board to be pursuant to an arm's length sale. The Board has the power to procure that uncertificated shares are converted into certificated shares and kept in certificated form for as long as the Board requires.

The Company is not aware of any agreements between shareholders that may result in any restriction of the transfer of shares or voting rights.

RESTRICTIONS ON VOTING RIGHTS

A member shall not be entitled to vote, unless the Board otherwise decides, at any general meeting or class meeting in respect of any shares held by them if any call or other sums payable remain unpaid. Currently, all issued shares are fully paid. In addition, no member shall be entitled to vote if he has been served with a restriction notice after failure to provide the Company with information concerning certain interests in the Company's shares required to be provided under the Companies Act 2006. Votes may be exercised in person or by proxy. The Articles currently provide a deadline for submission of proxy forms of 48 hours before the relevant meeting, 24 hours before a poll is taken if such poll is taken more than 48 hours after it was demanded or during the meeting at which the poll was demanded if the poll is not taken straight away but is taken not more than 48 hours after it was demanded.

PURCHASE OF OWN SHARES

At the 2013 Annual General Meeting, shareholders gave the Company authority to purchase a maximum of 33,225,000 ordinary shares. During the year ended 31 December 2013 the Company did not purchase any of its own shares pursuant to this authority or the authority granted at the 2012 Annual General Meeting and no shares have been purchased between 31 December 2013 and 24 February 2014. On 4 December 2013 the Company cancelled a total number of 23,325,000 ordinary shares held in treasury and currently holds no treasury shares. The Company is therefore currently authorised to buy back 33,225,000 of its own shares pursuant to the existing shareholders' authority which is due to expire at the conclusion of the forthcoming Annual General Meeting. The directors again propose to seek the equivalent authority at such Annual General Meeting.

DIRECTORS

Directors may be elected by ordinary resolution at a duly convened general meeting or appointed by the Board. Under the Articles, the minimum number of directors shall be two and the maximum shall be 15. In accordance with the Articles, each director is required to retire at the Annual General Meeting held in the third calendar year after which he or she was appointed or last appointed and any director who has held office with the Company, other than employment or executive office, for a continuous period of nine years or more at the date of the Annual General Meeting is subject to annual re-appointment. The Board may also appoint a person willing to act as a director during the year either to fill a vacancy or as an additional director but so that the total number of directors shall not at any time exceed 15. However such appointee shall only hold office until the next Annual General Meeting of the Company.

In addition to any power to remove a director from office conferred by company law, the Company may also by special resolution remove a director from office before the expiration of his or her period of office under the Articles.

The office of a director shall also be vacated pursuant to the Articles if the director:

- resigns by giving notice to the Company or is asked to resign by all of the other directors who are not less than three in number; or
- is or has been suffering from mental or physical ill health and the Board resolves that his or her office be vacated; or
- is absent without permission from Board meetings for six consecutive months and the Board resolves that his or her office be vacated; or
- becomes bankrupt or compounds with his or her creditors generally; or
- is prohibited by law from being a director; or
- ceases to be a director by virtue of any provisions of company law or is removed from office pursuant to the Articles.

Biographical details of the current directors are set out on page 38. Jean-Charles Pauze and Meinie Oldersma were appointed to the Board with effect from 1 January 2013 and 1 April 2013 respectively and Ulrich Wolters retired from the Board on 17 April 2013. All of the other directors served throughout the year. Notwithstanding the retirement by rotation provisions in the Articles, each of the directors will retire and offer themselves for re-election at the forthcoming Annual General Meeting in accordance with the UK Corporate Governance Code.

Directors' interests in ordinary shares are shown in Note 19 to the consolidated financial statements. None of the directors was materially interested in any contract of significance with the Company or any of its subsidiary undertakings during or at the end of 2013. Information relating to the directors' service agreements and their remuneration for the year and details of the directors' share options under the Company's share option schemes and awards under the Long Term Incentive Plan and Deferred Annual Share Bonus Scheme are set out in the Directors' remuneration report on pages 47 to 67.

POWERS OF THE DIRECTORS

Subject to the Articles, the Companies Act 2006 and any directions given by the Company by special resolution, the business of the Company is managed by the Board who may exercise all powers of the Company. The Board may, by power of attorney or otherwise, appoint any person or persons to be the agent or agents of the Company for such purposes and on such conditions as the Board determines.

DIRECTORS' INDEMNITIES

As at the date of this report, indemnities are in force under which the Company has agreed to indemnify the directors and the Company Secretary, in addition to other senior executives who are directors of subsidiaries of the Company, to the extent permitted by law and the Articles in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities as a director or officer of the Company or any of its subsidiaries.

AMENDMENT OF ARTICLES
Any amendments to the Articles may be made in accordance with the provisions of the Companies Act 2006 by way of special resolution of the Company's shareholders.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY
The directors recognise that the Company is part of a wider community and that it has a responsibility to act in a way that respects the environment and social and community issues. Further information relating to the Company's approach to these matters is set out in the Corporate responsibility report on pages 33 to 37.

EMPLOYMENT POLICIES
The employment policies of the Group have been developed to meet the needs of its different business areas and the locations in which they operate worldwide, embodying the principles of equal opportunity. The Group has standards of business conduct with which it expects all its employees to comply. Bunzl encourages involvement of its employees in the performance of the business in which they are employed and aims to achieve a sense of shared commitment. In addition to a regular magazine and the Company's intranet, which provide a variety of information on activities and developments within the Group and incorporate half year and annual financial reports, announcements are periodically circulated to give details of corporate and staff matters together with a number of subsidiary or business area publications dealing with activities in specific parts of the Group.

It is the Group's policy that disabled applicants should be considered for employment and career development on the basis of their aptitudes and abilities. Employees who become disabled during their working life will be retained in employment wherever possible and given help with rehabilitation and training.

SIGNIFICANT AGREEMENTS
The Company's wholly owned subsidiary, Bunzl Finance plc, has a number of bilateral loan facilities with a range of different counterparties, all of which are guaranteed by the Company, are in substantially the same form and are prepayable at the option of the lender in the event of a change of control of the Company. Similar change of control provisions in relation to the Company are included in the US dollar and sterling bonds which have been entered into by Bunzl Finance plc and the Company and are also guaranteed by the Company.

POLITICAL DONATIONS
During 2013 no contributions were made for political purposes.

EXTERNAL AUDITOR
Each of the directors at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all steps that he or she ought to have taken as a director in order to make the director aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Resolutions are to be proposed at the forthcoming Annual General Meeting for the re-appointment of KPMG Audit Plc as auditor of the Company at a rate of remuneration to be determined by the directors.

STRATEGIC REPORT AND DIRECTORS' REPORT
Pages 1 to 37 inclusive consist of the strategic report and pages 38 to 70 inclusive consist of the directors' report. These reports have been drawn up and presented in accordance with, and in reliance upon, applicable English company law and any liability of the directors in connection with these reports shall be subject to the limitations and restrictions provided by such law.

Under the Companies Act 2006, a safe harbour limits the liability of directors in respect of statements in and omissions from the strategic report and the directors' report. Under English law, the directors would be liable to the Company, but not to any third party, if the strategic report or the directors' report contain errors as a result of recklessness or knowing misstatement or dishonest concealment of a material fact, but would not otherwise be liable.

The strategic report and the directors' report were approved by the Board on 24 February 2014.

On behalf of the Board

Paul Hussey
Secretary
24 February 2014

Financial Statements

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 £m	2012* £m
Revenue	3	**6,097.7**	5,359.2
Operating profit before intangible amortisation and acquisition related costs	3	**414.4**	352.4
Intangible amortisation and acquisition related costs	3	**(82.3)**	(58.6)
Operating profit	3	**332.1**	293.8
Finance income	5	**2.6**	3.6
Finance cost	5	**(44.8)**	(37.6)
Disposal of business		**–**	4.0
Profit before income tax		**289.9**	263.8
Profit before income tax, intangible amortisation, acquisition related costs and disposal of business		**372.2**	318.4
Income tax	6	**(83.1)**	(72.5)
Profit for the year attributable to the Company's equity holders		**206.8**	191.3
Earnings per share attributable to the Company's equity holders			
Basic	7	**63.5p**	58.7p
Diluted	7	**62.7p**	58.3p

*Restated on adoption of IAS 19 (revised 2011) 'Employee Benefits' (see Note 1).

The Accounting policies and Notes on pages 77 to 107 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 £m	2012* £m
Profit for the year		**206.8**	191.3
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss:			
Actuarial gain/(loss) on pension schemes	20	**26.9**	(8.0)
Tax on items that will not be reclassified to profit or loss	6	**(10.1)**	2.9
Total items that will not be reclassified to profit or loss		**16.8**	(5.1)
Items that may be reclassified to profit or loss:			
Foreign currency translation differences for foreign operations		**(68.6)**	(47.5)
Gain taken to equity as a result of designated effective net investment hedges		**14.4**	18.5
Loss recognised in cash flow hedge reserve		**–**	(0.4)
Movement from cash flow hedge reserve to income statement		**0.8**	(1.0)
Tax on items that may be reclassified to profit or loss	6	**1.3**	(0.7)
Total items that may be reclassified subsequently to profit or loss		**(52.1)**	(31.1)
Other comprehensive expense for the year		**(35.3)**	(36.2)
Total comprehensive income attributable to the Company's equity holders		**171.5**	155.1

*Restated on adoption of IAS 19 (revised 2011) 'Employee Benefits' (see Note 1).

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2013

	Notes	2013 £m	2012* £m
Assets			
Property, plant and equipment	8	**118.8**	111.1
Intangible assets	9	**1,456.9**	1,340.6
Derivative financial assets		**6.2**	8.2
Deferred tax assets	15	**7.5**	7.9
Total non-current assets		**1,589.4**	1,467.8
Inventories	10	**645.1**	581.5
Income tax receivable		**0.7**	0.3
Trade and other receivables	11	**863.0**	818.7
Derivative financial assets		**0.2**	2.2
Cash and deposits	23	**73.1**	81.2
Total current assets		**1,582.1**	1,483.9
Total assets		**3,171.5**	2,951.7
Equity			
Share capital	16	**107.2**	114.2
Share premium		**153.0**	143.9
Translation reserve		**(45.4)**	7.3
Other reserves		**17.8**	9.7
Retained earnings		**707.3**	610.4
Total equity attributable to the Company's equity holders		**939.9**	885.5
Liabilities			
Interest bearing loans and borrowings	23	**855.8**	599.2
Retirement benefit obligations	20	**45.0**	75.5
Other payables		**24.8**	28.7
Derivative financial liabilities		**0.5**	1.2
Provisions	14	**23.8**	21.3
Deferred tax liabilities	15	**129.5**	124.6
Total non-current liabilities		**1,079.4**	850.5
Bank overdrafts	23	**26.3**	25.4
Interest bearing loans and borrowings	23	**46.5**	204.9
Income tax payable		**62.2**	53.9
Trade and other payables	12	**1,004.4**	909.3
Derivative financial liabilities		**0.8**	0.9
Provisions	14	**12.0**	21.3
Total current liabilities		**1,152.2**	1,215.7
Total liabilities		**2,231.6**	2,066.2
Total equity and liabilities		**3,171.5**	2,951.7

*Revised on adjustment to provisional fair values on acquisitions made in 2012 (see Note 24).

Approved by the Board of Directors of Bunzl plc (Company registration number 358948) on 24 February 2014 and signed on its behalf by Michael Roney, Chief Executive and Brian May, Finance Director.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

				Other reserves			Retained earnings		
	Share capital £m	Share premium £m	Translation reserve £m	Merger £m	Capital redemption £m	Cash flow hedge £m	Own shares £m	Earnings £m	Total equity £m
At 1 January 2013	114.2	143.9	7.3	2.5	8.6	(1.4)	(223.4)	833.8	885.5
Profit for the year								206.8	206.8
Actuarial gain on pension schemes								26.9	26.9
Foreign currency translation differences for foreign operations			(68.6)						(68.6)
Gain taken to equity as a result of designated effective net investment hedges			14.4						14.4
Movement from cash flow hedge reserve to income statement						0.8			0.8
Income tax credit/(charge) on other comprehensive income			1.5			(0.2)		(10.1)	(8.8)
Total comprehensive (expense)/income			(52.7)			0.6		223.6	171.5
2012 interim dividend								(28.8)	(28.8)
2012 final dividend								(63.0)	(63.0)
Issue of share capital	0.5	9.1							9.6
Cancellation of treasury shares	(7.5)				7.5		163.1	(163.1)	–
Employee trust shares							(50.1)		(50.1)
Movement on own share reserves							10.4	(10.4)	–
Share based payments								15.2	15.2
At 31 December 2013	**107.2**	**153.0**	**(45.4)**	**2.5**	**16.1**	**(0.8)**	**(100.0)**	**807.3**	**939.9**

				Other reserves			Retained earnings*		
	Share capital £m	Share premium £m	Translation reserve £m	Merger £m	Capital redemption £m	Cash flow hedge £m	Own shares £m	Earnings £m	Total equity* £m
At 1 January 2012	113.8	136.4	37.3	2.5	8.6	(0.3)	(213.8)	722.2	806.7
Profit for the year								191.3	191.3
Actuarial loss on pension schemes								(8.0)	(8.0)
Foreign currency translation differences for foreign operations			(47.5)						(47.5)
Gain taken to equity as a result of designated effective net investment hedges			18.5						18.5
Loss recognised in cash flow hedge reserve						(0.4)			(0.4)
Movement from cash flow hedge reserve to income statement						(1.0)			(1.0)
Income tax (charge)/credit on other comprehensive income			(1.0)			0.3		2.9	2.2
Total comprehensive (expense)/income			(30.0)			(1.1)		186.2	155.1
2011 interim dividend								(26.1)	(26.1)
2011 final dividend								(59.6)	(59.6)
Issue of share capital	0.4	7.5							7.9
Employee trust shares							(9.6)		(9.6)
Share based payments								11.1	11.1
At 31 December 2012	114.2	143.9	7.3	2.5	8.6	(1.4)	(223.4)	833.8	885.5

*Restated on adoption of IAS 19 (revised 2011) 'Employee Benefits' (see Note 1).

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 £m	2012* £m
Cash flow from operating activities			
Profit before income tax		**289.9**	263.8
Adjustments:			
depreciation		**25.9**	23.0
intangible amortisation and acquisition related costs		**82.3**	58.6
share based payments		**6.2**	5.7
disposal of business		**–**	(4.0)
Working capital movement		**16.8**	(22.4)
Finance income		**(2.6)**	(3.6)
Finance cost		**44.8**	37.6
Provisions		**(7.8)**	(6.4)
Retirement benefit obligations		**(7.3)**	(7.8)
Other		**(1.8)**	4.6
Cash generated from operations before acquisition related costs		**446.4**	349.1
Cash outflow from acquisition related costs	24	**(26.1)**	(20.2)
Income tax paid		**(80.3)**	(63.6)
Cash inflow from operating activities		**340.0**	265.3
Cash flow from investing activities			
Interest received		**1.5**	2.2
Purchase of property, plant and equipment		**(26.5)**	(23.0)
Sale of property, plant and equipment		**1.2**	2.8
Purchase of businesses	24	**(253.8)**	(234.5)
Cash outflow from investing activities		**(277.6)**	(252.5)
Cash flow from financing activities			
Interest paid		**(40.5)**	(32.8)
Dividends paid		**(91.8)**	(85.7)
Increase in loans		**116.3**	123.8
Realised losses on foreign exchange contracts		**(9.7)**	(0.9)
Issue of ordinary shares to settle share options		**9.6**	7.9
Net purchase of employee trust shares		**(52.9)**	(11.6)
Cash (outflow)/inflow from financing activities		**(69.0)**	0.7
Exchange loss on cash and cash equivalents		**(2.4)**	(2.7)
(Decrease)/increase in cash and cash equivalents		**(9.0)**	10.8
Cash and cash equivalents at start of year		**55.8**	45.0
(Decrease)/increase in cash and cash equivalents		**(9.0)**	10.8
Cash and cash equivalents at end of year	23	**46.8**	55.8

*Restated on adoption of IAS 19 (revised 2011) 'Employee Benefits' (see Note 1).

NOTES

1 BASIS OF PREPARATION

The consolidated financial statements for the year ended 31 December 2013 have been approved by the directors and prepared in accordance with EU endorsed International Financial Reporting Standards ('IFRS') and interpretations of the International Financial Reporting Interpretations Committee ('IFRIC'). The consolidated financial statements have been prepared on a going concern basis (as referred to in the Financial review on page 29) and under the historical cost convention with the exception of certain items which are measured at fair value as disclosed in the accounting policies below. The Company has elected to prepare its parent company financial statements in accordance with UK Generally Accepted Accounting Practice ('UK GAAP').

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

International Accounting Standard ('IAS') 19 (revised 2011) 'Employee Benefits'
IFRS 13 'Fair Value Measurement'
Amendments to IAS 1 'Presentation of Financial Statements' – Presentation of Items of Other Comprehensive Income
Annual Improvements to IFRS 2009–2011 cycle

With the exception of the revisions to IAS 19, these have not had a material impact on the Group's overall results and financial position.

Some of the prior year numbers have been restated following the adoption of IAS 19 (revised 2011) 'Employee Benefits', which is effective for the 2013 financial year, as a result of which the expected return on assets and the interest charge on pension scheme liabilities have been replaced with a net finance cost based on the relevant discount rate. For the year ended 31 December 2012 the impact has been to increase the net finance cost by £5.5m, to reduce profit before income tax by £5.5m and reduce profit after tax by £4.0m. The actuarial loss has been reduced by £5.5m and the income tax credit on other comprehensive income has been reduced by £1.5m. Basic earnings per share in 2012 decreased by 1.2p to 58.7p as a result.

For the acquisitions made in 2012, the fair value reallocation period remained open during 2013. In accordance with IFRS 3 'Business Combinations' the Group has adjusted in 2013 the fair values attributable to some of these acquisitions. The balance sheet at 31 December 2012 has been revised accordingly (see Note 24 for further details).

The accounting policies set out below have, unless otherwise stated, been applied to all periods presented in the consolidated financial statements.

2 ACCOUNTING POLICIES

a Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the acquisition date. The consideration paid or payable in respect of acquisitions comprises amounts paid on completion, deferred consideration and payments which are contingent on the continued employment of former owners of businesses acquired. The excess of the consideration (excluding payments contingent on future employment) over the fair value of the identifiable net assets acquired is recorded as goodwill. Payments that are contingent on future employment and transaction costs and expenses such as professional fees are charged to the income statement.

(ii) Associates

Associates are entities over which the Group is in a position to exercise significant influence. Associates are accounted for using the equity method and are recognised initially at cost. The consolidated financial statements include the Group's share of the income and expenses of associates.

(iii) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

b Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate prevailing at that date. Foreign exchange differences arising on translation are recognised in the income statement, unless they qualify for cash flow or net investment hedge accounting treatment, in which case the effective portion is recognised directly in a separate component of equity.

Assets and liabilities of foreign operations are translated at the exchange rate prevailing at the balance sheet date. Income and expenses of foreign operations are translated at average exchange rates. All resulting exchange differences, including exchange differences arising from the translation of borrowings and other financial instruments designated as hedges of such investments, are recognised directly in a separate component of equity. Differences that have arisen since 1 January 2004, the date of transition to IFRS, are presented as a separate component of equity.

2 ACCOUNTING POLICIES CONTINUED

c Financial instruments

Under IAS 39 'Financial Instruments: Recognition and Measurement', financial instruments are initially measured at fair value with subsequent measurement depending upon the classification of the instrument. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Other financial assets and liabilities are held at amortised cost unless they are in a fair value hedging relationship. Derivative financial instruments are used to hedge exposures to foreign exchange and interest rate risks.

(i) Fair value hedge

Where a derivative financial instrument is designated and qualifies as a hedge of a recognised asset or liability, all changes in the fair value of the derivative are recognised immediately in the income statement. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged with changes recognised in the income statement.

(ii) Cash flow hedge

Where a derivative that is designated and qualifies as a hedge is used to hedge forecast transactions, any effective portion of the change in fair value is recognised in equity. The gain or loss relating to any ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled to the income statement in the period when the hedged item affects profit or loss.

(iii) Hedge of a net investment in foreign operations

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in foreign operations are recognised directly in equity to the extent the hedge is effective. To the extent that the hedge is ineffective such differences are recognised in the income statement.

d Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses.

e Depreciation

Depreciation is provided on a straight line basis to write off cost less estimated residual value over the assets' estimated remaining useful lives. This is applied at the following annual rates:

Buildings	2% (or depreciated over life of lease if shorter than 50 years)
Plant and machinery	8%–33%
Fixtures, fittings and equipment	8%–33%
Freehold land	Not depreciated

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date.

f Intangible assets

(i) Goodwill

Acquisitions are accounted for using the acquisition method. As permitted by IFRS 1 'First-time Adoption of International Financial Reporting Standards', the Group has chosen to apply IFRS 3 'Business Combinations' from 1 January 2004 and has elected not to restate previous business combinations. For acquisitions made before 1 January 2004, goodwill represents the amount previously recorded under UK GAAP. For acquisitions that occurred between 1 January 2004 and 31 December 2009, goodwill represents the cost of the business combination in excess of the fair value of the identifiable assets, liabilities and contingent liabilities acquired. For acquisitions that have occurred on or after 1 January 2010, goodwill represents the cost of the business combination (excluding payments contingent on future employment and acquisition related costs) in excess of the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is allocated to cash generating units and is tested annually for impairment. Negative goodwill arising on acquisition is recognised immediately in the income statement.

(ii) Other intangible assets

Intangible assets acquired in a business combination are recognised on acquisition and recorded at fair value. These principally relate to customer relationships and are stated at cost less accumulated amortisation and any impairment losses. Amortisation is charged to the income statement on a straight line basis over the estimated useful economic lives (which range from 10 to 19 years).

g Leases

Operating lease rentals and any incentives receivable are recognised in the income statement on a straight line basis over the term of the relevant lease. Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased assets are classified as finance leases. Where land and buildings are held under leases, the accounting treatment of the land is considered separately from that of the buildings due to the indefinite life of land.

h Impairment

The carrying amounts of the Group's assets are reviewed annually to determine if there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. The recoverable amounts of assets carried at amortised cost are calculated as the present value of estimated future cash flows, discounted at appropriate pre-tax discount rates. The recoverable amounts of other assets are the greater of their fair value less the costs to sell and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present values using appropriate pre-tax discount rates. Impairment losses are recognised when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, with impairment losses being recognised in the income statement.

2 ACCOUNTING POLICIES CONTINUED

i Inventories
Inventories are valued at the lower of cost and net realisable value.

j Cash and cash equivalents
Cash and cash equivalents comprise cash balances, bank overdrafts and short term deposits with maturities of three months or less from the date the deposit is made.

k Trade and other receivables
Trade and other receivables are stated at cost less any impairment losses. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables or uncertainty as to whether the Group will be able to collect all such amounts.

l Trade and other payables
Trade and other payables are stated at cost.

m Income tax
Income tax in the income statement comprises current and deferred tax. Income tax is recognised in the income statement except when it relates to items reflected in equity when it is recognised in equity.

Current tax reflects tax payable on taxable income for the year using rates enacted or substantively enacted at the balance sheet date and any adjustments in respect of prior years.

Deferred tax is provided using the balance sheet liability method providing for temporary differences arising between tax bases and carrying amounts in the consolidated financial statements. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is not recognised for the following temporary differences: goodwill not deductible for tax purposes, the initial recognition of assets and liabilities that affect neither accounting nor taxable profits and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which any asset can be utilised.

n Revenue
The Group is engaged in the delivery of goods to customers. Revenue from a sale is recognised in the income statement upon delivery of the relevant goods, which is the point in time at which the significant risks and rewards of ownership of the goods are transferred.

Revenue is valued at invoiced amounts, excluding sales taxes, less estimated provisions for returns and trade discounts where relevant. Returns' provisions and early settlement discounts are based on experience over an appropriate period whereas volume discounts are based on agreements with customers.

Revenue is not recognised if there is significant uncertainty regarding recovery of the consideration due.

o Retirement benefit obligations
(i) Defined contribution pension schemes
Obligations for contributions to defined contribution pension schemes are charged as an expense to the income statement as incurred.

(ii) Defined benefit pension schemes
Pension liabilities are recognised in the consolidated balance sheet and represent the difference between the fair value of scheme assets and the present value of scheme liabilities. Scheme liabilities are determined on an actuarial basis using the projected unit method and discounted using the rate applicable to AA rated corporate bonds that have a similar maturity to the scheme liabilities.

Current service cost, past service cost/credit and gains and losses on any settlements and curtailments are credited or charged to the income statement. Past service cost is recognised immediately to the extent benefits are already vested. Net interest on the net defined benefit liability is included within finance cost and comprises interest income on scheme assets and interest cost on the defined benefit obligation. The net interest is calculated using the same discount rate that is used in calculating the defined benefit obligation, applied to the net defined liability at the start of the period.

Actuarial gains and losses are recognised in full in the statement of comprehensive income.

p Investment in own shares
The cost of shares held either directly (treasury shares) or indirectly (employee benefit trust shares) is deducted from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is recognised in retained earnings.

At each reporting date the Group remeasures the value of the shares held in the employee benefit trust to present them in the own shares reserve at the market value of those shares at reporting date. This is done through a reclassification from retained earnings to the own shares reserve. This movement has no effect on the actual numbers of shares held by the employee benefit trust.

2 ACCOUNTING POLICIES CONTINUED

q Share based payments
The Group operates equity settled share based compensation plans. Details of these plans are outlined in Note 16 and the Directors' remuneration report. The total expected expense is based on the fair value of options and other share based incentives on the grant date calculated using a valuation model and is spread over the expected vesting period with a corresponding credit to equity.

r Provisions
Provisions are recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and where it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting the Group's obligations under the contract.

s Net debt
Net debt is defined as interest bearing loans and borrowings and the fair value of interest rate swaps on fixed interest rate borrowings, less cash and cash equivalents.

t Dividends
The interim dividend is recognised in the consolidated statement of changes in equity in the period in which it is paid and the final dividend in the period in which it is approved by shareholders at the Annual General Meeting.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES
The following provides information on those policies that management considers critical because of the level of judgement and estimation required which often involves assumptions regarding future events which can vary from what is anticipated. The directors review the judgements and estimates on an ongoing basis with revisions to accounting estimates recognised in the period in which the estimates are revised and in any future periods affected. The key sources of estimation uncertainty at the balance sheet date that have risk of causing material adjustment to the carrying amounts of assets and liabilities are set out below. The directors believe that the consolidated financial statements reflect appropriate judgements and estimates and provide a true and fair view of the Group's performance and financial position. Where appropriate and practicable, sensitivities are disclosed in the relevant notes.

a Retirement benefit obligations
The cost of defined benefit pension schemes and the present value of the obligations relating thereto are determined using actuarial valuations appropriate for each country where defined benefit pension schemes are provided. The actuarial valuations involve making assumptions about discount rates, future salary increases, future pension increases and mortality rates. All assumptions are reviewed at each reporting date. In determining the appropriate discount rates, management considers the interest rates of corporate bonds with an AA rating in the relevant country. Future salary increases and future pension increases are based on expected future inflation rates for each country. Mortality rates are based on the relevant mortality tables for each country. Further details about the assumptions used are set out in Note 20.

b Intangible assets
IFRS 3 requires the identification of acquired intangible assets as part of a business combination. The methods used to value such intangible assets require the use of estimates including forecast performance and customer attrition rates. Future results are impacted by the amortisation periods adopted and changes to the estimated useful lives would result in different effects on the income statement.

Goodwill is tested annually for impairment. Tests for impairment are based on discounted cash flows and assumptions (including discount rates, timing and growth prospects) which are inherently subjective. Further details about the assumptions used are set out in Note 9.

c Acquisitions
Acquisitions are accounted for using the acquisition method based on the fair value of the consideration paid. Assets and liabilities are measured at fair value and the purchase price is allocated to assets and liabilities based on these fair values.

Determining the fair values of assets and liabilities acquired involves the use of significant estimates and assumptions (including discount rates, asset lives and recoverability). Assets and liabilities are measured at fair value and the value of freehold properties is typically determined by qualified valuers on an open market basis.

d Tax
The Group is subject to income taxes in a number of jurisdictions. Management is required to make judgements and estimates in determining the provisions for income taxes and deferred tax assets and liabilities recognised in the consolidated financial statements. Tax benefits are recognised to the extent that it is probable that sufficient taxable income will be available in the future against which temporary differences and unused tax losses can be utilised.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

The Group is currently assessing the potential impact of other new and revised standards and interpretations issued by the International Accounting Standards Board that will be effective from 1 January 2014 and beyond. Based on the analysis to date, the Group does not anticipate that these will have a material impact on the Group's overall results and financial position.

3 SEGMENT ANALYSIS

Year ended 31 December 2013	**North America £m**	**Continental Europe £m**	**UK & Ireland £m**	**Rest of the World £m**	**Corporate £m**	**Total £m**
Revenue	**3,401.7**	**1,151.5**	**1,018.5**	**526.0**		**6,097.7**
Operating profit/(loss) before intangible amortisation and acquisition related costs	**213.6**	**97.0**	**71.6**	**51.2**	**(19.0)**	**414.4**
Intangible amortisation	**(12.6)**	**(29.1)**	**(7.1)**	**(9.5)**	**–**	**(58.3)**
Acquisition related costs	**(6.8)**	**(3.5)**	**(1.6)**	**(12.1)**	**–**	**(24.0)**
Operating profit/(loss)	**194.2**	**64.4**	**62.9**	**29.6**	**(19.0)**	**332.1**
Finance income						**2.6**
Finance cost						**(44.8)**
Profit before income tax						**289.9**
Profit before income tax, intangible amortisation and acquisition related costs						**372.2**
Income tax						**(83.1)**
Profit for the year						**206.8**
Capital expenditure	**11.2**	**8.7**	**4.3**	**2.3**	**–**	**26.5**
Depreciation	**7.8**	**11.1**	**4.0**	**2.8**	**0.2**	**25.9**

Year ended 31 December 2012	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Corporate £m	Total* £m
Revenue	2,905.8	1,079.4	992.1	381.9		5,359.2
Operating profit/(loss) before intangible amortisation and acquisition related costs	184.6	87.5	65.2	33.2	(18.1)	352.4
Intangible amortisation	(8.1)	(27.7)	(6.5)	(5.4)	–	(47.7)
Acquisition related costs	(4.4)	(3.5)	(0.4)	(2.6)	–	(10.9)
Operating profit/(loss)	172.1	56.3	58.3	25.2	(18.1)	293.8
Finance income						3.6
Finance cost						(37.6)
Disposal of business						4.0
Profit before income tax						263.8
Profit before income tax, intangible amortisation, acquisition related costs and disposal of business						318.4
Income tax						(72.5)
Profit for the year						191.3
Capital expenditure	6.9	9.1	2.9	4.0	0.1	23.0
Depreciation	6.5	10.9	3.6	1.8	0.2	23.0

*Restated on adoption of IAS 19 (revised 2011) 'Employee Benefits' (see Note 1).

Acquisition related costs for the year ended 31 December 2013 include transaction costs and expenses of £8.4m (2012: £6.9m), deferred consideration payments of £22.0m (2012: £8.4m) relating to the continued employment of former owners of businesses acquired and a credit of £6.4m (2012: £4.4m credit) from adjustments to previously estimated earn outs.

The Group is managed through four business areas based on geographic regions which represent the reporting segments under IFRS 8 'Operating Segments'. The revenue presented relates to external customers. Sales between the business areas are not material. Each of the business areas supplies a range of products to customers operating primarily in the foodservice, grocery, cleaning & hygiene, non-food retail, safety and healthcare market sectors. The performance of the four business areas is assessed by reference to operating profit before intangible amortisation and acquisition related costs and this measure also represents the segment results for the purposes of reporting in accordance with IFRS 8. Debt and associated interest is managed at a Group level and therefore has not been allocated across the business areas. In accordance with the provisions of IFRS 8, the Company's chief operating decision maker is the Board of Directors.

3 SEGMENT ANALYSIS CONTINUED

Within each of the four business areas, there are a number of further segments based on geography and market sector. These segments have been aggregated into the four business areas as shown above due to the similarity between them in terms of economic characteristics and also in respect of the nature of the products and services, types of customer and the methods used to distribute these products and services.

There are no customers who account for more than 10% of Group revenue. Customer dependencies are regularly monitored.

Revenue by market sector	2013 £m	2012 £m
Foodservice	**1,766.9**	1,571.2
Grocery	**1,648.3**	1,574.0
Cleaning & hygiene	**733.9**	724.3
Non-food retail	**696.9**	447.6
Safety	**624.7**	455.7
Healthcare	**418.6**	378.3
Other	**208.4**	208.1
	6,097.7	5,359.2

The Other category covers a wide range of market sectors, none of which is sufficiently material to warrant separate disclosure.

At 31 December 2013	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Unallocated £m	Total £m
Segment assets	**1,078.6**	**920.6**	**624.4**	**443.9**		**3,067.5**
Unallocated assets					**104.0**	**104.0**
Total assets	**1078.6**	**920.6**	**624.4**	**443.9**	**104.0**	**3,171.5**
Segment liabilities	**407.8**	**246.9**	**270.2**	**87.9**		**1,012.8**
Unallocated liabilities					**1,218.8**	**1,218.8**
Total liabilities	**407.8**	**246.9**	**270.2**	**87.9**	**1,218.8**	**2,231.6**

At 31 December 2012	North* America £m	Continental* Europe £m	UK & Ireland £m	Rest of* the World £m	Unallocated* £m	Total* £m
Segment assets	1,006.4	921.9	597.7	317.7		2,843.7
Unallocated assets					108.0	108.0
Total assets	1,006.4	921.9	597.7	317.7	108.0	2,951.7
Segment liabilities	364.9	240.1	256.3	88.0		949.3
Unallocated liabilities					1,116.9	1,116.9
Total liabilities	364.9	240.1	256.3	88.0	1,116.9	2,066.2

*Revised on adjustment to provisional fair values on acquisitions made in 2012 (see Note 24).

Unallocated assets and liabilities include Corporate assets and liabilities, tax assets and liabilities, cash and deposits, borrowings, derivative assets and liabilities and pension scheme assets and liabilities.

4 ANALYSIS OF OPERATING INCOME AND EXPENSES

	2013 £m	2012 £m
Purchase of goods and changes in inventories	**4,638.3**	4,118.2
Employee costs (see Note 21)	**570.2**	494.7
Depreciation of property, plant and equipment	**25.9**	23.0
Amortisation of intangible fixed assets	**58.3**	47.7
Acquisition related costs	**24.0**	10.9
Profit on disposal of property, plant and equipment	**(0.2)**	(0.2)
Rentals payable under operating leases and subleases	**90.2**	83.8
Lease and sublease income	**(0.8)**	(1.5)
Other operating expenses	**359.7**	288.8
Net operating expenses	**5,765.6**	5,065.4

			2013			2012
Auditor's remuneration	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
Audit of these financial statements	**0.3**	**–**	**0.3**	0.3	–	0.3
Amounts receivable by the Company's auditor and its associates in respect of:						
Audit of financial statements of subsidiaries of the Company	**0.4**	**1.6**	**2.0**	0.3	1.3	1.6
Audit-related assurance services	**0.1**	**–**	**0.1**	0.1	–	0.1
Taxation compliance services	**–**	**0.1**	**0.1**	–	0.1	0.1
Other tax advisory services	**–**	**0.1**	**0.1**	0.1	0.2	0.3
All other services	**0.1**	**0.4**	**0.5**	–	0.8	0.8
Total auditor's remuneration	**0.9**	**2.2**	**3.1**	0.8	2.4	3.2

Management believes that given the external auditor's detailed knowledge of the Group's operations, its structure and accounting policies and the importance of carrying out tax services and detailed pre-acquisition due diligence, it is often appropriate for this additional work to be undertaken by the external auditor rather than another firm of accountants. However other firms are also used by the Company to provide non-audit services and it is the Company's policy to assess the services required on a case by case basis to ensure that the best placed adviser is retained.

The Audit Committee, which consists entirely of independent non-executive directors, reviews and approves the level and type of non-audit work which the external auditor performs, including the fees paid for such work, to ensure that the auditor's objectivity and independence are not compromised. Further information is set out in the Audit Committee's report on pages 44 to 46.

5 FINANCE INCOME/(COST)

	2013 £m	2012* £m
Interest on deposits	**0.8**	0.8
Interest income from foreign exchange contracts	**1.4**	1.8
Other finance income	**0.4**	1.0
Finance income	**2.6**	3.6
Interest on loans and overdrafts	**(39.9)**	(33.2)
Interest expense from foreign exchange contracts	**(1.5)**	(1.0)
Interest charge on retirement benefit obligations	**(2.8)**	(3.3)
Fair value gain on US dollar bonds in a hedge relationship	**2.0**	5.7
Fair value loss on interest rate swaps in a hedge relationship	**(2.0)**	(5.7)
Foreign exchange gain/(loss) on intercompany funding	**10.9**	(8.7)
Foreign exchange (loss)/gain on external debt not in a hedge relationship	**(11.0)**	8.9
Other finance expense	**(0.5)**	(0.3)
Finance cost	**(44.8)**	(37.6)

*Restated on adoption of IAS 19 (revised 2011) 'Employee Benefits' (see Note 1).

The foreign exchange gain/(loss) on intercompany funding arises as a result of foreign currency intercompany loans and deposits. This is substantially matched by external debt to minimise this foreign currency exposure in the income statement.

6 INCOME TAX

	2013 £m	2012* £m
Current tax on profit		
current year	**102.1**	84.9
prior years	**(10.2)**	(8.6)
double tax relief	**–**	(0.1)
	91.9	76.2
Deferred tax on profit		
current year	**(6.7)**	(2.3)
prior years	**(2.1)**	(1.4)
	(8.8)	(3.7)
Income tax on profit	**83.1**	72.5

In assessing the underlying performance of the Group, management uses adjusted profit which excludes intangible amortisation, acquisition related costs and the profit on disposal of business. Similarly the tax effect of these items is excluded in monitoring the tax rate on the adjusted profit of the Group which is shown in the table below:

	2013 £m	2012* £m
Income tax on profit	**83.1**	72.5
Tax associated with intangible amortisation, acquisition related costs and disposal of business	**20.7**	15.7
Tax on adjusted profit	**103.8**	88.2
Profit before income tax	**289.9**	263.8
Intangible amortisation, acquisition related costs and disposal of business	**82.3**	54.6
Adjusted profit before income tax	**372.2**	318.4
Reported tax rate	**28.7%**	27.5%
Tax rate on adjusted profit	**27.9%**	27.7%

Tax on other comprehensive income and equity	Gross 2013 £m	Tax credit/ (charge) 2013 £m	Net 2013 £m	Gross 2012* £m	Tax credit/ (charge) 2012* £m	Net 2012* £m
Actuarial gain/(loss) on pension schemes	**26.9**	**(10.1)**	**16.8**	(8.0)	2.9	(5.1)
Foreign currency translation differences for foreign operations	**(68.6)**	**–**	**(68.6)**	(47.5)	–	(47.5)
Gain taken to equity as a result of designated effective net investment hedges	**14.4**	**1.5**	**15.9**	18.5	(1.0)	17.5
Loss recognised in cash flow hedge reserve	**–**	**–**	**–**	(0.4)	0.1	(0.3)
Movement from cash flow hedge reserve to income statement	**0.8**	**(0.2)**	**0.6**	(1.0)	0.2	(0.8)
Other comprehensive (expense)/income	**(26.5)**	**(8.8)**	**(35.3)**	(38.4)	2.2	(36.2)
Dividends	**(91.8)**	**–**	**(91.8)**	(85.7)	–	(85.7)
Issue of share capital	**9.6**	**–**	**9.6**	7.9	–	7.9
Employee trust shares	**(50.1)**	**–**	**(50.1)**	(9.6)	–	(9.6)
Share based payments	**6.2**	**9.0**	**15.2**	5.7	5.4	11.1
Other comprehensive (expense)/income and equity	**(152.6)**	**0.2**	**(152.4)**	(120.1)	7.6	(112.5)

*Restated on adoption of IAS 19 (revised 2011) 'Employee Benefits' (see Note 1).

6 INCOME TAX CONTINUED

Factors affecting the tax charge for the year

The Group operates in many countries and is subject to income tax in many different jurisdictions. The expected tax rate is calculated as a weighted average of the tax rates in the tax jurisdictions in which the Group operates. The adjustments to the tax charge at the weighted average rate to determine the income tax on profit are as follows:

	2013 £m	2012* £m
Profit before income tax	**289.9**	263.8
Tax charge at weighted average rate (2013: 31.4%; 2012: 31.7%)	**91.0**	83.7
Effects of:		
gain on disposal not taxable	**–**	(1.0)
adjustment in respect of prior years	**(12.3)**	(10.0)
non-taxable and non-deductible items	**1.6**	(1.3)
other	**2.8**	1.1
Income tax on profit	**83.1**	72.5

Deferred tax in the income statement	2013 £m	2012 £m
Accelerated capital allowances	**1.0**	0.6
Retirement benefit obligations	**(0.5)**	0.8
Intangible assets	**(12.4)**	(11.2)
Share based payments	**(1.5)**	(0.1)
Provisions	**1.5**	(0.7)
Other	**3.1**	8.4
Deferred tax on profit	**(8.8)**	(2.2)

UK tax rate change

Following the enactment of legislation in the UK to reduce the corporation tax rate to 21% from 1 April 2014 and 20% from 1 April 2015, the UK deferred tax balances were reduced from 23% to 20%. The impact on the tax expense for the year was negligible.

7 EARNINGS PER SHARE

	2013 £m	2012* £m
Profit for the year	**206.8**	191.3
Adjustment	**61.6**	38.9
Adjusted profit†	**268.4**	230.2
Basic weighted average ordinary shares in issue (million)	**325.8**	326.1
Dilutive effect of employee share plans (million)	**4.0**	1.9
Diluted weighted average ordinary shares (million)	**329.8**	328.0
Basic earnings per share	**63.5p**	58.7p
Adjustment	**18.9p**	11.9p
Adjusted earnings per share†	**82.4p**	70.6p
Diluted basic earnings per share	**62.7p**	58.3p
Adjustment	**18.7p**	11.9p
Adjusted diluted earnings per share†	**81.4p**	70.2p

*Restated on adoption of IAS 19 (revised 2011) 'Employee Benefits' (see Note 1).

† Adjusted profit, adjusted earnings per share and adjusted diluted earnings per share exclude the charge for intangible amortisation, acquisition related costs, the profit on disposal of business and the respective associated tax. The intangible amortisation, acquisition related costs, profit on disposal of business and the associated tax are items which are not taken into account by management when assessing the underlying performance of the business. Accordingly, such items are removed in calculating the adjusted earnings per share on which management assesses the performance of the Group.

8 PROPERTY, PLANT AND EQUIPMENT

2013	**Land and buildings £m**	**Plant and machinery £m**	**Fixtures, fittings and equipment £m**	**Total £m**
Cost				
Beginning of year	**75.2**	**98.9**	**109.4**	**283.5**
Acquisitions	**3.0**	**4.4**	**2.2**	**9.6**
Additions	**1.9**	**14.5**	**10.1**	**26.5**
Disposals	**(1.7)**	**(2.9)**	**(3.5)**	**(8.1)**
Currency translation	**(0.1)**	**(3.6)**	**(1.7)**	**(5.4)**
End of year	**78.3**	**111.3**	**116.5**	**306.1**
Depreciation				
Beginning of year	**25.2**	**64.5**	**82.7**	**172.4**
Charge in year	**3.3**	**10.9**	**11.7**	**25.9**
Disposals	**(1.2)**	**(2.7)**	**(3.2)**	**(7.1)**
Currency translation	**(0.6)**	**(2.1)**	**(1.2)**	**(3.9)**
End of year	**26.7**	**70.6**	**90.0**	**187.3**
Net book value at 31 December 2013	**51.6**	**40.7**	**26.5**	**118.8**

2012	Land and buildings* £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total* £m
Cost				
Beginning of year	74.5	95.3	103.3	273.1
Acquisitions	3.2	4.0	0.6	7.8
Additions	2.0	8.9	12.1	23.0
Disposals	(3.6)	(5.5)	(5.0)	(14.1)
Currency translation	(0.9)	(3.8)	(1.6)	(6.3)
End of year	75.2	98.9	109.4	283.5
Depreciation				
Beginning of year	24.1	63.5	76.5	164.1
Charge in year	2.7	8.2	12.1	23.0
Disposals	(1.8)	(5.1)	(4.6)	(11.5)
Currency translation	0.2	(2.1)	(1.3)	(3.2)
End of year	25.2	64.5	82.7	172.4
Net book value at 31 December 2012	50.0	34.4	26.7	111.1

*Revised on adjustment to provisional fair values on acquisitions made in 2012 (see Note 24).

The net book value of property, plant and equipment includes assets held under finance leases and hire purchase contracts totalling £8.7m (2012: £9.2m). Accumulated depreciation of these assets was £5.8m (2012: £4.8m). Future capital expenditure at 31 December 2013 consisted of commitments not provided for of £0.6m (2012: £0.7m).

9 INTANGIBLE ASSETS

Goodwill	2013 £m	2012* £m
Beginning of year	**823.2**	784.6
Acquisitions	**97.4**	64.5
Currency translation	**(19.6)**	(25.9)
End of year	**901.0**	823.2

Customer relationships	2013 £m	2012* £m
Cost		
Beginning of year	**793.1**	707.9
Acquisitions	**111.1**	111.5
Currency translation	**(17.0)**	(26.3)
End of year	**887.2**	793.1
Amortisation		
Beginning of year	**275.7**	235.7
Charge in year	**58.3**	47.7
Currency translation	**(2.7)**	(7.7)
End of year	**331.3**	275.7
Net book value at 31 December	**555.9**	517.4
Total net book value of intangible assets at 31 December	**1,456.9**	1,340.6

*Revised on adjustment to provisional fair values on acquisitions made in 2012 (see Note 24).

Both goodwill and customer relationships have been acquired as part of business combinations. Customer relationships are amortised over their estimated useful lives which range from 10 to 19 years.

Impairment tests

The carrying amount of goodwill is allocated across cash generating units ('CGUs').

A description of the Group's principal activities is set out in the Chief Executive's review. There is no significant difference in the nature of activities across different geographies. The identification of CGUs reflects the way in which the business is managed on a geographical basis. Given the similar nature of the activities of each CGU, a consistent methodology is applied across the Group in assessing CGU recoverable amounts. The recoverable amount is the higher of the value in use and the fair value less the costs to sell. The value in use is the present value of the cash flows expected to be generated by the CGU over a projection period together with a terminal value. The projection period is the time period over which future cash flows are predicted. The Group's methodology is to use a projection period of five years being the maximum period over which detailed future cash flows for each CGU are prepared. For periods after this five year period, the methodology applies a long term growth rate to derive a terminal value. Cash flow expectations exclude any future cash flows that may arise from restructuring or other enhancements to the cash generating activities of the CGU and reflect management's expectations of the range of economic conditions that may exist over the projection period.

The value in use calculations are principally sensitive to revenue growth, including any significant changes to the customer base, achievability of future margins and the discount rate used in the present value calculation. The information used for valuation purposes takes into consideration past experience and the current economic environment with regard to customer attrition rates and additions to the customer base, the ability to introduce price increases and new products and experience in controlling the underlying cost base. This provides a long term growth rate which is consistent with the geographic segments in which the Group operates and management's assessment of future operating performance and market share movements. The growth rate has been calculated based principally on current inflation rates of the relevant economies.

At 31 December 2013 North America, France Hygiene and UK Hospitality carried a significant amount of goodwill in comparison with the total value of the Group's goodwill. At 31 December 2013 the carrying value of goodwill in respect of North America was £233.5m (2012: £224.8m as reported; £217.6m revised on adjustment to provisional fair values on acquisitions made in 2012, see Note 24). France Hygiene was £82.2m (2012: £80.2m) and UK Hospitality was £62.5m (2012: £62.5m). At 31 December 2013 the aggregate amount of goodwill attributable to the Group's CGUs, excluding North America, France Hygiene and UK Hospitality, was £531.9m (2012: £462.9m). The remaining goodwill relates to CGUs which are not individually significant.

For North America, France Hygiene and UK Hospitality the weighted average growth rate used in 2013 was 2.5% (2012: 2.5%). A discount rate of 9% (2012: 8%) has been applied to the value in use calculations representing a pre-tax rate reflecting market assessments of the time value of money at the balance sheet date. Similar assumptions have been applied to the other CGUs but where appropriate the directors have considered alternative market risk assumptions to reflect the specific conditions arising in individual countries (with discount rates ranging from 9%–18%).

9 INTANGIBLE ASSETS CONTINUED

Sensitivity to changes in key assumptions

Impairment testing is dependent on management's estimates and judgements, particularly as they relate to the forecasting of future cash flows, the discount rates selected and expected long term growth rates. A key assumption on which value in use calculations are dependent relates to revenue growth including the impact of changes to the underlying customer base. This assumption is sensitive to customer attrition and the rate at which new customer relationships are introduced and established.

Based on past experience and taking into account current market conditions, management has concluded that it is reasonable to assume that there will be no material deterioration in the customer base over the projection period which will significantly impact future cash flows and that no reasonably possible change in key assumptions would result in impairment in any of the Group's CGUs. Should such a change occur, this would represent a triggering event to indicate that an impairment review may be necessary. In accordance with IAS 36 'Impairment of Assets', a full impairment review would then be undertaken on the relevant assets within the CGU. Any such changes are monitored through normal monthly procedures.

10 INVENTORIES

	2013 £m	2012* £m
Goods for resale	**645.1**	581.5

*Revised on adjustment to provisional fair values on acquisitions made in 2012 (see Note 24).

£2.9m was written off inventories during the year (2012: £5.3m) due to obsolescence or damage. The inventories provision at 31 December 2013 was £58.3m (2012: £55.6m).

11 TRADE AND OTHER RECEIVABLES

	2013 £m	2012* £m
Trade receivables	**695.2**	666.6
Prepayments and other receivables	**167.8**	152.1
	863.0	818.7

The ageing of trade receivables at 31 December was:

	Gross 2013 £m	Provision 2013 £m	Gross 2012 £m	Provision 2012* £m
Current	**542.9**	**0.4**	517.5	2.9
0–30 days overdue	**126.0**	**0.4**	129.9	0.2
31–90 days overdue	**28.4**	**1.3**	24.4	2.1
Over 90 days overdue	**13.8**	**13.8**	9.7	9.7
	711.1	**15.9**	681.5	14.9

The movement in the provision for doubtful debts in respect of trade receivables during the year was as follows:

	2013 £m	2012* £m
Beginning of year	**14.9**	13.8
Acquisitions	**2.0**	1.1
Charge	**1.9**	2.4
Utilised and unused	**(2.6)**	(1.9)
Currency translation	**(0.3)**	(0.5)
End of year	**15.9**	14.9

*Revised on adjustment to provisional fair values on acquisitions made in 2012 (see Note 24).

12 TRADE AND OTHER PAYABLES – CURRENT

	2013 £m	2012* £m
Trade payables	**682.9**	648.1
Other tax and social security contributions	**23.8**	22.2
Other payables	**140.1**	104.0
Accruals and deferred income	**157.6**	135.0
	1,004.4	909.3

*Revised on adjustment to provisional fair values on acquisitions made in 2012 (see Note 24).

13 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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 average operating capital employed and the return on invested capital as well as the level of total shareholders' equity and the amount of dividends paid to ordinary shareholders. For the year ended 31 December 2013, the return on average operating capital employed was 56.9% (2012: 56.5%, revised on adjustment to provisional fair values on acquisitions made in 2012, see Note 24), the return on invested capital was 17.9% (2012: 17.9%), the level of total shareholders' equity at 31 December 2013 was £939.9m (2012: £885.5m) and the amount of dividends paid in the year ended 31 December 2013 was £91.8m (2012: £85.7m).

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, the Group arranges a mixture of borrowings from 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. The Group seeks to maintain an appropriate 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.

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 have been 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. 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 periodically reviewed by the executive directors and the Board. Controls over exposure changes and transaction authenticity are in place.

Hedge accounting

The Group designates derivatives which qualify as hedges for accounting purposes as either (a) a hedge of the fair value of a recognised asset or liability; (b) a hedge of the cash flow risk resulting from changes in interest rates or foreign exchange rates; or (c) a hedge of a net investment in a foreign operation. The accounting treatment for hedges is set out in the financial instruments accounting policy in Note 2.

The Group tests the effectiveness of hedges on a prospective and retrospective basis to ensure compliance with IAS 39. Methods for testing effectiveness include dollar offset, critical terms and hypothetical derivatives.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group continually monitors net debt and forecast cash flows to ensure that sufficient facilities are in place to meet the Group's requirements in the short, medium and long term and, in order to do so, arranges borrowings from a variety of sources. Additionally, compliance with debt covenants is monitored. During 2013 all covenants have been complied with.

The Group has substantial borrowing facilities available to it comprising multi-currency credit facilities from the Group's banks and US dollar and sterling bonds. An issue of fixed interest US dollar bonds of US$240.0m, which was agreed in 2012, was drawn down by the Group in April 2013. At 31 December 2013 the total bonds outstanding were £607.1m (2012: £618.9m) with maturities ranging from 2014 to 2024. During the year the Group also refinanced or agreed new banking facilities totalling £264.2m. The Group's committed bank facilities mature between 2014 and 2018. At 31 December 2013 the available committed bank facilities totalled £886.7m (2012: £758.5m) of which £273.1m (2012: £169.2m) was drawn down.

13 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED

The undrawn committed bank facilities available at 31 December were as follows:

	2013 £m	2012 £m
Expiring within one year	**40.0**	50.1
Expiring after one year but within two years	**245.8**	80.0
Expiring after two years	**327.8**	459.2
	613.6	589.3

In addition the Group maintains overdraft and uncommitted facilities to provide short term flexibility. At 31 December 2013 loans totalling £0.8m were secured by fixed charges on property (2012: £0.8m).

The contractual maturity profile of the Group's financial assets and liabilities at 31 December is set out in the tables below. The amounts disclosed are the contractual undiscounted cash flows and therefore include interest cash flows (forecast using LIBOR interest rates at 31 December in the case of floating rate financial assets and liabilities). Derivative assets and liabilities have been included within the tables since they predominantly relate to derivatives which are used to manage the interest cash flows on the Group's debt. Bank loans have been drawn under committed facilities and can be refinanced on maturity from these same facilities. Accordingly they have been aged based on the maturity dates of the underlying facilities.

The tables below also compare the fair value and carrying amounts for financial assets and liabilities:

			Contractual cash inflows/(outflows)				
2013	Fair value £m	Carrying amount £m	Total contractual cash flows £m	Within one year £m	After one year but within two years £m	After two years but within five years £m	After more than five years £m
Financial assets:							
Cash and deposits	**73.1**	**73.1**	**73.1**	**73.1**	**–**	**–**	**–**
Loans and receivables							
Trade receivables	**695.2**	**695.2**	**695.2**	**695.2**	**–**	**–**	**–**
Derivative financial instruments							
Interest rate swaps	**6.0**	**6.0**	**6.4**	**2.1**	**2.1**	**2.2**	**–**
Foreign exchange contracts for net investment hedging	**0.2**	**0.2**	**0.2**	**0.2**	**–**	**–**	**–**
	774.5	**774.5**	**774.9**	**770.6**	**2.1**	**2.2**	**–**
Financial liabilities:							
Financial liabilities at amortised cost							
Bank loans	**(285.5)**	**(285.4)**	**(294.6)**	**(14.8)**	**(4.1)**	**(275.7)**	**–**
US dollar and sterling bonds	**(635.7)**	**(607.1)**	**(761.3)**	**(58.2)**	**(61.2)**	**(258.8)**	**(383.1)**
Bank overdrafts	**(26.3)**	**(26.3)**	**(26.3)**	**(26.3)**	**–**	**–**	**–**
Other interest bearing loans and borrowings	**(0.2)**	**(0.2)**	**(0.2)**	**–**	**(0.2)**	**–**	**–**
Finance lease creditors	**(1.1)**	**(1.1)**	**(1.1)**	**(0.4)**	**(0.2)**	**(0.5)**	**–**
Trade payables	**(682.9)**	**(682.9)**	**(682.9)**	**(682.9)**	**–**	**–**	**–**
Other current payables	**(151.1)**	**(151.1)**	**(151.1)**	**(151.1)**	**–**	**–**	**–**
Non-current payables	**(22.7)**	**(22.7)**	**(22.7)**	**–**	**(22.7)**	**–**	**–**
Financial liabilities at fair value							
US dollar bonds	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Derivative financial instruments							
Cross currency interest rate swaps	**(9.2)**	**(9.2)**	**(9.5)**	**(5.3)**	**(4.2)**	**–**	**–**
Foreign exchange contracts for cash flow hedging	**(0.7)**	**(0.7)**	**(0.7)**	**(0.7)**	**–**	**–**	**–**
	(1,815.4)	**(1,786.7)**	**(1,950.4)**	**(939.7)**	**(92.6)**	**(535.0)**	**(383.1)**

13 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED

2012	Fair value £m	Carrying amount £m	Contractual cash inflows/(outflows) Total contractual cash flows £m	Within one year £m	After one year but within two years £m	After two years but within five years £m	After more than five years £m
Financial assets:							
Cash and deposits	81.2	81.2	81.2	81.2	–	–	–
Loans and receivables							
Trade receivables*	666.6	666.6	666.6	666.6	–	–	–
Derivative financial instruments							
Interest rate swaps	10.2	10.2	11.8	5.2	2.2	4.1	0.3
	758.0	758.0	759.6	753.0	2.2	4.1	0.3
Financial liabilities:							
Financial liabilities at amortised cost							
Bank loans	(175.7)	(175.7)	(180.4)	(56.7)	(1.6)	(122.1)	–
US dollar and sterling bonds	(528.9)	(472.2)	(659.4)	117.6	(62.8)	(278.3)	(435.9)
Bank overdrafts	(25.4)	(25.4)	(25.4)	(25.4)	–	–	–
Other interest bearing loans and borrowings	(0.3)	(0.3)	(0.3)	–	–	(0.3)	–
Finance lease creditors	(0.6)	(0.6)	(0.6)	(0.3)	(0.1)	(0.2)	–
Trade payables	(648.1)	(648.1)	(648.1)	(648.1)	–	–	–
Other current payables*	(113.5)	(113.5)	(113.5)	(113.5)	–	–	–
Non-current payables	(26.4)	(26.4)	(26.4)	–	(26.4)	–	–
Financial liabilities at fair value							
US dollar bonds	(146.4)	(146.7)	(148.6)	(148.6)	–	–	–
Derivative financial instruments							
Cross currency interest rate swaps	(7.3)	(7.3)	(7.3)	(0.6)	(3.7)	(3.0)	–
Foreign exchange contracts for cash flow hedging	(0.8)	(0.8)	(0.8)	(0.8)	–	–	–
Foreign exchange contracts for net investment hedging	(2.7)	(2.7)	(2.7)	(2.7)	–	–	–
	(1,676.1)	(1,619.7)	(1,813.5)	(879.1)	(94.6)	(403.9)	(435.9)

*Revised on adjustment to provisional fair values on acquisitions made in 2012 (see Note 24).

All financial assets and liabilities stated at fair value in the tables above have carrying amounts where the fair value component is, and has been throughout the year, a level two fair value measurement. Level two fair value measurements use inputs other than quoted prices that are observable for the relevant asset or liability, either directly or indirectly. The fair values of both financial assets and liabilities are calculated by discounting expected future cash flows using observable inputs and translating at the appropriate balance sheet date exchange rates. The Group has taken into account its own credit risk in the valuation of financial assets and liabilities carried at fair value.

Fair value gains and losses on interest rate caps impact the income statement immediately while all other financial assets and liabilities stated at fair value are in hedging relationships.

13 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED

Interest rate risk

The Group is funded by a mixture of fixed and floating rate debt. In addition, interest rate swaps and interest rate caps are used to manage the interest rate risk profile. At 31 December 2013 fixed rate debt of £607.1m (2012: £472.2m) related to fixed rate US dollar and sterling bonds stated at amortised cost with maturities ranging from 2014 to 2024.

At 31 December 2013, floating rate debt was comprised of £273.1m floating rate bank loans (2012: £174.3m). Bank loans are drawn for various periods of up to three months at interest rates linked to LIBOR.

The interest rate risk on the floating rate debt is managed using interest rate options. Borrowings with a notional principal of £60.0m were capped at 31 December 2013 (2012: £162.6m). Hedge accounting is not applied to the interest rate caps since the majority of their value is related to time value. The strike rates of these options are based on LIBOR repricing every three months.

After taking account of hedge relationships, a change of 1% in the interest rate forward curves on 31 December would have increased/(decreased) profit before tax and equity for the year by the amounts shown below as a result of changes in the fair values of derivative assets and liabilities at that date:

	Impact on profit before tax		Impact on equity	
	+1% £m	**–1% £m**	**+1% £m**	**–1% £m**
2013	**0.6**	**(0.1)**	**0.6**	**(0.1)**
2012	0.1	0.2	0.1	0.2

Foreign currency risk

The majority of the Group's sales are made and income is earned in US dollars, euros and other foreign currencies. The Group does not hedge the impact of exchange rate movements arising on translation of earnings into sterling at average exchange rates.

The following significant exchange rates applied during the year:

	Average rate		Closing rate	
	2013	2012	**2013**	2012
US dollar	**1.56**	1.59	**1.66**	1.63
Euro	**1.18**	1.23	**1.20**	1.23

For the year ended 31 December 2013, a movement of one cent in the US dollar and euro average exchange rates would have changed profit before tax by £1.0m and £0.3m respectively (2012: £0.8m and £0.3m) and profit before tax, intangible amortisation, acquisition related costs and disposal of business by £1.1m and £0.6m respectively (2012: £0.9m and £0.5m).

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 usually relatively limited. 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 cash flow hedges. However, the economic impact of foreign exchange on the value of uncommitted future purchases and sales is not hedged. As a result, sudden and significant movements in foreign exchange rates can impact profit margins where there is a delay in passing on to customers the resulting price increases. For the year ended 31 December 2013 all foreign exchange cash flow hedges were effective with a loss of £0.7m recognised in equity (2012: loss of £0.8m) which will affect the income statement during 2014.

The majority of the Group's borrowings are effectively denominated in sterling, US dollars and euros, aligning them to the respective functional currencies of the component parts of the Group's EBITDA. This currency profile is achieved using short term foreign exchange contracts, long term cross currency interest rate swaps and foreign currency debt. This currency composition minimises the impact of foreign exchange rates on the ratio of net debt to EBITDA.

Cross currency interest rate swaps in a cash flow hedge relationship were effective during the year with a loss of £0.4m (2012: loss of £1.1m) being recognised in equity which will affect the income statement from 2014 to 2015.

13 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED

The currency profile of the Group's net debt at 31 December is set out in the table below:

	2013 £m	2012 £m
Sterling	**292.7**	198.7
US dollar	**388.2**	365.3
Euro	**149.9**	114.4
Other	**18.7**	59.7
	849.5	738.1

If a 10% strengthening or weakening of sterling had taken place on 31 December it would have increased/(decreased) profit before tax and equity for the year by the amounts shown below. The impact of this translation is much greater on equity than it is on profit before tax since equity is translated using the closing exchange rates and profit before tax is translated using the average exchange rates for the year. As a result the value of equity is more sensitive than the value of profit before tax to a movement in exchange rates on 31 December and the resulting movement in profit before tax is due solely to the translation effect on monetary items. This analysis assumes that all other variables, and in particular interest rates, remain constant.

	Impact on profit before tax		Impact on equity	
	+10% £m	–10% £m	+10% £m	–10% £m
2013	**0.7**	**(0.8)**	**(71.6)**	**87.5**
2012	0.5	(0.7)	(47.0)	57.6

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 and deposits, derivative financial instruments and trade and other receivables which represent the Group's maximum exposure to credit risk in relation to financial assets. The maximum exposure to credit risk for cash and deposits (Note 23), derivative financial instruments (see page 90) and trade and other receivables (Note 11) is their carrying amount.

Dealings are restricted to those banks with the relevant combination of geographic presence and investment grade rating. The Group continually monitors the credit ratings of its counterparties and the credit exposure to each counterparty.

For trade and other receivables, the amounts represented 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. Note 11 sets out an analysis of trade and other receivables and the provision for doubtful debts in respect of trade receivables.

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

14 PROVISIONS

	2013 £m	2012* £m
Current	**12.0**	21.3
Non-current	**23.8**	21.3
	35.8	42.6

	Properties 2013 £m	Claims 2013 £m	Total 2013 £m	Properties 2012 £m	Claims 2012* £m	Total 2012* £m
Beginning of year	**17.1**	**25.5**	**42.6**	19.2	29.2	48.4
Charge	**0.5**	**2.4**	**2.9**	1.1	4.8	5.9
Acquisitions	**2.6**	**1.8**	**4.4**	0.6	4.8	5.4
Disposal of business	**–**	**–**	**–**	–	(4.0)	(4.0)
Utilised or released	**(3.5)**	**(9.9)**	**(13.4)**	(3.7)	(8.6)	(12.3)
Currency translation	**(0.2)**	**(0.5)**	**(0.7)**	(0.1)	(0.7)	(0.8)
End of year	**16.5**	**19.3**	**35.8**	17.1	25.5	42.6

*Revised on adjustment to provisional fair values on acquisitions made in 2012 (see Note 24).

The properties provision includes provisions for vacant properties where amounts are held against liabilities for onerous lease commitments, repairs and dilapidations. These provisions cover the relevant periods of the lease agreements, up to the earliest possible termination date, which typically extend from one to 10 years.

The Group has provisions for expected legal, environmental and other claims based on management's best estimate at the balance sheet date of the probable loss likely to be incurred. It expects that these amounts, which are based on detailed plans or other known factors and take account of past experience for similar items, will be settled within the next one to five years.

The Group is a defendant in a number of legal proceedings incidental to its operations. While any litigation has an element of uncertainty, management does not expect that the outcome of such proceedings, either individually or in the aggregate, will have a material adverse effect on the Group's financial condition or results of operations.

15 DEFERRED TAX

	2013			2012*		
	Asset £m	**Liability £m**	**Net £m**	Asset £m	Liability £m	Net £m
Accelerated capital allowances	**1.4**	**(7.7)**	**(6.3)**	1.8	(7.7)	(5.9)
Defined benefit obligations	**14.4**	**–**	**14.4**	25.3	–	25.3
Intangible assets	**–**	**(147.5)**	**(147.5)**	–	(146.8)	(146.8)
Share based payments	**13.6**	**–**	**13.6**	8.6	–	8.6
Provisions	**14.0**	**(1.2)**	**12.8**	10.3	(1.2)	9.1
Inventories	**9.2**	**(15.5)**	**(6.3)**	8.0	(15.0)	(7.0)
Other	**5.9**	**(8.6)**	**(2.7)**	8.6	(8.6)	–
Deferred tax asset/(liability)	**58.5**	**(180.5)**	**(122.0)**	62.6	(179.3)	(116.7)
Set-off of tax	**(51.0)**	**51.0**	**–**	(54.7)	54.7	–
Net deferred tax asset/(liability)	**7.5**	**(129.5)**	**(122.0)**	7.9	(124.6)	(116.7)

Except as noted below, deferred tax is calculated in full on temporary differences under the liability method using the tax rate of the country of operation.

The Company is able to control the dividend policy of its subsidiaries and, therefore, the timing of the remittance of the undistributed earnings of overseas subsidiaries. In general, the Company has determined either that such earnings will not be distributed in the foreseeable future or, where there are plans to remit those earnings, no tax liability is expected to arise. Deferred tax liabilities of £3.0m (2012: £2.5m) has been recognised in the exceptional case where distribution of earnings is both planned and expected to result in a tax liability.

Deferred tax assets in respect of temporary differences have only been recognised in respect of tax losses and other temporary differences where it is probable that these assets will be realised. No deferred tax asset has been recognised in respect of unutilised tax losses of £9.0m (2012: £5.3m). The unutilised tax losses may be carried forward indefinitely.

No deferred tax has been recognised in respect of unutilised capital losses of £96.1m (2012: £96.1m) as it is not considered probable that there will be suitable future taxable profits against which they can be utilised.

The movement on the net deferred tax liability is shown below:

	2013 £m	2012* £m
Beginning of year	**116.7**	113.5
Acquisitions	**13.2**	18.5
Credit to income statement	**(8.8)**	(3.7)
Recognised in other comprehensive income and equity	**3.5**	(5.7)
Reclassification to current tax	**(1.6)**	(2.4)
Currency translation	**(1.0)**	(3.5)
End of year	**122.0**	116.7

*Revised on adjustment to provisional fair values on acquisitions made in 2012 (see Note 24).

16 SHARE CAPITAL AND SHARE BASED PAYMENTS

	2013 £m	2012 £m
Issued and fully paid ordinary shares of 32¹⁄₇p each	**107.2**	114.2

Number ordinary shares in issue and fully paid		
Beginning of year	**355,420,634**	353,975,080
Cancelled – treasury shares	**(23,325,000)**	–
Issued – option exercises	**1,419,599**	1,445,554
End of year	**333,515,233**	355,420,634

The Company operates the following share plans for the benefit of employees of the Company and its subsidiaries relating to the acquisition of shares in the Company. Further details of the share plans operated by the Company are set out in the Directors' remuneration report.

Sharesave Scheme (2011)

The Sharesave Scheme (2011), approved by shareholders at the 2011 Annual General Meeting, is approved by HM Revenue & Customs in the UK and is open to all UK employees, including UK based executive directors, who have completed at least three months of continuous service. It is linked to a contract for monthly savings of up to £250 per month over a period of either three or five years. Under the Sharesave Scheme (2011) options are granted to participating employees at a discount of up to 20% of the market price prevailing shortly before the invitation to apply for the option. Options are normally exercisable either three or five years after they have been granted.

The Sharesave Scheme (2011) replaced the Sharesave Scheme (2001) which was approved by shareholders at the 2001 Annual General Meeting. The Sharesave Scheme (2001) operates on a similar basis to the Sharesave Scheme (2011). Although there are a number of options outstanding under the Sharesave Scheme (2001), no further options have been granted under this Scheme since it expired in May 2011.

International Sharesave Plan

The International Sharesave Plan was introduced following the approval of the Sharesave Scheme (2001) by shareholders and was extended following the approval of the Sharesave Scheme (2011). The plan operates on a similar basis to both the Sharesave Scheme (2001) and the Sharesave Scheme (2011) as described above except that it is linked to a contract for monthly savings of approximately £250 per month (or equivalent in other currencies) over a period of three years.

Irish Sharesave Plan

The Irish Sharesave Plan was also introduced following the approval of the Sharesave Scheme (2001) by shareholders and was extended following the approval of the Sharesave Scheme (2011). It is approved by the Irish Revenue Commissioners and operates on a similar basis to both the Sharesave Scheme (2001) and the Sharesave Scheme (2011) as described above except that it is linked to a contract for monthly savings of the euro equivalent of approximately £250 per month over a period of three years.

1994 Executive Share Option Scheme ('1994 Scheme')

The 1994 Scheme was approved by shareholders at the 1994 Annual General Meeting. No further options have been granted under the 1994 Scheme since it expired in May 2004. A performance condition, based on the Company's adjusted earnings per share growth relative to UK RPI inflation over three years, had to be satisfied before options would normally be exercisable. All such performance conditions relating to options granted under the 1994 Scheme were satisfied. As at 31 December 2013 no options remained outstanding under the 1994 Scheme.

Long Term Incentive Plan ('LTIP')

The LTIP was approved by shareholders at the 2004 Annual General Meeting and replaced the 1994 Scheme. The LTIP is divided into two parts.

Part A allows the Board to grant share options. In normal circumstances options granted are only exercisable if the relevant performance condition has been satisfied. Share options granted to date have a performance condition attached based on the Company's adjusted earnings per share growth relative to UK RPI inflation over three years.

Part B of the LTIP allows the Board to grant performance share awards which is a conditional right to receive shares in the Company for nil consideration. A performance share award will normally vest (i.e. become exercisable) on the third anniversary of its grant to the extent that the applicable performance condition has been satisfied. The extent to which performance share awards granted vest is normally partly subject to the Company's total shareholder return performance and partly subject to the Company's adjusted earnings per share growth relative to UK RPI inflation over three years.

The LTIP is due to expire in May 2014 and no further share options or performance share awards will be granted after that date. A resolution will be proposed at the forthcoming Annual General Meeting to adopt a revised LTIP to be known as the 2014 Long Term Incentive Plan ('2014 LTIP'). Further details of the 2014 LTIP are set out in the Directors' remuneration report.

16 SHARE CAPITAL AND SHARE BASED PAYMENTS CONTINUED

Investment in own shares

The Company holds a number of its ordinary shares in an employee benefit trust. The principal purpose of this trust is to hold shares in the Company for subsequent transfer to certain senior employees and executive directors relating to options granted and awards made in respect of market purchase shares under the 1994 Scheme, the LTIP and the Deferred Annual Share Bonus Scheme ('DASBS'). Details of such plans are set out above and in the Directors' remuneration report. The assets, liabilities and expenditure of the trust have been incorporated in the consolidated financial statements. Finance costs and administration charges are included in the income statement on an accruals basis. At 31 December 2013 the trust held 6,895,539 (2012: 4,348,175) shares, upon which dividends have been waived, with an aggregate nominal value of £2.2m (2012: £1.4m) and market value of £100.0m (2012: £43.9m).

During the year 23,325,000 treasury shares with an aggregate nominal value of £7.5m were cancelled.

IFRS 2 disclosures

Options granted during the year have been valued using a stochastic model. The fair value per option granted during the year and the assumptions used in the calculations are as follows:

	2013	2012
Grant date	**28.02.13–07.10.13**	01.03.12–08.10.12
Share price at grant date (£)	**12.61–13.61**	9.73–11.28
Exercise price (£)	**nil–13.75**	nil–11.16
Options granted during the year (shares)	**3,569,284**	3,985,922
Vesting period (years)	**3–5**	3–5
Expected volatility (%)	**18–22**	19–23
Option life (years)	**3–10**	3–10
Expected life (years)	**3.0–6.1**	3.0–6.7
Risk free rate of return (%)	**0.3–2.0**	0.2–1.2
Expected dividends expressed as a dividend yield (%)	**2.0–2.2**	2.4–2.7
Fair value per option (£)	**1.43–3.29**	0.94–4.88

The expected volatility is based on historical volatility over the last three to seven years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero coupon UK government bonds of a term consistent with the assumed option life.

The weighted average share price for options exercised by employees of the Company and its subsidiaries during the year was £13.24 (2012: £10.30). The total charge for the year relating to share based payments was £6.2m (2012: £5.7m). After tax the total charge was £3.7m (2012: £3.3m).

Details of share options and performance share awards which have been granted and exercised, those which have lapsed during 2013 and those outstanding and available to exercise at 31 December 2013, in each case in respect of all options and awards, whether over new issue or market purchase shares, under the Sharesave Scheme (2001), Sharesave Scheme (2011), International Sharesave Plan, Irish Sharesave Plan, 1994 Scheme and LTIP Part A and Part B are set out in the following table:

	Options outstanding at 01.01.13	Grants/awards 2013		Exercises 2013		Lapses* 2013	Options outstanding at 31.12.13		Options available to exercise 31.12.13
	Number	Number	Price (p)	Number	Price (p)	Number	Number	Price (p)	Number
Sharesave Scheme (2001)	541,751	–	–	218,774	452-580	14,720	308,257	452-580	4,583
Sharesave Scheme (2011)	232,106	264,611	992	1,416	770-992	41,817	453,484	770-992	6,268
International Sharesave Plan	125,063	86,964	992	43,666	542-770	5,532	162,829	580-992	–
Irish Sharesave Plan	19,262	10,110	992	4,161	542-770	2,400	22,811	770-992	–
1994 Scheme	68,000	–	–	68,000	446-452	–	–	–	–
LTIP Part A	12,808,882	2,739,459	1,240-1,375	2,864,449	429-1,116	157,250	12,526,642	429-1,375	3,770,174
LTIP Part B	2,021,247	468,140	–	394,533	–	245,463	1,849,391	–	36,451
	15,816,311	**3,569,284**		**3,594,999**		**467,182**	**15,323,414**		**3,817,476**

*Share option lapses relate to those which have either been forfeited or have expired during the year.

16 SHARE CAPITAL AND SHARE BASED PAYMENTS CONTINUED

	Weighted average fair value of options granted (£)	Weighted average remaining contractual life (years)
Sharesave Scheme	2.06	2.52
International Sharesave Plan	1.43	2.22
Irish Sharesave Plan	1.43	2.22
LTIP Part A	1.93	2.60
LTIP Part B	3.14	2.50

The outstanding share options and performance share awards are exercisable at various dates up to September 2023.

17 DIVIDENDS

	2013 £m	2012 £m
2011 interim		26.1
2011 final		59.6
2012 interim	**28.8**	
2012 final	**63.0**	
Total	**91.8**	85.7

Total dividends per share for the year to which they relate are:

	Per share	
	2013	2012
Interim	**10.0p**	8.8p
Final	**22.4p**	19.4p
Total	**32.4p**	28.2p

The 2013 interim dividend of 10.0p per share was paid on 2 January 2014 and comprised £32.6m of cash. The 2013 final dividend of 22.4p per share will be paid on 1 July 2014 to shareholders on the register at the close of business on 9 May 2014.

18 CONTINGENT LIABILITIES

	2013 £m	2012 £m
Bank guarantees	**0.4**	0.2

19 DIRECTORS' ORDINARY SHARE INTERESTS

The interests of the directors, and their connected persons, in the share capital of the Company at 31 December were:

	2013	2012
Philip Rogerson	**10,000**	10,000
Michael Roney	**312,263**	312,263
Patrick Larmon	**117,838**	113,875
Peter Johnson	**6,630**	6,630
Brian May	**105,240**	105,240
David Sleath	**4,000**	4,000
Eugenia Ulasewicz	**4,000**	4,000
Jean-Charles Pauze	**2,500**	–
Meinie Oldersma	**2,500**	–
	564,971	556,008

Details of directors' options over ordinary shares and awards made under the LTIP, Sharesave Scheme and DASBS are set out in the Directors' remuneration report. Since 31 December 2013 Patrick Larmon has acquired interests in 664 ordinary shares as a result of his election to participate in the dividend reinvestment plan in respect of the interim dividend which was paid on 2 January 2014 and he has also acquired an interest in 319 ordinary shares pursuant to the Company's US Employee Stock Purchase Plan. No other changes to the directors' ordinary share interests shown in this note and the Directors' remuneration report have taken place between 31 December 2013 and 24 February 2014.

20 RETIREMENT BENEFIT OBLIGATIONS

The Group operates a number of retirement benefit schemes in the UK, the US and other countries including both defined benefit and defined contribution schemes. The funds of the principal defined benefit schemes are administered by trustees and are held independently from the Group. Pension costs of defined benefit schemes are assessed in accordance with the advice of independent professionally qualified actuaries. Full triennial actuarial valuations were last carried out on the UK defined benefit schemes in April 2012 and annual actuarial valuations are performed on the principal US defined benefit schemes. The valuation of the UK defined benefit schemes has been updated to 31 December 2013 by the Group's actuaries. Contributions to all schemes are determined in line with actuarial advice and local conditions and practices. Scheme assets for the purpose of IAS 19 are stated at their bid value.

Characteristics

Europe

The Group operates a number of defined benefit pension schemes in Europe including the UK, France, the Netherlands and the Republic of Ireland. The Group's principal defined benefit scheme in Europe is the UK scheme. The UK defined benefit scheme is a contributory defined benefit pension scheme providing benefits based on final pensionable pay. The scheme has been closed to new members for over 10 years.

The UK scheme is an HMRC registered pension scheme and is subject to standard UK pensions and tax law. This means that the payment of contributions and benefits are subject to the appropriate tax treatments and restrictions and the scheme is subject to the scheme funding requirements outlined in section 224 of the Pensions Act 2004.

In accordance with UK trust and pensions law, the pension scheme has a corporate trustee. Although the Company bears the financial cost of the scheme, the responsibility for the management and governance of the scheme lies with the trustee, which has a duty to act in the best interest of members at all times. The assets of the scheme are held in trust by the trustee who consults with the Company on investment strategy decisions.

A de-risking strategy has been agreed for the scheme to reduce the mismatch between the assets and liabilities, whereby investments are switched from return seeking assets to liability matching assets as the funding improves, based on pre-agreed triggers.

The last triennial review was carried out by a qualified actuary as at 5 April 2012 and showed that there was a deficit on the agreed funding basis. To address the deficit, the Company has agreed to contribute an additional £5.5m per year from April 2013 to March 2019. In comparison, in the year to April 2013, the Company paid £5.3m in shortfall contributions.

US

The US defined benefit scheme is a non-contributory defined benefit pension scheme providing benefits based on final pensionable pay. The scheme has been closed to new members for over 10 years. The assets of the scheme are held in trust by an independent custodian.

The US scheme is a qualified pension scheme and is subject to standard regulations under the Employee Retirement Income Security Act, the Pension Protection Act 2006 and the Department of Labor and Internal Revenue reporting requirements. The scheme pays annual premiums to the Pension Benefit Guaranty Corporation to insure the benefits of the scheme.

The Company has established a Retirement Scheme Investment Committee. The members of the Committee are the scheme fiduciaries and as such are ultimately responsible for the management of the scheme assets. The Committee performs the oversight function and will delegate the day-to-day management process to appropriate staff. A registered investment adviser advises the Committee regarding the investment of scheme assets.

A de-risking strategy has been agreed for the scheme to reduce the mismatch between the assets and liabilities, whereby investments are switched from return seeking assets to liability matching assets as the funding improves, based on pre-agreed triggers.

The last annual review was carried out by a qualified actuary as at 1 January 2013 and showed that there was a required annual contribution of £2.4m. Bunzl plans to contribute £4.9m for the 2013 plan year to cover prudently this required contribution and anticipate future funding needs. In comparison, in the 2012 plan year, Bunzl paid a contribution of £4.3m.

Risks

The main risks to which the Company is exposed in relation to the defined benefit schemes are described below:

- Inflation risk — the majority of the UK scheme's liabilities increase in line with inflation and, as a result, if inflation is greater than expected the liabilities will increase. The impact of high inflation is capped each year for the UK scheme's benefits. The US scheme's liabilities are not directly tied to inflationary increases.
- Interest rate risk — a fall in bond yields will increase the value of the schemes' liabilities. A proportion of both the UK and US schemes' assets are invested in liability matching assets to mitigate bond yield and inflation risk.
- Mortality risk — the assumptions adopted by the Company make allowance for future improvements in life expectancy. However, if life expectancy improves at a faster rate than assumed, this would result in greater payments from the schemes and consequently increases in the schemes' liabilities. The mortality assumptions are reviewed on a regular basis to minimise the risk of using an inappropriate assumption.
- Investment risk — the schemes invest in a diversified range of asset classes to mitigate the risk of falls in any one area of the investments. In the UK, the trustee implements partial currency hedging on the overseas assets to mitigate currency risk.

20 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

The risks above could lead to a material deficit in the schemes. Given the long term time horizon of the schemes' cash flows, the assumptions used are uncertain and can be volatile from year to year. The Company and the trustees seek to mitigate actively the risks associated with the schemes.

A higher retirement benefit obligation could lead to additional funding requirements in future years. Any deficit measured on a funding valuation basis, which may differ from the actuarial valuation under IAS 19, will generally be financed over a period that ensures the contributions are appropriate to the Group and in line with the relevant regulations.

Financial information

The amounts included in the consolidated financial statements at 31 December were:

Amounts included in net operating expenses	2013 £m	2012* £m
Defined contribution schemes	**12.6**	12.9
Defined benefit schemes		
current service cost	**6.6**	5.4
past service gain	**(0.1)**	–
Loss on settlement	**0.3**	–
Total operating charge	**19.4**	18.3
Amounts included in finance cost		
Net interest	**2.8**	3.3
Total charge	**22.2**	21.6

Amounts recognised in the statement of comprehensive income	2013 £m	2012 £m
Actual return less expected return on scheme assets included in net interest	**18.6**	20.8
Experience gain on scheme liabilities	**0.1**	4.7
Impact of changes in assumptions relating to the present value of scheme liabilities	**8.2**	(33.5)
Actuarial gain/(loss) on pension schemes	**26.9**	(8.0)

*Restated on adoption of IAS 19 (revised 2011) 'Employee Benefits' (see Note 1).

The cumulative amount of actuarial losses arising since 1 January 2004 recognised in the statement of comprehensive income at 31 December 2013 was £84.0m (2012: £110.9m).

The principal assumptions used by the independent qualified actuaries for the purposes of IAS 19 were:

Europe	2013	2012
Longevity at age 65 for current pensioners (years)	**22.5**	22.5
Longevity at age 65 for future pensioners (years)	**24.3**	24.2
US		
Longevity at age 65 for current and future pensioners (years)	**20.2**	20.2

	Europe			US		
	2013	2012	2011	2013	2012	2011
Rate of increase in salaries	**4.1%**	3.7%	3.8%	**3.0%**	3.0%	3.0%
Rate of increase in pensions	**3.2%**	2.9%	3.0%	**–**	–	–
Discount rate	**4.6%**	4.5%	4.7%	**4.9%**	4.1%	5.1%
Inflation rate	**2.4%**	2.2%	2.3%	**2.5%**	2.5%	2.5%

The assumptions used by the actuaries are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescales covered, may not necessarily be borne out in practice.

The impact on the net pension deficit as at 31 December 2013 of reasonably possible changes to key assumptions was:

	Impact of change in inflation rate		Impact of change in discount rate	
	+0.25% £m	−0.25% £m	+0.25% £m	−0.25% £m
Europe	**7.9**	**(8.4)**	**(11.6)**	**12.4**
US	**(0.1)**	**0.1**	**(3.8)**	**4.0**

20 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

The market value of scheme assets and the present value of retirement benefit obligations at 31 December were:

	Europe 2013 £m	US 2013 £m	Total 2013 £m
Equities	**89.7**	**57.8**	**147.5**
Bonds	**150.5**	**31.4**	**181.9**
Other	**1.4**	**4.8**	**6.2**
Total market value of scheme assets	**241.6**	**94.0**	**335.6**
Present value of funded obligations	**(258.8)**	**(106.7)**	**(365.5)**
Present value of unfunded obligations	**(5.4)**	**(9.7)**	**(15.1)**
Present value of funded and unfunded obligations	**(264.2)**	**(116.4)**	**(380.6)**
Deficit	**(22.6)**	**(22.4)**	**(45.0)**
Deferred tax	**6.8**	**7.6**	**14.4**
Net deficit	**(15.8)**	**(14.8)**	**(30.6)**

	Europe 2012 £m	US 2012 £m	Total 2012 £m
Equities	123.1	45.4	168.5
Bonds	96.3	32.1	128.4
Other	3.1	3.8	6.9
Total market value of scheme assets	222.5	81.3	303.8
Present value of funded obligations	(244.9)	(117.4)	(362.3)
Present value of unfunded obligations	(6.1)	(11.0)	(17.1)
Present value of funded and unfunded obligations	(251.0)	(128.4)	(379.4)
Unrecognised past service cost	–	0.1	0.1
Deficit	(28.5)	(47.0)	(75.5)
Deferred tax	7.1	18.2	25.3
Net deficit	(21.4)	(28.8)	(50.2)

20 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

Five year summary	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Total market value of scheme assets	**335.6**	303.8	272.3	258.0	223.1
Present value of funded and unfunded obligations	**(380.6)**	(379.4)	(346.7)	(310.5)	(283.1)
Unrecognised past service cost	**–**	0.1	0.1	0.2	0.2
Deficit	**(45.0)**	(75.5)	(74.3)	(52.3)	(59.8)
Experience adjustments arising on scheme liabilities	**(0.2)**	(4.7)	0.4	1.2	1.2

Movement in deficit	2013 £m	2012* £m
Beginning of year	**(75.5)**	(74.3)
Current service cost	**(6.6)**	(5.4)
Past service gain	**0.1**	–
Contributions	**14.1**	13.2
Net interest	**(2.8)**	(3.3)
Actuarial gain/(loss)	**26.9**	(8.0)
Loss on settlement	**(0.3)**	–
Currency and other movements	**(0.9)**	2.3
End of year	**(45.0)**	(75.5)

*Restated on adoption of IAS 19 (revised 2011) 'Employee Benefits' (see Note 1).

Changes in the present value of defined benefit obligations	2013 £m	2012* £m
Beginning of year	**379.4**	346.7
Current service cost	**6.6**	5.4
Past service gain	**(0.1)**	–
Interest costs	**16.4**	16.3
Contributions by employees	**0.8**	0.8
Settlement payments	**(0.6)**	–
Actuarial (gain)/loss	**(8.3)**	28.8
Benefits paid	**(12.6)**	(12.0)
Loss on settlement	**0.3**	–
Currency translation	**(1.3)**	(6.6)
End of year	**380.6**	379.4

Changes in the fair value of scheme assets	£m	£m
Beginning of year	**303.8**	272.3
Interest income	**13.6**	13.0
Actuarial gain	**18.6**	20.8
Contributions by employer	**14.1**	13.2
Contributions by employees	**0.8**	0.8
Settlement payments	**(0.6)**	–
Benefits paid	**(12.6)**	(12.0)
Currency translation	**(2.1)**	(4.3)
End of year	**335.6**	303.8

*Restated on adoption of IAS 19 (revised 2011) 'Employee Benefits' (see Note 1).

The actual return on scheme assets was £32.2m (2012: £28.3m).

The Group expects to pay approximately £14.1m in contributions to the defined benefit pension schemes in the year ending 31 December 2014.

The weighted average duration of the defined benefit obligation at 31 December 2013 was approximately 19.8 years for Europe and 13.5 years for US.

The total retirement benefit obligations are divided between active (£135.0m), deferred members (£121.0m) and pensioners (£124.6m).

21 DIRECTORS AND EMPLOYEES

Average number of employees	2013	2012
North America	**4,756**	3,687
Continental Europe	**3,408**	3,447
UK & Ireland	**3,456**	3,314
Rest of the World	**2,005**	1,241
	13,625	11,689
Corporate	**50**	49
	13,675	11,738

Employee costs	2013 £m	2012 £m
Wages and salaries	**483.8**	418.0
Social security costs	**60.8**	52.7
Retirement benefit obligation costs	**19.4**	18.3
Share based payments	**6.2**	5.7
	570.2	494.7

In addition to the above, acquisition related costs for the year ended 31 December 2013 include deferred consideration payments of £22.0m (2012: £8.4m) relating to the continued employment of former owners of businesses acquired.

Key management remuneration	2013 £m	2012 £m
Salaries and short term employee benefits	**5.9**	5.2
Share based payments	**1.9**	1.4
Post employment benefits	**1.0**	1.0
	8.8	7.6

The Group considers key management personnel as defined in IAS 24 'Related Party Disclosures' to be the directors of the Company and those members of the Executive Committee and the Managing Directors of the major geographic regions who are not directors of the Company.

Directors' emoluments	2013 £m	2012 £m
Non-executive directors	**0.7**	0.6
Executive directors:		
remuneration excluding performance related elements	**2.4**	2.3
annual bonus	**1.9**	1.5
	5.0	4.4

More detailed information concerning directors' emoluments and long term incentives is set out in the Directors' remuneration report. The aggregate amount of gains made by directors on the exercise of share options during the year was £2.5m (2012: £4.1m). The aggregate market value of performance share awards exercised by directors under long term incentive schemes during the year was £2.0m (2012: £1.5m). The aggregate market value of shares exercised by directors under the DASBS was £0.9m (2012: £0.9m).

22 LEASE COMMITMENTS

The Group leases certain property, plant and equipment under non-cancellable operating lease agreements. These leases have varying terms and renewal rights. At 31 December the total future minimum lease payments under non-cancellable operating leases for each of the following periods were:

	Land & buildings 2013 £m	Other 2013 £m	Land & buildings 2012 £m	Other 2012 £m
Within one year	**53.2**	**21.0**	53.0	21.1
Between one and five years	**139.9**	**33.3**	149.8	32.2
After five years	**65.0**	**1.9**	66.3	1.0
	258.1	**56.2**	269.1	54.3
Total of future minimum sublease income under non-cancellable subleases	**(0.2)**	**–**	(0.3)	–

23 CASH AND CASH EQUIVALENTS AND NET DEBT

	2013 £m	2012 £m
Cash at bank and in hand	**73.1**	77.0
Short term deposits repayable in less than three months	**–**	4.2
Cash and deposits	**73.1**	81.2
Bank overdrafts	**(26.3)**	(25.4)
Cash and cash equivalents	**46.8**	55.8
Current liabilities	**(46.5)**	(204.9)
Non-current liabilities	**(855.8)**	(599.2)
Derivative assets – fair value of interest rate swaps on fixed interest rate borrowings	**6.0**	10.2
Interest bearing loans and borrowings	**(896.3)**	(793.9)
Net debt	**(849.5)**	(738.1)

Movement in net debt	2013 £m	2012 £m
Beginning of year	**(738.1)**	(652.9)
Net cash outflow	**(113.2)**	(109.4)
Realised losses on foreign exchange contracts	**(9.7)**	(0.9)
Currency translation	**11.5**	25.1
End of year	**(849.5)**	(738.1)

24 ACQUISITIONS

2013

The acquisitions completed in the year ended 31 December 2013 were McNeil Surgical, Vicsa Brasil, Labor Import, MDA, most of the Industrial & Safety division of Jeminex, TFS, Espomega, ProEpta, Wesclean Equipment & Cleaning Supplies, pka Klöcker, De Santis and SAS Safety.

McNeil Surgical, a business principally engaged in the sale of healthcare consumables and equipment to aged care facilities, hospitals and medical centres as well as to distributors throughout South Australia, was acquired on 31 January 2013. Vicsa Brasil, the proposed acquisition of which was agreed in December 2012, was acquired on 19 February 2013. The business is engaged in the sale of personal protection equipment throughout Brazil. Labor Import, which is principally engaged in the supply and distribution of own label medical and healthcare consumable products to distributors as well as to hospitals, clinics, laboratories and care homes throughout Brazil, was acquired on 1 March 2013. MDA, which is engaged in the procurement and fulfilment of promotional products and marketing point of sale materials for a variety of customers in the UK, principally in the food and drinks industries, was acquired on 15 March 2013. Three businesses which formed part of the Industrial & Safety division of Jeminex in Australia were acquired on 30 April 2013. The workwear and personal safety business distributes an extensive range of specialist personal protection equipment and workwear to the mining, resources, construction and general industrial sectors. The lifting, rigging and height safety business is principally engaged in the supply of lifting chains and ropes, slings and load restraints as well as the provision of accredited testing and repair services. The third business is involved in the supply of industrial packaging products to a variety of customers in different market sectors. TFS, a business engaged in the procurement and fulfilment of promotional products and marketing point of sale materials for customers in the UK across various market sectors, was acquired on 31 July 2013. Espomega, a business supplying a variety of safety products, including gloves and protective clothing, to distributors throughout Mexico, was acquired on 30 August 2013. ProEpta, a leading distributor of catering equipment throughout Mexico, principally to luxury hotels and restaurants, was acquired on 27 September 2013. Wesclean, a business principally engaged in the distribution of cleaning and hygiene equipment and supplies to a variety of customer markets throughout Western Canada, was acquired on 1 November 2013. pka Klöcker, a business based in Germany engaged in the sale to distributors of personal protection equipment, principally own label workwear, was acquired on 29 November 2013. De Santis, a business based in Brazil and principally engaged in the sale of personal protection equipment to end user customers in a number of different market sectors, was acquired on 20 December 2013. SAS Safety, a business specialising in the sourcing and sale of a variety of own label personal protection equipment, principally safety gloves, to distributors in the US was acquired on 23 December 2013.

Acquisitions involving the purchase of the acquiree's share capital or the relevant assets of the businesses acquired, have been accounted for under the acquisition method of accounting. Part of the Group's strategy is to grow through acquisition. The Group has developed a process to assist with the identification of the fair values of the assets acquired and liabilities assumed, including the separate identification of intangible assets in accordance with IFRS 3 'Business Combinations'. This formal process is applied to each acquisition and involves an assessment of the assets acquired and liabilities assumed with assistance provided by external valuation specialists where appropriate. Until this assessment is complete, the allocation period remains open up to a maximum of 12 months from the relevant acquisition date. At 31 December 2013 the allocation period for all acquisitions completed since 1 January 2013 remained open and accordingly the fair values presented are provisional.

24 ACQUISITIONS CONTINUED

Adjustments are made to the assets acquired and liabilities assumed during the allocation period to the extent that further information and knowledge come to light that more accurately reflect conditions at the acquisition date. To date the adjustments made have impacted assets acquired to reflect more accurately the estimated realisable or settlement value. Similarly, adjustments have been made to acquired liabilities to record onerous commitments or other commitments existing at the acquisition date but not recognised by the acquiree. Adjustments have also been made to reflect the associated tax effects.

The consideration paid or payable in respect of acquisitions comprises amounts paid on completion, deferred consideration and payments which are contingent on the continued employment of former owners of businesses acquired. IFRS 3 requires that any payments that are contingent on future employment are charged to the income statement. All other consideration has been allocated against the identified net assets, with the balance recorded as goodwill. Transaction costs and expenses such as professional fees are charged to the income statement. The acquisitions provide opportunities for further development of the Group's activities and create enhanced returns. Such opportunities and the workforces inherent in each of the acquired businesses do not translate to separately identifiable intangible assets but do represent much of the assessed value that supports the recognised goodwill.

A summary of the effect of acquisitions completed in 2013 is detailed below:

	Book value at acquisition £m	Provisional fair value adjustments £m	Fair value of assets acquired £m
Intangible assets	–	111.1	111.1
Property, plant and equipment	11.6	(2.0)	9.6
Inventories	55.4	(4.2)	51.2
Trade and other receivables	51.3	(1.0)	50.3
Trade and other payables	(34.2)	(3.8)	(38.0)
Net bank overdrafts	(7.5)	–	(7.5)
Provisions for liabilities and charges	(0.3)	(4.1)	(4.4)
Tax and deferred tax	0.3	(13.5)	(13.2)
	76.6	82.5	159.1
Goodwill			97.4
Consideration			256.5
Satisfied by:			
cash consideration			223.8
deferred consideration			32.7
			256.5
Contingent payments relating to continued employment of former owners			32.4
Net bank overdrafts acquired			7.5
Transaction costs and expenses			8.4
Total committed spend in respect of current year acquisitions			**304.8**
Spend on acquisition committed as at 31 December 2012			(9.7)
Total committed spend in respect of acquisitions agreed in the current year			**295.1**

The net cash outflow in the year in respect of acquisitions comprised:

Cash consideration	223.8
Net bank overdrafts acquired	7.5
Deferred consideration in respect of prior year acquisitions	22.5
Net cash outflow in respect of acquisitions	253.8
Acquisition related costs	26.1
Total cash outflow in respect of acquisitions	**279.9**

Cash flow on acquisition related costs relates to £9.6m (2012: £5.4m) of transaction costs paid and £16.5m (2012: £14.8m) from payments relating to continued employment of former owners.

Acquisitions made in the year ended 31 December 2013 contributed £129.5m to the Group's revenue and £16.5m to the Group's operating profit before intangible amortisation and acquisition related costs.

The estimated contributions of businesses agreed to be acquired during the year to the results of the Group, as if the acquisitions had been made at the beginning of the year, are as follows:

	£m
Revenue	281.1
Operating profit before intangible amortisation and acquisition related costs	37.5

24 ACQUISITIONS CONTINUED

2012

The principal acquisitions made in the year ended 31 December 2012 were CDW Merchants, the redistribution business of Star Services International, FoodHandler, Zahav, Service Paper, Distrimondo, Indigo Concept Packaging, Atlas Health Care, McCordick Glove & Safety, Destiny Packaging, Vicsa Safety and Schwarz Paper Company.

CDW Merchants, a business principally engaged in the sale of retail gift packaging and visual merchandising solutions and products to the specialty retail and online retailing sectors throughout the US, was acquired on 21 February 2012. The Star Services International redistribution business, which is principally engaged in the supply of foodservice disposable products to wholesalers and redistributors throughout Queensland, Australia, was acquired on 27 April 2012. FoodHandler, a leading supplier of a variety of disposable gloves and other foodhandling products to the foodservice sector throughout the US, was acquired on 30 April 2012. Zahav, a leading distributor of packaging supplies to the foodservice sector throughout Israel was acquired on 30 April 2012. Service Paper, a business principally engaged in the distribution of disposable supplies to the grocery, foodservice, food processor and industrial packaging sectors throughout the Pacific Northwest in the US, was acquired on 11 June 2012. Distrimondo, a business principally engaged in the distribution of foodservice disposables and cleaning and hygiene products throughout Switzerland, was acquired on 29 June 2012. Indigo Concept Packaging, a business based in the UK and principally engaged in the sale of quality retail packaging products, was acquired on 3 October 2012. Atlas Health Care, a business principally engaged in the supply of medical consumables to the healthcare sector in South Australia, was acquired on 31 October 2012. McCordick Glove & Safety, a distributor of gloves and other personal protection equipment to a variety of industrial and retail customers as well as to redistributors, was acquired on 14 December 2012. Destiny Packaging, a leading distributor of flexible packaging supplies to fruit and vegetable growers in the US, was acquired on 20 December 2012. Vicsa Safety, a business specialising in the sourcing and sale of a variety of personal protection equipment throughout Chile, Peru, Argentina, Colombia and Mexico, was acquired on 21 December 2012. Schwarz Paper Company, a business based in Chicago and principally engaged in the provision of consumables and supply chain solutions for the non-food retail and grocery sectors, was acquired on 28 December 2012.

The Company also entered into an agreement on 21 December 2012 to acquire Vicsa Brasil which distributes personal protection equipment throughout Brazil. Following clearance from the Brazilian Competition Authority, the acquisition was completed on 19 February 2013.

For the acquisitions made in 2012, the fair value reallocation period remained open during 2013. In accordance with IFRS 3 'Business Combinations' the Group has adjusted in 2013 the fair values attributable to some of these acquisitions. As a result, customer relationships have been increased by £16.8m, goodwill has been increased by £0.9m, other assets and liabilities have been decreased by £16.0m and deferred consideration has been increased by £1.7m. The balance sheet at 31 December 2012 has been revised accordingly.

A summary of the effect of the 2012 acquisitions is detailed below:

	Book value at acquisition £m	Provisional fair value adjustments in 2012 £m	Adjustments made in 2013 £m	Final fair value adjustments £m	Fair value of assets acquired £m
Intangible assets	–	94.7	16.8	111.5	111.5
Property, plant and equipment	9.3	(1.2)	(0.3)	(1.5)	7.8
Inventories	81.0	(1.2)	(6.1)	(7.3)	73.7
Trade and other receivables	72.0	(0.2)	(0.8)	(1.0)	71.0
Trade and other payables	(54.3)	(5.1)	(0.7)	(5.8)	(60.1)
Net bank overdrafts	(21.8)	–	–	–	(21.8)
Provisions for liabilities and charges	–	(2.3)	(3.1)	(5.4)	(5.4)
Tax and deferred tax	(0.2)	(14.2)	(5.0)	(19.2)	(19.4)
	86.0	70.5	0.8	71.3	157.3
Goodwill					64.5
Consideration					221.8
Satisfied by:					
cash consideration					206.0
deferred consideration					14.8
other consideration					1.0
					221.8
Contingent payments relating to continued employment of former owners					16.3
Net bank overdrafts acquired					21.8
Transaction costs and expenses					6.9
Total committed spend in respect of acquisitions completed					266.8
Committed spend in respect of acquisition agreed but not completed by 31 December 2012					9.7
Total committed spend in respect of acquisitions					276.5

24 ACQUISITIONS CONTINUED

The net cash outflow in the year in respect of acquisitions comprised:

	£m
Cash consideration	206.0
Net bank overdrafts acquired	21.8
Deferred consideration in respect of prior year acquisitions	6.7
Net cash outflow in respect of acquisitions	234.5
Acquisition related costs	20.2
Total cash outflow in respect of acquisitions	254.7

Acquisitions made in the year ended 31 December 2012 contributed £111.3m to the Group's revenue and £8.7m to the Group's operating profit before intangible amortisation and acquisition related costs.

The estimated contributions of acquired businesses to the results of the Group, as if the acquisitions had been made at the beginning of the year, are as follows:

	£m
Revenue	518.4
Operating profit before intangible amortisation and acquisition related costs	36.1

25 RELATED PARTY DISCLOSURES

The Group has identified the directors of the Company, the Group pension schemes and its key management as related parties for the purpose of IAS 24 'Related Party Disclosures'. Details of the relevant relationships with these related parties are disclosed in the Directors' remuneration report, Note 20 and Note 21 respectively.

26 PRINCIPAL SUBSIDIARY UNDERTAKINGS

	Country of incorporation
Bunzl Australasia Holdings Pty Limited	Australia
Bunzl Finance plc*	England & Wales
Bunzl Holding Danmark A/S	Denmark
Bunzl Distribution Spain SAU	Spain
Bunzl Holdings France SNC	France
Bunzl Outsourcing Services BV	Netherlands
Bunzl UK Ltd	England & Wales
Bunzl USA Holdings LLC	USA

*Direct subsidiary undertaking of Bunzl plc.

The companies named above are the principal subsidiary undertakings of Bunzl plc at 31 December 2013, which are wholly owned, and are included in the consolidated financial statements of the Group. The investments in these companies, as shown above, relate to ordinary shares or common stock. The principal country in which each company operates is the country of incorporation. The principal activities of the Group are reviewed in the Chief Executive's review. A full list of the Group's subsidiary undertakings will be annexed to the next annual return filed at Companies House.

COMPANY BALANCE SHEET

AT 31 DECEMBER 2013

	Notes	2013 £m	2012 £m
Fixed assets			
Tangible fixed assets	3	**0.5**	0.6
Investments	4	**654.6**	654.6
		655.1	655.2
Current assets			
Debtors	5	**268.8**	398.0
Cash at bank and in hand		**0.1**	0.5
		268.9	398.5
Current liabilities			
Creditors: amounts falling due within one year	6	**(109.6)**	(109.0)
Net current assets		**159.3**	289.5
Total assets less current liabilities		**814.4**	944.7
Provisions	7	**(2.3)**	(2.7)
Net assets		**812.1**	942.0
Capital and reserves			
Called up share capital	8	**107.2**	114.2
Share premium account	9	**153.0**	143.9
Other reserves	9	**5.6**	5.6
Capital redemption reserve	9	**16.1**	8.6
Profit and loss account	9	**530.2**	669.7
Shareholders' funds		**812.1**	942.0

Approved by the Board of Directors of Bunzl plc (Company registration number 358948) on 24 February 2014 and signed on its behalf by Michael Roney, Chief Executive and Brian May, Finance Director.

The Accounting policies and Notes on pages 109 to 115 form part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

The financial statements of Bunzl plc ('the Company') have been prepared on a going concern basis and under the historical cost convention and have been prepared in accordance with the Companies Act 2006 and UK GAAP. Under section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account.

In accordance with the exemption allowed by paragraph 5 (a) of Financial Reporting Standard ('FRS') 1 'Cash Flow Statements', a cash flow statement has not been provided for the Company.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

2 ACCOUNTING POLICIES

a Investments in subsidiary undertakings

Investments in subsidiary undertakings are held at cost less any provision for impairment.

b Investment in own shares

The cost of shares held either directly (treasury shares) or indirectly (employee benefit trust shares) is deducted from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are subsequently sold or reissued, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is recognised in retained earnings.

c Share based payments

The Company operates equity settled share based compensation plans for which the total expected expense is based on the fair value of options and other share based incentives on the grant date, calculated using a valuation model, and is spread over the expected vesting period with a corresponding credit to equity. The amount recognised as an expense is adjusted to reflect the number of options that are expected to vest. Details of the relevant plans are outlined in Note 16 to the consolidated financial statements. Where the Company grants options over its own shares to the employees of its subsidiaries these awards are accounted for by the Company as an additional investment in the relevant subsidiary equivalent to the equity settled share based payment charge recognised in the consolidated financial statements with the corresponding credit recognised directly in equity. Any payment made by the subsidiaries in respect of these arrangements is treated as a return of this investment. These costs are determined in accordance with FRS 20 'Share-based Payment'.

d Tangible fixed assets

All tangible fixed assets are included at historical cost, less accumulated depreciation. The profit or loss on sale of tangible fixed assets is calculated by reference to the carrying values of the assets. The carrying values of tangible fixed assets are periodically reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

e Depreciation

Depreciation is provided on a straight line basis to write off cost less estimated residual value over the assets' estimated remaining useful lives. This is applied at the following annual rates:

Buildings	2% (or depreciated over life of lease if shorter than 50 years)
Fixtures, fittings and equipment	10%–33%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date.

f Leases

Operating lease rentals and any incentives receivable are recognised in the income statement on a straight line basis over the term of the relevant lease. Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased assets are classified as finance leases. Where land and buildings are held under leases, the accounting treatment of the land is considered separately from that of the buildings due to the indefinite life of land.

2 ACCOUNTING POLICIES CONTINUED

g Tax

The charge for tax is based on the profit or loss for the year and takes into account tax deferred due to timing differences between the treatment of certain items for tax and accounting purposes. Deferred tax is recognised in respect of all timing differences between the treatment of certain items for tax and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 'Deferred Tax'.

h Retirement benefit obligations

The Company participates in a Group UK defined benefit scheme providing benefits based on final pensionable pay. As the Company is unable to identify its share of scheme assets and liabilities on a consistent and reasonable basis, the Company treats contributions to the defined benefit scheme as if they were contributions to a defined contribution scheme in accordance with the exemptions permitted by FRS 17 'Retirement Benefits'. As a result the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the relevant accounting period.

i Financial guarantee contracts

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

j Dividends

The interim dividend is included in the financial statements in the period in which it is paid and the final dividend in the period in which it is approved by shareholders at the Annual General Meeting.

3 TANGIBLE FIXED ASSETS

	Short leasehold £m	Fixtures, fittings and equipment £m	Total £m
Cost			
Beginning and end of year	0.5	2.8	3.3
Depreciation			
Beginning of year	0.5	2.2	2.7
Charge in year	–	0.1	0.1
End of year	0.5	2.3	2.8
Net book value at 31 December 2013	**–**	**0.5**	**0.5**
Net book value at 31 December 2012	–	0.6	0.6

4 INVESTMENTS HELD AS FIXED ASSETS

	Investments in subsidiary undertakings £m
Cost	
Beginning and end of year	**700.2**
Impairment provisions	
Beginning and end of year	**45.6**
Net book value at 31 December 2013	**654.6**
Net book value at 31 December 2012	654.6

The principal companies in which the Company's interest at 31 December 2013 is more than 20% are as follows:

	Country of incorporation
Bunzl Australasia Holdings Pty Limited	Australia
Bunzl Finance plc*	England & Wales
Bunzl Holding Danmark A/S	Denmark
Bunzl Distribution Spain SAU	Spain
Bunzl Holdings France SNC	France
Bunzl Outsourcing Services BV	Netherlands
Bunzl UK Ltd	England & Wales
Bunzl USA Holdings LLC	USA

*Direct subsidiary undertaking of Bunzl plc.

5 DEBTORS

	2013 £m	2012 £m
Amounts owed by subsidiary undertakings	**261.1**	390.0
Prepayments and other debtors	**1.1**	1.4
Corporation tax	**6.4**	6.1
Deferred tax	**0.2**	0.5
	268.8	398.0

6 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £m	2012 £m
Trade creditors	**0.2**	0.3
Amounts owed to subsidiary undertakings	**101.1**	100.7
Other tax and social security contributions	**1.6**	1.4
Accruals and deferred income	**6.7**	6.6
	109.6	109.0

7 PROVISIONS

	2013 £m	2012 £m
Beginning of year	**2.7**	8.7
Utilised or released	**(0.4)**	(6.0)
End of year	**2.3**	2.7

The provisions relate to properties, where amounts are held against liabilities for onerous lease commitments, repairs and dilapidations and other claims.

8 SHARE CAPITAL AND SHARE BASED PAYMENTS

	2013 £m	2012 £m
Issued and fully paid ordinary shares of 32 1/7p each	**107.2**	114.2

	2013	2012
Number of ordinary shares in issue and fully paid		
Beginning of year	**355,420,634**	353,975,080
Cancelled – treasury shares	**(23,325,000)**	–
Issued – option exercises	**1,419,599**	1,445,554
End of year	**333,515,233**	355,420,634

The Company operates a number of share plans, for the benefit of employees of the Company and its subsidiaries relating to the acquisition of shares in the Company, which are described in Note 16 to the consolidated financial statements.

8 SHARE CAPITAL AND SHARE BASED PAYMENTS CONTINUED

FRS 20 disclosures

Options granted to employees of the Company during the year have been valued using a stochastic model. The fair value per option granted during the year and the assumptions used in the calculations are as follows:

	2013	2012
Grant date	**28.02.13–07.10.13**	01.03.12–08.10.12
Share price at grant date (£)	**12.61–13.61**	9.73–11.28
Exercise price (£)	**nil–13.75**	nil–11.6
Options granted during the year (shares)	**525,997**	632,328
Vesting period (years)	**3–5**	3–5
Expected volatility (%)	**18–22**	19–23
Option life (years)	**3–10**	3–10
Expected life (years)	**3.0–6.1**	3.0–6.2
Risk free rate of return (%)	**0.3–1.8**	0.2–1.2
Expected dividends expressed as a dividend yield (%)	**2.16–2.24**	2.40–2.70
Fair value per option (£)	**1.78–3.29**	0.94–4.88

The expected volatility is based on historical volatility over the last three to seven years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero coupon UK government bonds of a term consistent with the assumed option life.

The weighted average share price for options exercised by employees of the Company during the year was £13.33 (2012: £10.17). The total Company charge for the year relating to share based payments was £1.3m (2012: £1.1m).

Details of share options and awards to employees of the Company which have been granted and exercised, those which have lapsed during 2013 and those outstanding and available to exercise at 31 December 2013, in each case in respect of all options and awards, whether over new issue or market purchase shares, under the Sharesave Scheme (2001), Sharesave Scheme (2011) and Long Term Incentive Plan Part A and Part B are set out in the following table:

	Options outstanding	Grants/awards		Exercises		Lapses*	Options outstanding		Options available to exercise
	at 01.01.13†		2013		2013	2013		at 31.12.13	31.12.13
	Number	Number	Price (p)	Number	Price (p)	Number	Number	Price (p)	Number
Sharesave Scheme (2001)	37,731	–	–	8,929	542-578	1,996	26,806	452-580	–
Sharesave Scheme (2011)	9,772	11,497	992	–	–	3,154	18,115	770-992	–
LTIP Part A	1,705,345	323,900	1,240-1,375	370,366	568-746	6,000	1,652,879	585-1,375	492,979
LTIP Part B	927,804	190,600	–	175,582	–	108,182	834,640	–	21,876
	2,680,652	525,997		554,877		119,332	2,532,440		514,855

† Options outstanding at 1 January 2013 have been adjusted to include any options held by individuals whose employment has transferred from a wholly owned subsidiary to the Company and to exclude any options held by individuals whose employment has transferred from the Company to a wholly owned subsidiary, in each case during 2013.

*Share option lapses relate to those which have either been forfeited or have expired during the year.

	Weighted average fair value of options granted (£)	Weighted average remaining contractual life (years)
Sharesave Scheme	2.08	2.85
LTIP Part A	1.88	2.46
LTIP Part B	3.14	2.50

The outstanding options and awards are exercisable at various dates up to September 2023.

9 CAPITAL AND RESERVES

	Share capital £m	Share premium account £m	Other reserves £m	Capital redemption reserve £m	Profit and loss account: Own shares £m	Profit and loss account: Retained earnings £m	Total £m
At 1 January 2013	114.2	143.9	5.6	8.6	(223.4)	893.1	942.0
Issue of share capital	0.5	9.1					9.6
Treasury shares cancelled	(7.5)			7.5	163.1	(163.1)	–
Employee trust shares					(50.1)		(50.1)
Movement on own share reserves					10.4	(10.4)	–
Share based payments						1.3	1.3
Profit for the year						1.1	1.1
2012 interim dividend						(28.8)	(28.8)
2012 final dividend						(63.0)	(63.0)
At 31 December 2013	**107.2**	**153.0**	**5.6**	**16.1**	**(100.0)**	**630.2**	**812.1**

As permitted by section 408 of the Companies Act 2006, the profit and loss account of the Company has not been separately presented in these financial statements.

Included within own shares are ordinary shares of the Company held by the Group in an employee benefit trust. The principal purpose of this trust is to hold shares in the Company for subsequent transfer to certain senior employees and executive directors relating to options granted and awards made in respect of market purchase shares under the Long Term Incentive Plan and the Deferred Annual Share Bonus Scheme. Details of such plans are set out in Note 16 to the consolidated financial statements and the Directors' remuneration report. The assets, liabilities and expenditure of the trust have been incorporated in the consolidated financial statements. Finance costs and administration charges are included in the income statement on an accruals basis. At 31 December 2013 the trust held 6,895,539 (2012: 4,348,175) shares, upon which dividends have been waived, with an aggregate nominal value of £2.2m (2012: £1.4m) and market value of £100.0m (2012: £43.9m).

During the year 23,325,000 treasury shares with an aggregate nominal value of £7.5m were cancelled.

10 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2013 £m	2012 £m
Profit for the year	**1.1**	197.5
Dividends	**(91.8)**	(85.7)
	(90.7)	111.8
Issue of share capital	**9.6**	7.9
Employee trust shares	**(50.1)**	(9.6)
Share based payments	**1.3**	5.7
Net (decrease)/increase in shareholders' funds	**(129.9)**	115.8
Opening shareholders' funds	**942.0**	826.2
Closing shareholders' funds	**812.1**	942.0

The Company had no other recognised gains or losses in the year ended 31 December 2013 or the year ended 31 December 2012.

11 CONTINGENT LIABILITIES

Borrowings by subsidiary undertakings totalling £874.3m (2012: £778.2m) which are included in the Group's borrowings have been guaranteed by the Company.

12 DIRECTORS' REMUNERATION

The remuneration of the directors of the Company is disclosed in Note 21 to the consolidated financial statements and the Directors' remuneration report.

13 EMPLOYEE NUMBERS AND COSTS

The average number of persons employed by the Company (including directors) during the year was 41 (2012: 41).

The aggregate employee costs relating to these persons were:

	2013 £m	2012 £m
Wages and salaries	**7.5**	7.6
Social security costs	**1.6**	1.0
Share based payments	**1.3**	1.1
Pension costs	**1.0**	0.9
	11.4	10.6

14 RELATED PARTY DISCLOSURES

The Company has identified the directors of the Company, the UK pension scheme and its key management as related parties for the purpose of FRS 8 'Related Party Disclosures'. Details of the relevant relationships with these related parties are disclosed in the Directors' remuneration report, Note 20 of the consolidated financial statements and Note 21 of the consolidated financial statements respectively.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with IFRS as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK GAAP and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period.

In preparing both the Group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU;
- for the parent company financial statements, state whether applicable UK GAAP has been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, Directors' remuneration report and Corporate governance statement that comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Annual Report and financial statements comply with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority in respect of the requirement to produce an annual financial report.

We confirm on behalf of the Board that to the best of our knowledge:

- the Group and parent company financial statements have been prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Annual Report and financial statements include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

Michael Roney
Chief Executive
24 February 2014

Brian May
Finance Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BUNZL PLC ONLY

OPINION AND CONCLUSIONS ARISING FROM OUR AUDIT

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of Bunzl plc for the year ended 31 December 2013 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the Group and parent company balance sheets, the consolidated cash flow statement, the consolidated statement of changes in equity and related notes. In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2013 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK Accounting Standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

2 Our assessment of risks of material misstatement

In arriving at our audit opinion on the financial statements, the risks of material misstatements that had the greatest effect on our audit were as follows:

The risk	Our response
Business combination accounting – goodwill and intangible assets recognised in 2013 of £208.5m Refer to page 45 (Audit Committee report), page 77 (accounting policy) and pages 104 to 107 (financial disclosures)	
Given the acquisitive nature of the Group, accounting for acquisitions is considered a significant audit risk due to the judgements involved. Any error made in the identification and/or valuation of acquired intangibles gives rise to an equal, compensating error in goodwill. Whereas acquired intangibles are amortised in the income statement, goodwill is carried at cost with only impairment losses affecting the income statement.	Our audit procedures in this area included assessing the competency of the external experts used by the Group to value significant acquired intangibles. We challenged, through our own experience, the methodology and assumptions used, in particular those relating to the growth and discount rates used to determine the present value of the cash flow projections. We also assessed whether the Group's disclosures about the business combinations are appropriate and in accordance with relevant accounting standards.
Goodwill and intangibles – value at 31 December 2013 of £1,456.9m Refer to page 45 (Audit Committee report), page 78 (accounting policy) and pages 87 to 88 (financial disclosures)	
The recoverability of these assets, which are spread across multiple geographies and economies, is dependent on individual businesses acquired sustaining sufficient profitability in the future. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, which are the basis of the assessment of recoverability, this is one of the key judgemental areas that our audit is concentrated on.	In this area our audit procedures included, among others, using our own valuation specialist to assist us in evaluating the judgements and methodologies used by the Group, in particular those relating to the discount rate used to determine the present value of the cash flow projections. We compared the Group's assumptions to externally derived data, as well as to our own assessments, in relation to key inputs such as projected economic growth, competition, cost inflation and discount rates and applied sensitivities in assessing whether the Group's assessments were too conservative or optimistic. We also assessed whether the Group's disclosures reflected appropriately the outcome of its impairment testing.
Tax – total tax charge of £83.1m, income tax payable of £62.2m Refer to page 45 (Audit Committee report), page 79 (accounting policy) and pages 84 to 85 (financial disclosures)	
Tax provisioning is considered a significant audit risk due to the Group operating in a number of tax jurisdictions, the complexities of international tax legislation and the time taken for tax matters to be agreed with the local tax authorities. The directors are required to make judgements and estimates in determining the liability for income taxes recognised in the consolidated financial statements.	Using the knowledge and experience of our own tax specialists, both at a Group and component level, we challenged the appropriateness of the directors' judgements and estimates in relation to tax liabilities including the range of possible amounts that may be assessed under tax laws, likely settlement based on the latest correspondence with the relevant tax authorities and the complexity of tax legislation. We also assessed whether the Group's tax disclosures are appropriate and in accordance with relevant accounting standards.

The risk	Our response
Retirement benefit obligations – £45.0m Refer to page 45 (Audit Committee report), page 79 (accounting policy) and pages 99 to 102 (financial disclosures)	
The Group has a number of defined benefit pension schemes. Significant estimates are made in valuing the Group's post-retirement defined benefit schemes and small changes in assumptions and estimates used to value the Group's net pension deficit would have a significant effect on the results and financial position of the Group.	Using the knowledge and experience of our own actuarial specialists, we challenged the key assumptions and estimates applied to membership data to determine the Group's net deficit including discount rate, inflation rate and mortality/life expectancy. This included a comparison of these key assumptions against externally derived data. We also considered the adequacy of the Group's disclosures in respect of the sensitivity of the deficits to these assumptions.

3 Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at £15m. This has been determined with reference to a benchmark of Group profit before taxation (of which it represents 5.2%), which we consider to be one of the principal considerations for members of the Company in assessing the financial performance of the Group.

We agreed with the Audit Committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £0.75m in addition to other audit misstatements below that threshold that we believed warranted reporting on qualitative grounds.

Audits for Group reporting purposes were performed by component audit teams at 35 components in North America, Continental Europe, UK & Ireland and Rest of the World. In addition, specified audit procedures were performed by five components in the United Kingdom and Continental Europe. These Group procedures covered 99% of total Group revenue; 98% of Group profit before taxation and 98% of total Group assets.

The audits undertaken for Group reporting purposes at all the key reporting components of the Group were all performed to local materiality levels. These local materiality levels were set individually for each component and agreed with the Group audit team and ranged from £53,000 to £12.8m.

Detailed instructions were sent to all the auditors in these locations. These instructions covered the significant areas that should be addressed by the component auditors (which included the relevant risks of material misstatement detailed above) and set out the information required to be reported back to the Group audit team. The Group audit team visited the following locations: North America, UK, Chile and Denmark. Telephone meetings were also held with the auditors at these locations and the majority of the other locations that were not physically visited.

4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

5 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy; or
- the Audit Committee report on page 44 does not appropriately address matters communicated by us to the Audit Committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 29, in relation to going concern; and
- the part of the Corporate governance statement on pages 39 to 43 relating to the Company's compliance with the nine provisions of the 2010 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities

As explained more fully in the Statement of directors' responsibilities set out on page 116, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2013a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Michael Maloney (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square, London
24 February 2014

FIVE YEAR REVIEW

	2013 £m	2012* £m	2011* £m	2010* £m	2009* £m
Revenue	**6,097.7**	5,359.2	5,109.5	4,829.6	4,648.7
Operating profit before intangible amortisation and acquisition related costs	**414.4**	352.4	335.7	306.7	295.7
Intangible amortisation and acquisition related costs	**(82.3)**	(58.6)	(56.4)	(51.0)	(41.8)
Operating profit	**332.1**	293.8	279.3	255.7	253.9
Finance income	**2.6**	3.6	3.5	3.5	2.1
Finance cost	**(44.8)**	(37.6)	(37.0)	(37.9)	(42.3)
Disposal of business	**–**	4.0	(56.0)	–	–
Profit before income tax	**289.9**	263.8	189.8	221.3	213.7
Profit before income tax, intangible amortisation, acquisition related costs and disposal of business	**372.2**	318.4	302.2	272.3	255.5
Income tax	**(83.1)**	(72.5)	(68.8)	(65.1)	(66.4)
Profit for the year	**206.8**	191.3	121.0	156.2	147.3
Basic earnings per share	**63.5p**	58.7p	37.3p	48.2p	43.9p
Adjusted earnings per share	**82.4p**	70.6p	67.6p	59.7p	55.4p

*Restated on adoption of IAS 19 (revised 2011) 'Employee Benefits' (see Note 1).

SHAREHOLDER INFORMATION

FINANCIAL CALENDAR

	2014
Annual General Meeting	16 April
Results for the half year to 30 June 2014	26 August

	2015
Results for the year to 31 December 2014	February
Annual Report circulated	March

Dividend payments are normally made on these dates:	
Ordinary shares (final)	1 July
Ordinary shares (interim)	2 January

ANALYSIS OF ORDINARY SHAREHOLDERS

At 31 December 2013 the Company had 5,397 (2012: 5,429) shareholders who held 333.5 million (2012: 355.4 million) ordinary shares between them, analysed as follows:

Size of holding	Number of shareholders	% of issued share capital
0 – 10,000	4,784	2
10,001 – 100,000	363	4
100,001 – 500,000	159	10
500,001 – 1,000,000	37	8
1,000,001 and over	54	76
	5,397	100

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Website www.computershare.com

INVESTOR CENTRE

Shareholders can manage their shareholding online at www.investorcentre.co.uk. The Investor Centre is our registrar's easy to use website, available 24 hours a day, 7 days a week, where the following services are available:

- change of address;
- view share balance information;
- join the dividend reinvestment plan; and
- view dividend payment and tax information.

In order to register for the Investor Centre, shareholders will need their shareholder reference number which can be found on either their share certificate or dividend tax voucher.

DIVIDEND PAYMENT BY BACS

Shareholders can have their dividends paid directly into their bank or building society account using the Bankers' Automated Clearing Service ('BACS'). This means that dividends will be in the account on the same day the dividend payment is made. Shareholders will receive their tax vouchers by post. To use this method of payment please contact our registrar on +44 (0) 870 889 3257 or visit the Investor Centre website. Please note that this option will not override any existing dividend scheme mandate, which would need to be revoked in writing.

DIVIDEND REINVESTMENT PLAN

The Company operates a dividend reinvestment plan which allows shareholders to use the whole of their cash dividend to buy additional shares in the Company, thereby increasing their shareholding.

Shareholders can apply to join the plan online in the Investor Centre or can contact the Company's registrar to request the terms and conditions of the plan and a printed mandate form.

AMERICAN DEPOSITARY RECEIPTS

The Company has a sponsored Level 1 American Depositary Receipt (ADR) programme that trades on the over-the-counter (OTC) market in the US. Citibank N.A. acts as the Depositary Bank.
Telephone Citibank New York +1 212 723 5435
Citibank London +44 (0) 20 7500 2030
Email citiadr@citi.com
Website www.citi.com/dr

GLOBAL PAYMENTS SERVICE

Shareholders may if they wish have their dividend payments paid directly into their bank account in certain foreign currencies. Please contact the Company's registrar on +44 (0) 870 889 3257 to request further information about the currencies for which this service is available.

SHARE DEALING

Bunzl plc shares can be traded through most banks and stockbrokers. The Company's registrar also offers an internet and telephone dealing service. Further details can be found at www.computershare.com/dealing/uk or by telephoning +44 (0) 870 703 0084.

SHAREGIFT

Sometimes shareholders have only a small holding of shares which may be uneconomical to sell. Shareholders who wish to donate these shares to charity can do so through ShareGift, an independent charity share donation scheme (registered charity no. 1052686). Further information about ShareGift may be obtained from ShareGift on +44 (0) 20 7930 3737 or at www.sharegift.org.

SHAREHOLDER SECURITY

Shareholders are advised to be cautious about any unsolicited financial advice, offers to buy shares at a discount or offers of free company reports. More detailed information about this can be found at www.fca.org.uk in the Consumers section. Details of any share dealing facilities that the Company endorses will be included in Company mailings.

AUDITOR

KPMG Audit Plc

STOCKBROKERS

J.P. Morgan Cazenove
Citigroup

COMPANY SECRETARY

Paul Hussey

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FORWARD-LOOKING STATEMENTS

The Annual Report contains certain statements about the future outlook for the Group. Although the Company believes that the expectations are based on reasonable assumptions, any statements about future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

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