



# Bunzl delivers





# Bunzl delivers value-added distribution and outsourcing services across North America, Europe and Australasia

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## Financial Highlights



# 20%

Increase in  
revenue

# 20%

Increase in  
operating profit\*

# 21%

Increase in  
adjusted earnings per share\*

	2005	2004	Growth
Continuing operations			
Revenue £m	2,924.4	2,438.5	20%
Operating profit* £m	203.4	168.9	20%
Profit before tax £m	176.7	158.2	12%
Profit before tax* £m	192.6	166.0	16%
Basic earnings per share p	35.4	30.7	15%
Adjusted earnings per share* p	38.7	32.1	21%
Dividends per share p	15.7	13.3	18%
Gearing %	77.2	83.6	

\*Before the effect of intangible amortisation.



### Revenue by geography

North America 57%  
UK & Ireland 22%  
Continental Europe 17%  
Australasia 4%

### The markets we serve

Foodservice 32%  
Grocery stores 29%  
Cleaning & safety 18%  
Non-food retail 10%  
Other 11%

### Raw material of products we supply

Plastic resins 39%  
Pulp 27%  
Chemicals 7%  
Other 27%

# Following the successful demerger of Filtrona, **Bunzl delivers** excellent results as a newly focused organisation



In early June, shareholders of Bunzl received shares in Filtrona plc as our manufacturing operations were successfully demerged. We wish Filtrona every success as a separate quoted entity. The continuing operations of Bunzl are now an international, value-added distribution and outsourcing Group and I am delighted to be able to report excellent results from our newly focused organisation. As well as being successful and effecting the demerger of Filtrona, 2005 was also a busy year in other respects. Acquisition growth continued with activity principally in the US, Central Europe, the Netherlands and Australia, Michael Roney took the role of Chief Executive in November and the Group was reorganised into four regions – North America, UK & Ireland, Continental Europe and Australasia.

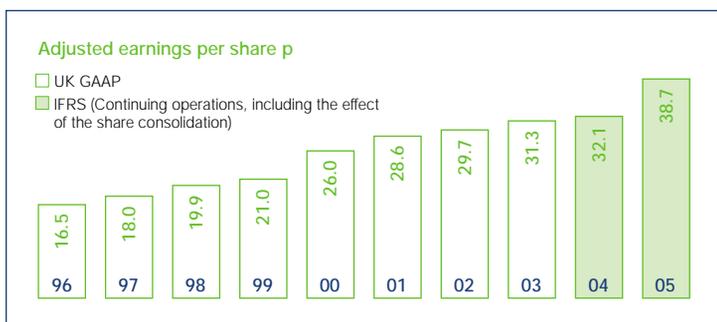
continuing operations. Filtrona's contribution to profits is included as a single line net of interest, tax and the costs of effecting the demerger and presented as discontinued operations. Earnings per share are also on a continuing operations basis and the dividend represents a dividend on continuing operations. Filtrona plc is paying its shareholders a full dividend covering the whole twelve month period including the five months under Bunzl's ownership. The segment analysis reflects the new organisation structure.

### Results from continuing operations

Revenue rose 20% to £2,924.4 million as our international regions benefited from a combination of organic growth and significant acquisition activity. With operating profit before intangible amortisation up 20% to £203.4 million, earnings per share rose 15% to 35.4p while adjusted earnings per

### Accounting Standards

The results are stated under IFRS and are, therefore, for



share, after eliminating the effect of intangible amortisation, rose 21% to 38.7p.

### Results from discontinued operations

While underlying trading in Filtrona was good in the five months under Bunzl's ownership, after deducting costs of the demerger the profit after intangible amortisation, interest and tax was £4.2 million compared to £35.7 million for the 12 months in 2004.

### Dividend

The Board is recommending an 18% increase in the final dividend to 10.8p. This brings the total dividend for the year to 15.7p, an increase of 18%. Shareholders will again have the opportunity to participate in our dividend reinvestment plan.

### The Board

Since the interim statement there have been a number of changes to the Board. On 1 November, Michael Roney, who had been a non-executive director since 2003, was appointed Chief Executive of the Group after a comprehensive search using an external consultancy. A truly international businessman, he was most recently CEO of Goodyear Dunlop Tires Europe BV, a highly successful joint venture owned by Goodyear and Sumitomo Rubber based

in Brussels. At the end of the year Pat Dyer retired after having been Chairman from 1993 to 1996 and then Deputy Chairman until the demerger of Filtrona in June 2005. On 1 January 2006, Brian May, who had been Finance Director designate since June, joined the Board as Finance Director. His previous role was as Finance Director of our growing and successful European and Australasian businesses. Also on 1 January, Peter Johnson, Chairman of Inchcape plc, joined the Board as an independent non-executive director. His experience of distribution and international markets will be of great value to us going forward. Finally on 31 January, David Williams, Finance Director until the end of 2005, retired after reaching his normal retirement age and having served as a director for over 14 years. I wish Mike and Brian every success in their new roles and welcome Peter to the Board. I would also like to thank Pat and David for the highly significant contributions they have each made to Bunzl over many years. They had key roles during Bunzl's historical development and were both critical to its success. They leave with our gratitude and best wishes for the future.

### Continuing strategy

For many years we have pursued a strategy of focusing

on our strengths and consolidating the markets in which we compete. Through the pursuit of this strategy we have built leading positions in North America, Europe and Australasia. Expanding our geographic spread, increasingly co-ordinating our procurement and international sourcing and continually redefining and deepening our commitment to our customers and markets have been important ongoing elements of our success.

### Investment

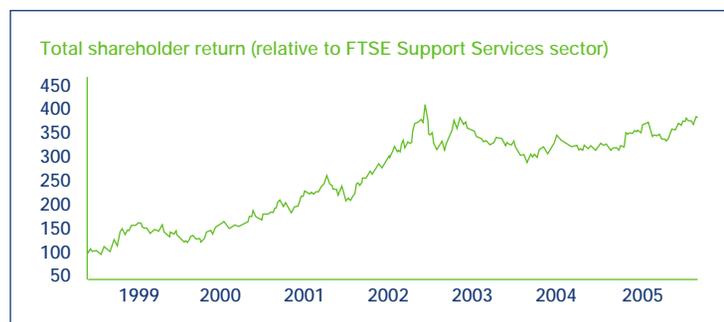
Over the years we have steadily made investments that reflect our strategy and improve the capital base of the Group. In order to meet our growth targets we have expanded warehouses and opened new ones. Upgrading our computer systems is an ongoing task as we seek to improve our current facilities and smoothly integrate the new businesses into the Group's operations. These systems remain critical to our ability to serve our customers in the most efficient and appropriate manner. We are convinced that our modern systems are a source of heightened advantage that enable us to manage our business in a way that will allow us to provide leadership in the marketplace.

### Employees

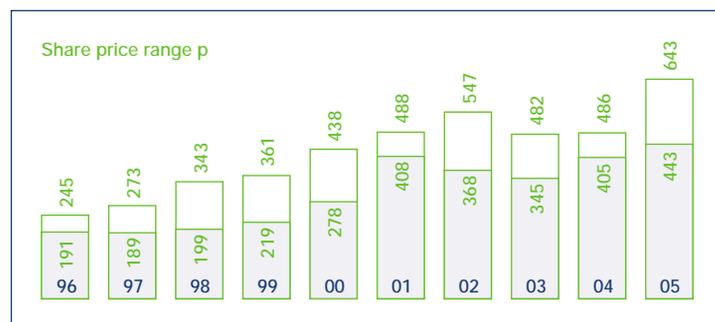
Worldwide our employees continue to be in the forefront of providing excellent customer service and liaison with our suppliers. We rely on their continuing diligence and efforts to maintain Bunzl's reputation with all our business contacts. As ever, we are genuinely grateful for the loyalty and hard work of all our employees. This year in particular our US employees displayed extraordinary dedication despite the devastation caused by the severe hurricanes. Though many of them faced personal loss of property they nevertheless ensured that our customers' needs in the Southeast continued to be serviced throughout a very difficult period. Their efforts in particular are hugely appreciated.



**Anthony Habgood**  
Chairman



Source: Thomson Datastream



Our international  
management team  
at **Bunzl delivers**  
growth and competitive  
advantage in  
increasingly  
global markets

- 1 **Kim Hetherington**  
Managing Director  
Australasia
- 2 **Michael Roney**  
Chief Executive
- 3 **Celia Baxter**  
Director of Group  
Human Resources
- 4 **Pat Larmon**  
President and  
CEO North America
- 5 **Brian May**  
Finance Director
- 6 **Frank Van Zanten**  
Managing Director  
Continental Europe
- 7 **Paul Hussey**  
Company Secretary and  
Group Legal Adviser
- 8 **Nancy Lester**  
Director of Corporate  
Development
- 9 **James Cunningham**  
Managing Director  
UK & Ireland



1	2	3	4	
5	6	7	8	9

# Executing a clear strategy, Bunzl delivers strong growth organically and through the successful integration of acquisitions



## Operating performance of continuing operations

In my first set of results since becoming Chief Executive, I am pleased to report that the Group achieved excellent results across all its business areas in 2005. In this review references to operating profit are to operating profit before intangible amortisation. The improved performance was a reflection of good organic growth and the successful integration of acquisitions. Overall revenue was up 20% and operating profit increased 20%. Operating profit margin increased from 6.9% to 7.0%. In North America revenue rose 18% with operating profit increasing by 10%, largely as a consequence of the lower margin acquisitions made in 2005. UK & Ireland showed a revenue increase of 4% while operating profit rose 10%. In Continental Europe we experienced a 59% increase in revenue with operating profit up 89% driven by the sizeable acquisition of Groupe Pierre Le Goff in 2004 and major improvements in our other businesses. Australasia showed

revenue growth of 34% and operating profit improvement of 31%.

Adjusted earnings per share, after eliminating the effect of intangible amortisation, were 38.7p, an increase of 21%, while basic earnings per share were 35.4p, a rise of 15%. Return on average operating capital rose from 59.3% to 61.4% and, after acquisition expenditures of £124 million, our strong operating cash flow resulted in a drop in gearing from 83.6% to 77.2%.

## Acquisitions

The Group spent £124 million on acquisitions during 2005 with the majority of the investment being made in the US. We also added businesses in the Netherlands, Central Europe and Australia. In total these acquisitions will add about £270 million to annualised revenue. Since the year end we have announced further acquisitions in the UK and the US.

In January 2005 we completed the acquisition of Gelpa, a

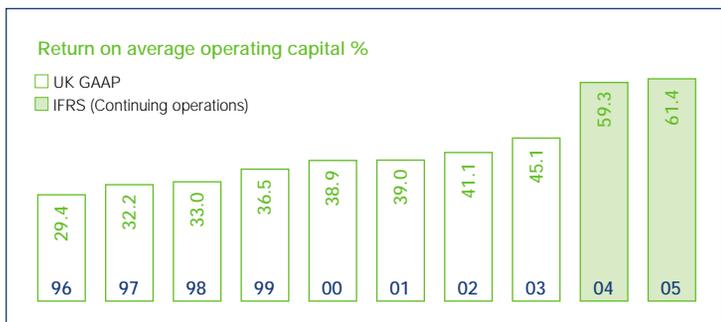
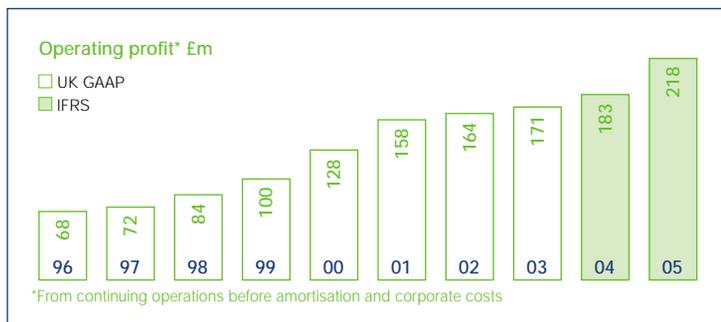




Image above:  
We provide packaging for many types of food including bakery products.

# 3x

revenue and operating profit in 10 years



distributor principally supplying the retail and food processor sectors with packaging and consumables in the Netherlands, thereby extending our product range and customer base in Benelux. Gelpa is based in Arnhem and had revenue of €43 million in 2003. Following the acquisition of Beltex in late 2004 we continued our expansion into Central Europe with the acquisition of Tecep in early July. Tecep has operations in Hungary, the Czech Republic, Slovakia, Romania and Poland, primarily serving the retail, foodservice, catering and food processor markets with packaging supplies and catering and food processing equipment and had revenue of €41 million in 2004.

In July we also purchased Sanicare, strengthening our growing position in the healthcare sector in Australia and New Zealand. Based in New South Wales, Sanicare supplies disposable products principally into the healthcare sector and had revenue of A\$22 million in the year ended April 2005.

Our momentum of acquisitions in 2004 in North America continued in 2005 as we brought significant new businesses into the Group. These acquisitions strengthened our position in the redistribution, non-food retail, healthcare and industrial markets and provide us with opportunities to develop further into these markets as well as enhance our position in the traditional grocery market.

In September we completed the acquisition of SOFCO based in New York State with revenue of \$175 million in 2004. SOFCO distributes disposable supplies to a number of sectors including grocery, foodservice and healthcare. At the end of

September we purchased A W Mendenhall based in Chicago with revenue of \$98 million in 2004. Mendenhall serves the redistribution sector principally supplying foodservice, janitorial, industrial packaging and disposable products in the Midwest. In October we strengthened our position in the non-food retail sector with the purchase of Retail Resources, a business providing distribution services to retail stores across the US including store supplies such as checkout and merchandise bags, jan/san items, labels, boxes and other paper products as well as specialised expense control systems. Retail Resources had revenue of \$29 million in 2004 and is based in New York. We also acquired the grocery and food processor distribution business of Weiss Brothers in October. The business is based in West Point, Pennsylvania and had revenue of \$42 million in 2004.

In January 2006 we announced the acquisition of Midshires, a UK vending business with revenue in 2005 of £12 million, and Master Craft, a US business servicing the redistribution and foodservice sectors, with revenue of \$11 million in 2005.

### Organisation

In November we reorganised the Group into four business areas: North America, UK & Ireland, Continental Europe and Australasia. This change reflects the significant growth in these areas and will allow the management in each geography to drive organic growth, integrate acquisitions and evaluate acquisition opportunities. The creation of a Group purchasing position will enable us to source our products in a more effective manner and share information



Images from top:

Through our own brand, Prime Source, we supply a wide range of jan/san products including air fresheners.

We provide supermarkets with packaging for ready to eat foods from salads to hot roast chicken.

seamlessly among the business areas. This key function will work closely with the businesses to ensure that our customers have access to the best products globally to meet their needs.

### Prospects

In spite of rising interest rates and an upward and volatile trend in commodity prices, the world economies performed reasonably well in 2005. The input prices on plastic resin based products experienced upward movement in the latter part of 2005 since when they have remained firm. We expect North America to continue to grow due to acquisitions in addition to the normal levels of organic growth. While the recently acquired businesses have had the initial effect of lowering our margins, we believe that our management initiatives will have a positive impact in 2006 and beyond. We are pleased that our previously stated strategy to grow in the jan/san, food processor, redistribution, convenience store and non-food retail markets is bearing fruit as we see our revenue breakdown reflecting higher growth in these areas. Our broad group of businesses in the UK & Ireland move confidently into 2006 after a strong performance in 2005. Continued growth combined with ongoing sales mix improvements should enhance the top line while cost savings and efficiency improvements should benefit profits. The significant growth in revenue and profits for Continental Europe in 2005, principally bolstered by a major 2004 acquisition, will return in 2006 to more normal growth levels. All of our businesses have developed plans to improve their operations including the upgrading of our IT systems in France and Central Europe which was part of the integration plans when the

acquisitions were made. We expect Australasia to see another year of good progress with higher than Group average growth driven both organically and by acquisitions. While this business area is not as large as the others, it is showing a lot of promise as it develops a broad footprint in the grocery, healthcare, foodservice, food processor and safety sectors.

A more focused outsourcing Group that has recently been reorganised into four business areas moves forward with a heightened sense of confidence. We are fortunate to have experienced management in each area who have clear strategies and have demonstrated their ability to execute their plans. Consequently we have every expectation that we will be able to advance organically bolstered by our existing acquisition momentum while keeping our eyes open to new opportunities to grow our business successfully.

### North America

A combination of organic growth and acquisitions grew revenue by 18% to £1,665.2 million while operating profit rose by 10% to £116.0 million. We successfully integrated the acquisitions made during the fourth quarter of 2004 and announced four further acquisitions in 2005: SOFCO, A W Mendenhall, Retail Resources and Weiss Brothers. Though these new businesses came into the Group with on average lower margins, we have confidence in our integration and cost rationalisation plans which are currently being executed. These additions reflect our strategy to reorientate our business mix towards the higher growth and

higher potential sectors of redistribution, jan/san, food processor, non-food retail and convenience stores.

Our grocery business, which is the largest of our customer categories, continued to perform well. Revenue, while ahead of 2004 both organically and through incremental acquisitions, decreased as a proportion of the total due principally to our strategy of concentrating our growth and acquisition activities in the other sectors.

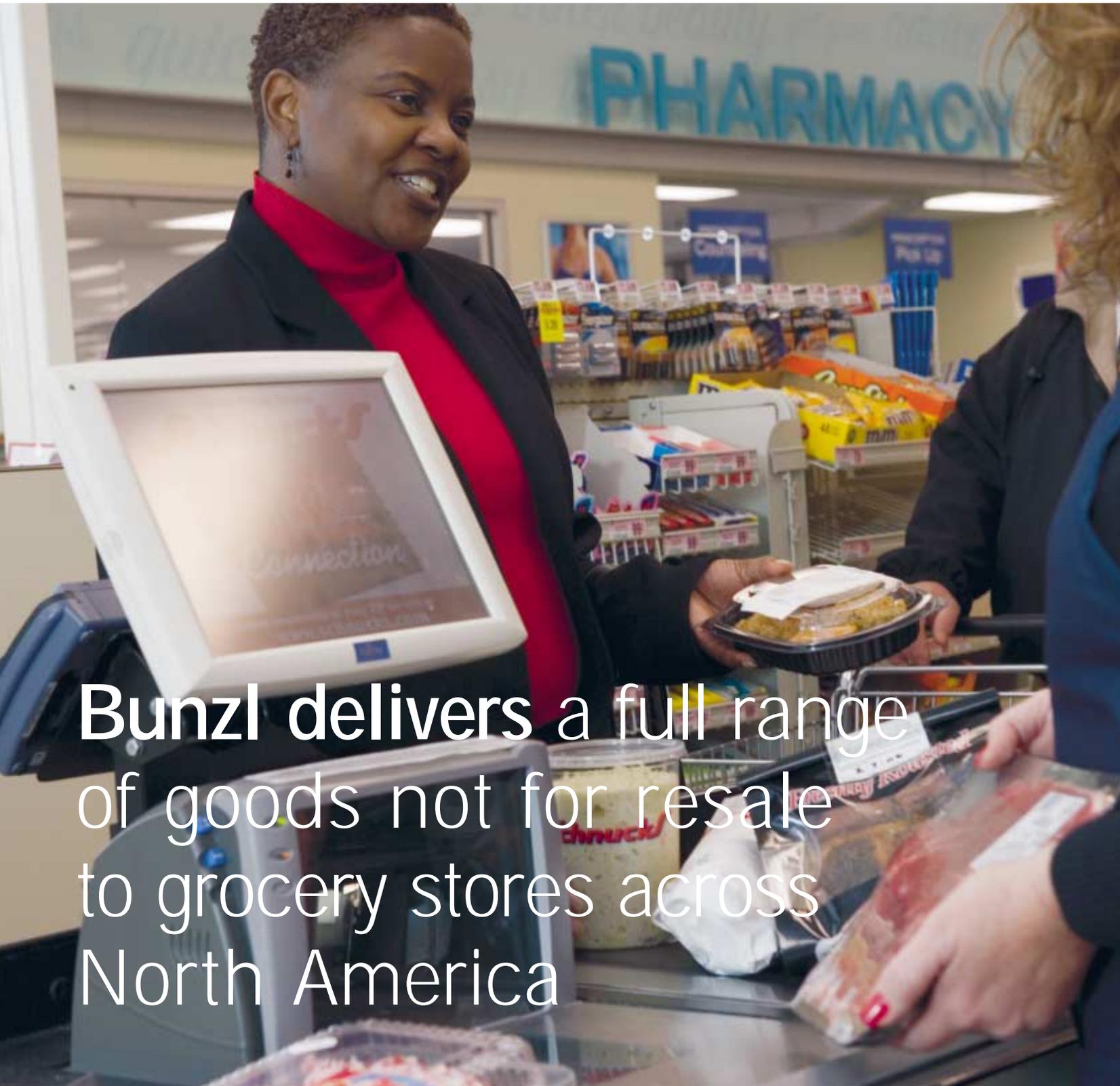
Rising fuel costs, increased regulation on drivers' hours of work and greater traffic congestion has provided additional stimulus to the growth of the redistribution sector. Our recent acquisitions, particularly A W Mendenhall in Chicago, have broadened our geographic coverage and improved our ability to service customers in this sector. Our low cost and highly efficient operating platform offers an economic solution to both our customers and suppliers. We believe that our potential in this sector will continue to grow as our suppliers see the value of redistribution.

Although the processor business felt the effects of the various bans on US beef throughout the world, it had another year of sound growth in most categories. As we continue to demonstrate to our customers the value in the 'one stop shop' concept, we are able to increase the breadth of items we sell while helping them control their operating costs and working capital.

The successful integration of TSN, which we acquired in October 2004, provides us with opportunities to sell disposable packaging and jan/san products

# 18%

revenue growth  
in North America



**Bunzl delivers** a full range of goods not for resale to grocery stores across North America



**Bunzl delivers**  
cleaning solutions,  
a growing sector  
of the market in  
North America



**Images from top:**

The acquisition of SOFCO has strengthened our business in the Northeast of the US in a number of sectors including grocery, foodservice and healthcare.

The acquisition of A W Mendenhall complements our existing business in the Midwest in redistribution to the foodservice and jan/san markets.

in addition to selected retail items into the growing convenience store sector. We believe this will grow in direct correlation with the expansion in size of the convenience stores as they begin to compete with grocery stores and fast food restaurants.

The acquisition of Retail Resources in October will allow us to grow faster in the non-food retail sector. Our logistics platform can provide customers an opportunity to increase the number of packaging items without increasing their investment in inventory. We believe that the expense management system offered by Retail Resources is unique and provides our customers with a management tool enabling them to manage and control their expenses in every store. Our import program can also provide packaging solutions to these customers that will reduce operating expenses without a reduction in quality.

2005 provided plenty of operating challenges and one of those was the significant increase in fuel costs. As a result, our management carried out a complete analysis of our transport operations to mitigate the cost impact. We re-examined routes, improved our drivers' education programs and implemented new vehicle tracking technology to monitor trucks en route. Furthermore the utilisation of enterprise systems and metrics helped customers and suppliers to clearly identify operating costs while increasing internal effectiveness.

On a more sombre note, it would be hard to overestimate the havoc wreaked by the hurricanes Katrina, Rita and Wilma and

the positive response by our employees to these events. These hurricanes not only created operational challenges for us, our customers and suppliers, but also directly impacted the lives of many of our employees. Due to their determination, commitment and hard work we continued to service our customers and through teamwork, flexibility and our common IT platform all their needs were met, often by shifting the work among our branch network. These difficult times tested our operational capabilities but we believe that our performance has strengthened our relationships with both our customers and suppliers.

We continue to invest in technology and our new e-commerce supply chain initiative is increasing sales by providing added value to our customers. Self-service features include internet based 24/7 access to electronic ordering with other features including inventory and pricing information, order and delivery status and customer history. Training and technical support from experienced personnel is also provided to our customers.

In order to meet the demands of an evolving marketplace we implemented a new VIP (value, integrity and performance) sales training and development initiative. The program is customised to our needs and enables our sales professionals to learn and apply state-of-the-art sales techniques and tools. The program content includes sales maximisation, sales strategies, communicating effectively, successful sales calls, negotiation skills, responding to customers' needs, understanding buyer motivations and handling queries. This comprehensive

course will be attended by all of our sales personnel and a select group of other managers.

Our private label program, Prime Source, continues to grow as we add more items and offer our customers a less costly alternative without sacrificing quality. This program has expanded significantly again in 2005 as we broadened our product offering and increased our international sourcing. A Shanghai warehouse consolidates many of the Chinese sourced products and allows for efficient delivery even to our smaller warehouse locations.

Despite rising costs of both fuel and employee benefits, we believe that we have managed our cost platform effectively and are confident that the improvements to our IT capabilities, facilities, logistics platform, supply chain and delivery routes will contribute to long term efficiency gains and lead to an even more competitive cost base in the future. We are also confident that, as we deepen our ties with both our customers and suppliers, we will continue to provide a product and consolidation service offering that is of the highest level in the market.

**UK & Ireland**

Since our first acquisition in the UK in 1993, our UK & Ireland business has expanded to provide a wide range of consumables into a broad range of customer sectors. During 2005 the business continued to develop with revenue increasing by 4% to £664.2 million and operating profit by 10% to £56.1 million.

This increase has been predominantly organic with sales growth coming from new contract

**£664m**  
revenue in UK & Ireland



Images from top:

Through the acquisition of Gelpa we supply packaging and consumables to the retail and food processor sectors in the Netherlands.

The acquisition of Tecep expanded our presence in the retail, foodservice, catering and food processor markets in Central Europe.

wins and range extensions, particularly from businesses adding products available from other Bunzl operations. In addition to revenue growth, profit has been enhanced through increased efficiencies from rationalisation and improvement in our operations which more than offset increases in fuel and raw material prices.

The Horeca (hotel, restaurant and catering) markets remain challenging with ongoing consolidation and customers deferring non-essential spend. Sales growth was underpinned by the full year impact of significant contract wins in the hotel, restaurant and pub sectors in the second half of 2004. We also won and fulfilled contracts to supply light and heavy equipment for the fit out of two new sports stadiums in England and Wales. Operationally we introduced our standard IT system into the catering equipment business which now allows the increasing number of customers we serve with both disposables and equipment to receive consistent management information.

In a difficult high street environment, our retail supplies business, which provides goods not for resale, grew through a combination of new contract wins, notably a three year contract with a leading high street retailer, and by adding new ranges to existing customers. Our approach with new ranges and services is to prove the concept with one customer and then proceed to offer it to others. Within the healthcare market, increased imports and budgetary pressures within the NHS resulted in price deflation in examination gloves. Shermond maintained its sales momentum through sales of

new products in other categories and gained operating efficiencies from the reorganisation of the supply chain in 2004.

Overall sales were flat within our cleaning and safety business following rationalisation of the cleaning and hygiene branch network. The subsequent reduction in operating costs more than offset the reduction in local sales around the closed branches and we still have a national network capable of servicing contracts anywhere in the UK. Greenham continued to develop business with local authorities and construction companies. Increased importing via our National Distribution Centre and sales of own label products offset pricing pressures, while operating costs and working capital remained tightly controlled.

Within Ireland we continue to develop. Our largest area, the catering supplies business, benefited from new hotel construction activity driven by available capital allowances. We were also successful in winning new public sector accounts in our cleaning supplies business. We continue to grow our two smaller sectors, safety and retail, by leveraging our resources in the UK, an approach that the new regional structure will facilitate.

Within the vending business, the market trend away from customers purchasing machines to having operating companies such as Bunzl charge for them as part of a fee, left overall revenue level with the previous year. However account wins in the hotel and retail sectors mean a higher proportion of the sales is repeatable ongoing contracted business. This, together with good cost control, improved profitability.

Across the UK and Ireland we will maintain our segmental focus. The market oriented businesses will provide that focus while we will leverage our overall scale where appropriate to gain competitive advantage and increased efficiencies while sharing best practices.

### Continental Europe

We successfully achieved substantial growth in both revenue and operating profit in 2005. Our top line increased 59% to £490.0 million and operating profit rose 89% to £37.9 million. This was driven by the impact of a full year of trading from Groupe Pierre Le Goff, acquired in May 2004, as well as from further acquisitions in 2005 and some strong performances from the existing businesses. With increasing oil prices and higher costs of raw materials, all of our businesses have had to place a greater amount of effort into gross margin management and tight control of operating costs.

In a period of challenging economic conditions in France, our cleaning and hygiene business has delivered a robust performance whilst our personal protection equipment/safety products business has outperformed the market. Throughout the year we have reorganised the operational infrastructure of the businesses at Groupe Pierre Le Goff, with the merging of a number of the smaller operating units to create operating efficiencies and improve service. This reorganisation programme will continue throughout 2006. An IT system implementation commenced at the end of 2005 in the cleaning and hygiene business and this will harness further synergies throughout the business.

# 59%

revenue growth  
in Continental Europe  
to £490 million

In the UK & Ireland  
**Bunzl** delivers an  
extensive line of  
personal protection  
equipment





**Bunzl delivers**  
a complete range  
of consumables  
to hotels in  
Continental Europe

In January 2005 we completed the acquisition of Gelpa in the Netherlands which has provided us with a route into the retail and food processor sectors. In difficult market conditions the business has integrated well with our existing operations. The two businesses have achieved synergies enabling them to exceed our expectations in 2005.

In similarly difficult market conditions, our German business has developed its national accounts program as more customers realise the benefits which derive from our strong operating platform. This, combined with ongoing cost control, has been a key driver in delivering profitable organic growth.

Following its relocation to a purpose built warehouse in 2005, our business supplying retailers in Denmark has taken advantage of a stronger operating platform to offer an improved service to our customers. This has enabled the business to perform ahead of expectations and also sets a good base for further positive development in 2006. The operations at MultiLine, our business supplying Horeca customers in Denmark, continue to prosper, partly aided by a significant contract win in the second half of the year.

2005 was the first full year of our activities in Central Europe. Our Beltex business, a distributor of cleaning and safety products, has taken advantage of growth in industrial activity in the region. With operations in Hungary and Romania the business has performed well ahead of our expectations. Our position in Central Europe was

strengthened by the acquisition of Tecep in July. Tecep is a leading distributor of packaging supplies and catering and food processor equipment to the retail, foodservice, catering and food processor markets, largely in Hungary and the Czech Republic but also throughout Central Europe. We are gaining synergies in a number of areas and at the same time investing in the IT systems to create further operating efficiencies.

We continued to expand our geographic footprint in 2005 and we remain optimistic about further expansion through acquisitions. Reorganising Continental Europe into a separate business area will enable us to put the focus and resources behind the pursuit of these additional opportunities.

#### Australasia

The combination of acquisitions in late 2004 and mid 2005, as well as organic growth in the underlying business, contributed to an increase of 34% in revenue to £105.0 million and 31% in operating profit to £8.4 million.

The business strategy is for continued development of our consolidation platform, providing a greater offering to our new and existing customers. This will gain momentum through the development of acquisition opportunities within our core markets.

In July we completed the acquisition of Sanicare which expands our position and product offering into the healthcare sector and complements our growing position within aged care in the region. In addition the clinical expertise within this business

creates opportunity to expand into other healthcare markets with a wider range of disposable consumables and leverage our position in the UK healthcare sector.

Our principal business completed the successful integration of acquisitions made in 2004 as well as winning new contracts within our targeted growth sectors, including healthcare, industrial, safety and catering. Lesnie's continued to focus on developing core business within the food processor markets. During 2005 we introduced a range of specialised production consumables to complement our already strong position with specialist equipment into this sector. The business has added resource to drive growth within these markets and this will continue throughout 2006.

Our strong growth and leadership in the marketplace creates opportunities for purchasing synergies and the ability to leverage our global sourcing to improve our competitive position. We will continue to invest in our business through the establishment of new warehouses and the upgrading of existing facilities and further enhancement to our IT systems. All of these many initiatives will enable us to continually improve our customer service offering which is the principal driver of our strong growth in this market.



Images from top: Through Lesnie's, we provide a wide range of supplies to the meat industry in Australasia from packaging to protective wear.

The acquisition of Sanicare expanded our position in the healthcare sector in Australasia by providing a range of products for the elderly.

Michael Roney  
Chief Executive

**34%**  
increase in revenue  
in Australasia

# Directors



1	2	3	4	5
6	7	8		

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

# Bunzl delivers global strategy through a strong independent international Board

## 1 Charles Banks\*†#• (Age 65)

Non-executive director since 2002 and Chairman of the Remuneration Committee. Previously Chief Executive of Ferguson Enterprises, the largest North American subsidiary of Wolseley plc, he joined the Board of Wolseley in 1992 and was appointed Group Chief Executive in 2001.

## 2 Ulrich Wolters \*†• (Age 63)

Non-executive director since 2004. Formerly Managing Director of Aldi Süd in Germany, he built the business into one of the world's leading retailers operating principally in Germany and Austria, the US, the UK and Australia. He is now Chairman of the Aldi Family Trust which holds the majority of the Aldi Süd shares.

## 3 Anthony Habgood# (Age 59)

Chairman since 1996, having joined as Chief Executive in 1991, and Chairman of the Nomination Committee. A director of The Boston Consulting Group from 1977 to 1986, he was then appointed a director of Tootal Group PLC, subsequently becoming Chief Executive. He is Chairman of Whitbread PLC and the senior independent director of SVG Capital plc.

## 4 Peter Johnson \*†• (Age 58)

Non-executive director since January 2006. Having spent most of his earlier career in the motor industry, he joined Inchcape plc in 1995 and became Chief Executive in 1999 and Chairman in 2006. He is a non-executive director of Wates Group Ltd.

## 5 Jeff Harris\*†#• (Age 57)

Non-executive director since 2000, senior independent director and Chairman of the Audit Committee. Appointed Finance Director of UniChem Plc in 1986 and Chief Executive in 1992, he became Chief Executive of the enlarged Alliance Unichem Plc in 1997 and was Chairman from 2001 until 2005. He is Chairman of Filtrona plc and a non-executive director of Anzag AG and Associated British Foods plc.

## 6 Pat Larmon (Age 53)

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 has held various senior management positions over 15 years. He became President in 2003, Chief Executive Officer in 2004 and was appointed to the Board later that year.

## 7 Michael Roney (Age 51)

Chief Executive since November 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, the joint venture between Goodyear and Sumitomo Rubber.

## 8 Brian May (Age 41)

Finance Director since January 2006. A chartered accountant, he qualified with KPMG and joined Bunzl in 1993, initially as Internal Audit Manager, subsequently becoming Group Treasurer before taking up the role of Finance Director, Outsourcing Services Europe & Australasia in 1996 and Finance Director designate in June 2005.



David Williams (top) and Pat Dyer served on the Board throughout 2005 and have subsequently retired after 14 and 12 years' service respectively. David was Finance Director for many years and Pat was Chairman before becoming Deputy Chairman in 1996. They leave with our gratitude and best wishes for the future.

## Presentation of results

These are the Group's first full year results presented under IFRS. The income statement shows the results of the continuing operations of the Group. The discontinued operations are those of Filtrona, which was part of the Group until 6 June 2005, and its contribution to profit is included as a single line net of interest, tax and the costs of effecting the demerger.

## Group performance

Revenue from continuing operations increased by 20% to £2,924.4 million with businesses acquired during the year contributing 5% of this increase. Operating profit from continuing operations before intangible amortisation increased by 20% to £203.4 million with businesses acquired during the year contributing 3% of this increase. This reflected a good operating performance, underlying organic growth and the full year impact of acquisitions made in 2004.

The net interest charge from continuing operations increased to £10.8 million from £2.9 million in 2004 as a result of higher interest rates and increased average borrowings due to acquisition spend more than offsetting strong operating cash flow. Interest cover was 19 times. Profit before income tax from continuing operations before intangible amortisation rose by 16% to £192.6 million.

Continuing operations' margin excluding intangible amortisation rose to 7.0% from 6.9% in 2004. Margin improvements in the UK & Ireland to 8.4% from 8.0% and Continental Europe to 7.7% from 6.5% were partly offset by a decline in North America to 7.0% from 7.4%, caused by the effect of lower margin acquisitions, and a slight reduction in Australasia to 8.0% from 8.2%.

Currency translation had a marginally (less than 1%) favourable impact in the year

primarily due to the strengthening of the US dollar, euro and Australian dollar against sterling. This translation effect is the major way that currency impacts the Group although there is also a small negative transaction effect on certain parts of the business.

## Tax

A taxation charge of 32.0% (2004: 33.3%) has been provided on the profit on underlying operations excluding the impact of intangible amortisation of £15.9 million (2004: £7.8 million) and related deferred tax of £4.9 million (2004: £2.8 million). Including the impact of intangible amortisation and related deferred tax, the overall rate is 32.1% (2004: 33.2%). The taxation charge of 32% is higher than the nominal UK rate of 30.0% principally because most of the Group's operations are in countries with higher tax rates.

## Profit for the year

Profit after tax from continuing operations increased 14% to £120.0 million. Discontinued operations, net of demerger costs of £17.3 million, contributed profit of £4.2 million.

## Earnings and dividends

Adjusting for the seven for nine share consolidation in June 2005, the weighted average number of shares in issue reduced to 338.8 million from 344.6 million in 2004 due to the full year effect of the share buyback in 2004. Earnings per share from continuing operations increased by 15% to 35.4p. After adjusting for intangible amortisation and related deferred tax, earnings per share increased by 21% to 38.7p. This adjustment removes a non-cash charge which is not used by management to assess the underlying performance of the businesses.

An interim 2005 dividend of 4.9p per share and a proposed final 2005 dividend of 10.8p per share will deliver an increase of 18% for the year with dividend cover based on adjusted earnings per

share from continuing operations at 2.5 times.

A final 2004 dividend of 9.15p per share and the interim 2005 dividend of 4.9p per share at a total cost of £55.8 million has been charged to shareholders' equity in 2005.

## Balance sheet

Return on average operating capital from continuing operations before intangible amortisation increased to 61.4% from 59.3% due to improvements in UK & Ireland and Continental Europe being partly offset by lower returning acquisitions in North America and a slight softening in Australasia. Shareholders' equity has decreased by £24.5 million to £460.4 million due to a £122.4 million reduction as a consequence of the demerger partly offset by retained earnings. Net debt decreased by £49.7 million to £355.5 million due to £115.4 million of debt assumed by Filtrona and strong operating cash flow partly offset by acquisition spend of £124.4 million. While shareholders' equity reduced as a result of the demerger, gearing improved from 83.6% to 77.2%.

## Intangible assets

Intangible assets increased by £59.4 million to £695.5 million reflecting goodwill and other intangibles arising in the year net of a £57.4 million reduction due to the demerger and an amortisation charge of £16.3 million.

## Cash flow

Net cash inflow from operating activities of continuing operations was £197.7 million, a £41.8 million increase compared to 2004 due to an increase in profit and continued strong management of working capital. Spend on acquisitions totalled £124.4 million whilst net debt decreased by £115.4 million as a result of debt demerged with discontinued operations. Net cash inflow before financing of continuing

operations was £133.9 million, combined with a cash inflow from share issues of £26.6 million and interest and dividends paid of £20.2 million and £57.8 million respectively, produced a net cash inflow from continuing operations of £82.5 million. This inflow, combined with a cash outflow from discontinued operations of £14.5 million and an overall exchange movement of £18.3 million, resulted in a £49.7 million reduction in net debt.

## Pensions

At 31 December 2005 the Group's IAS 19 'Employee Benefits' pension liabilities were £60.0 million, a £10.5 million decrease compared to 2004 due to a £32.4 million reduction arising from the demerger and an increase in the asset base being partly offset by increased liabilities due to a fall in bond yields and an increase in the longevity assumptions.

## Treasury policies and controls

Bunzl has a centralised treasury department to control external borrowings and manage exchange rate risk and interest rate risk. Treasury policies are approved by the Board and cover the nature of the exposure to be hedged, the types of financial instruments that may be employed and the criteria for investing and borrowing cash. The Group uses derivatives only 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 reviews by the internal audit department. Underlying policy assumptions and activities are reviewed by the executive directors. Controls over exposure changes and transaction authenticity are in place and dealings are restricted to those banks with the relevant combination of geographic presence and suitable credit rating. The Group

continually monitors the credit ratings of its counterparties and credit exposure to each counterparty.

### Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group is funded by a US dollar bond and multi-currency credit facilities from the Group's bankers. The US dollar bond, originally issued during 2001, is in three tranches, five years, seven years and 10 years with maturities between 2006 and 2011, for a total of \$225 million at fixed rates of interest. The bank facilities have tenures ranging from six months to five years and mature between 2006 and 2010. At 31 December 2005 the available bank facilities totalled £687 million of which £246 million was drawn down. In addition the Group maintains overdraft and uncommitted facilities to provide short term flexibility.

### Foreign currency risk

The majority of the Group's net assets are in currencies other than sterling. The Group's policy is to limit the translation exposure and resulting impact on shareholders' equity by borrowing and/or using forward foreign exchange contracts to hedge the translation exposure in those currencies in which the Group has significant net assets. At 31 December 2005 there were no material currency exposures after accounting for the effect of the hedging transactions. Throughout the year the Group's borrowings were primarily held in sterling and US dollars. The Group does not hedge the translation effect of exchange rate movements on the income statement.

The majority of the Group's transactions are carried out in the functional currency of the Group's operations and so transaction exposures are limited. However where they do occur the Group's policy

is to hedge significant exposures as soon as they are committed using forward foreign exchange contracts.

### Interest rate risk

The Group's strategy is to ensure with a reasonable amount of certainty that the overall Group interest charge is protected against material adverse movements in interest rates. The majority of the US dollar bond was swapped to floating rates during 2001. Interest rate caps are in place to reduce the Group's floating rate exposure to movements in LIBOR.

### Credit risk

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

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

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

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

### International Financial Reporting Standards

The Group adopted International Financial Reporting Standards and International Accounting Standards endorsed by the EU (together 'IFRS') on 1 January 2005 with the interim results for 2005 being the first results reported under IFRS. The main areas of impact on the consolidated income statement

are in respect of goodwill amortisation and share based payments. Under IFRS goodwill is no longer amortised but is subject to impairment testing at least annually while other intangible assets are amortised, resulting in an overall reduction to the amortisation charge relative to UK GAAP. The Group operates equity settled, share based compensation plans. Under IFRS the fair value of share based compensation is recognised as an expense and spread evenly over the vesting period.

### US Sarbanes-Oxley Act

As a foreign registrant with the Securities and Exchange Commission, the Group will be required to assess and report on the effectiveness of internal financial controls for the first time as at 31 December 2006. In order to achieve this the Group has established a steering committee and a detailed project plan which requires the Group to document and test internal financial controls and to adopt a recognised internal control framework. The project is proceeding satisfactorily towards completion.

### Exchange rates

Average	2005	2004
US\$ : £	1.81	1.82
€ : £	1.46	1.47
A\$ : £	2.38	2.49

Year end	2005	2004
US\$ : £	1.72	1.92
€ : £	1.46	1.41
A\$ : £	2.34	2.45

### Return on average operating capital %

	2005	2004
North America	69.5	78.9
UK & Ireland	69.6	57.9
Continental Europe	47.4	39.5
Australasia	51.3	55.6
Continuing operations	61.4	59.3

**18%**  
dividend growth

# Corporate Social Responsibility

## Corporate social responsibility

The Board takes the area of social responsibility seriously and has for many years had policies with respect to business standards, health, safety and the environment. The Board believes that positive actions with respect to social responsibility are not only desirable in their own right but are also of potential economic and commercial benefit to the Company. Bunzl is a member of the FTSE4Good index.

Bunzl's corporate social responsibility policy provides a reference point to guide stakeholders, including all employees, on the elements that drive the conduct of the business and relationships with the world in which the Company operates. The overall policy is made up of the following underlying elements: Standards of business conduct (Code of ethics), Environment, health and safety, Employees, Customers, Suppliers and Community. Further details are available on the Company's website, [www.bunzl.com](http://www.bunzl.com).

## Standards of business conduct (Code of ethics)

The Group has standards of business conduct which were updated most recently in 2006. The standards set out the behaviour expected of each Bunzl employee and cover the areas of conflicts of interest, compliance with laws, rules and regulations, dealing in Bunzl shares, protection of confidential information, protection and proper use of company assets, relationships with customers, suppliers and employees, compliance with the Code and reporting of unethical behaviour, including any issues relating to accounting, internal controls and auditing matters. To raise employee awareness further, notices have been posted across the Company encouraging employees to 'Speak Out' regarding any business related concerns including details of confidential contacts should they

feel unable to discuss such issues with their line managers. Business area heads are responsible for implementation of the standards. Compliance is monitored annually. During 2005 no incidents of non-compliance have been recorded.

## Environment, health and safety

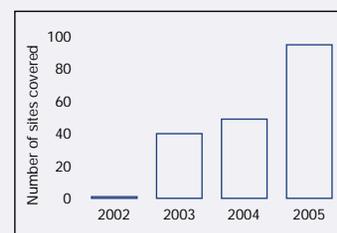
The Group has a long-standing commitment to achieving continual improvement in environment, health and safety performance. The Group Environment, Health and Safety Committee comprises representatives from the business areas and is responsible to the Board for reviewing the Group's environment, health and safety policy and agreeing standards and objectives for the Group worldwide as well as auditing environmental, health and safety performance against those objectives. An integrated web-based Environment, Health and Safety tool, the Bunzl Group System ('BGS') has been developed, which is universally applicable and adds value to the environmental and health and safety management programmes both at subsidiary and Group level. During 2006 it is planned to extend the BGS from the UK and US to include the businesses in Continental Europe and Australasia.

Bunzl has continued its focus on the environmental aspects of its operations. The following objectives were set for 2005:

- the accurate and efficient collation and consolidation of comparable environmental data from all sites;
- the achievement of an overall reduction in energy usage, water and raw material consumption and waste;
- the addition of an environmental section to the new health & safety audit; and
- the identification of suitable industry norms for benchmarking.

By the end of 2005, a further 46 sites had received ISO 14001 accreditation. All of the UK & Ireland sites are now accredited. Much work has also been undertaken by a number of the Continental European and Australasian operations, as yet unaccredited, many of which should gain accreditation during 2006. The following chart shows the significant progress made over the past few years in implementing environmental management systems in the businesses.

## Sites achieving ISO 14001 Continuing operations



These sites, which are shown on a cumulative basis, now employ around 40% of staff within the Group.

Following the demerger of Filtrona, the major environmental impacts of Bunzl going forward are associated with the consumption of fuel to transport products and waste management. A number of initiatives in each of the business areas are continuing which have a positive environmental benefit. For example, there is focus on the efficient use of fuel by better route planning and transport management. Uneconomic deliveries have been allocated to couriers. Bailleurs, used to compress waste paper for disposal, and waste segregation programmes have been introduced at more sites. Discussions have been held with suppliers to eliminate unnecessary transit packaging and wherever possible reusable packaging is purchased. All of these actions have led to an improvement in the amount of waste going to landfill. In the UK, the Group is a member of Valpak who discharge the relevant obligations under

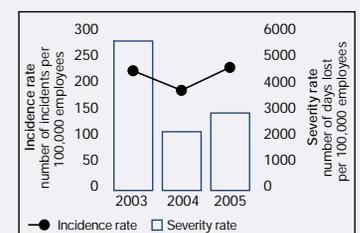
the Producer Responsibility (Packaging Waste) Regulations. In Germany, the Group is a member of Duales System Deutschland who operate the 'Green Dot' recycling system.

At the beginning of 2005 four Group level health and safety objectives were identified:

- the achievement of an overall reduction in incidence and severity rates;
- the successful implementation of the new audit process across the Group;
- the provision of some quantified benchmarking of Bunzl's HSE performance; and
- the identification of further Group initiatives for improving health and safety standards.

The two indices measured at Group level are: incidence rate, reflecting the total number of accidents/incidents which involve lost time, and severity rate, reflecting the number of days lost or restricted as the result of accidents or work-related ill-health.

## Continuing operations



There has been an increase from 2004 to 2005 in both the number of reported accidents and their reported severity. This is due in the main to better and more accurate recording of 'lost time' in the UK & Ireland with the introduction of the BGS, as well as the introduction of more businesses with less established safety procedures into the Bunzl health and safety processes. Regrettably during the year there has been one

fatality (a member of the general public) involved in a road accident in the US.

The new audit process, which was developed during 2004, has been launched across the UK and US. The process concentrates more on performance rather than written procedures and aims to encourage best practice rather than pure compliance. The process has been well received by the businesses. It is too early to point to any improvements in overall standards due to its introduction. The new process will be rolled out across Continental Europe and Australasia during 2006. The Group Environment, Health and Safety Committee has reviewed potential international companies to approach on an informal basis to exchange views and issues regarding consolidation of accident reporting. The US has continued to benchmark itself against OSHA incident rate statistics for General Warehousing and Storage industries. The performance against this benchmark remains favourable. The Company is continuing to improve the benchmarking process in 2006.

A variety of initiatives and training have been undertaken to improve health and safety performance across the Company. These have included the introduction of safety harnesses made of high visibility material with retractable safety lines to replace lanyards at all US facilities, the purchase of equipment to reduce manual handling and eliminate the use of 'picking steps' and clear communication of the traffic rules in warehouses to maintain appropriate separation. In 2005 the Committee completed the development of Group health and safety policies to improve awareness and standards. During the year the Drivers' Handbook was revised and distributed in the UK and will be amended for other jurisdictions during 2006.

### Employees

Bunzl remains committed to the

recruitment of high quality staff and developing them within the businesses to maximise personal performance and progression. This is achieved by a combination of structured Group management development programmes, specific skills training within respective businesses, performance management processes and the provision of challenging and responsible roles. During 2005 and ongoing, more than 500 sales professionals in the US will have completed a new training programme developed specifically for them. The new Bunzl VIP (value, integrity and performance) sales training and development initiative is designed to enable the US's sales professionals to learn and apply state-of-the-art techniques and tools. The Group aims to provide opportunities to employees and strives to promote from within whenever appropriate. This was evidenced in 2005 with the appointment of Brian May, an internal candidate, as Finance Director, Bunzl plc. Graduates continue to be recruited into the businesses in the US and UK and have a successful structured training programme to enhance their development.

Appropriate and well-timed communication to and from employees is essential in ensuring the effectiveness of the business. The European Information and Consultation Forum continues to meet to provide information to, and to consult with, elected employee representatives on Group and business area policies, strategy and performance. Some UK businesses have formalised information and consultation arrangements to ensure better employee involvement and feedback locally. A number of businesses have undertaken employee attitude surveys. This has resulted in a better understanding of the workforce and a number of changes have been made as a result. A magazine, renamed 'The Source', continues to be produced and distributed around

the Group, notifying employees of major business successes, acquisitions and appointments. This is supplemented locally by a variety of newsletters, briefings and intranet communication giving more specific information related to the business or site where an employee is based.

### Customers

The Group's business and livelihood depends upon its customers. Every employee is responsible for ensuring that any contact with customers and the public at large reflects professionalism, efficiency and honesty. During 2005, as has been the practice for some years, a number of businesses undertook formal customer surveys to measure their customer service performance and rectify any issues identified. In addition, senior management meet key customers on an ad hoc basis to ensure understanding of their service requirements and gain their perceptions on how these requirements are being met. The quality of the operations and service is key and many sites, which on an aggregate basis employ over 40% of staff in the Group, have attained ISO 9001:2000 accreditation. A number of customers have recognised the quality of service during 2005 and a number of awards have been received including: the US which was named by The United Group, Golbon (for the fourth year in succession) and Frosty Acres (for the second year in succession) as their Suppliers of the Year and Bunzl Cleaning Supplies in the UK which was given a commendation from the Leader of Westminster City Council for its quick response to demand for products.

### Suppliers

Bunzl regards suppliers as partners and works with them to help achieve policy aspirations in the delivery of products and services. Specifically the Group is committed to working with its

suppliers of products and services to ensure that the welfare of workers and labour conditions within the supply chain meet or exceed recognised standards. Management regularly meet with suppliers to ensure mutual understanding and to give and receive feedback on services and goods received.

### Community

Bunzl is a member of Business in the Community in the UK and at Group level has continued to support a cross section of projects within registered charities in the fields of healthcare, education and disability. In 2005 Bunzl and its employees across the world made significant donations to various disaster funds including tsunami support via UNICEF, the Red Cross and a special fund set up by one of Bunzl's UK employees, as well as support to Hurricane Katrina victims via the American Red Cross and Salvation Army. Bunzl continued to sponsor projects relating to prostate/breast cancer research through Imperial College London. Queen Elizabeth's Training College was supported to set up a painting and decorating course and for a Job Club with the aim of training disabled people to return to or start work. Support was also given to Leonard Cheshire's Workability programme, which provides computers and training for disabled people to obtain a recognised computer/IT qualification in their own homes, as well as part sponsoring two Discover IT centres which enable disabled people to learn about computers in a friendly and informal training centre. In addition, Group companies and individual employees worldwide continue to support local charitable initiatives. The US has for many years raised money for the Queen of Peace Center, which assists homeless, mentally ill and chemically addicted families with treatment, day care, housing and jobs.

# Summary Financial Statement

## Summary directors' report

### Principal activities and developments

The principal activity of the Group is the provision of value-added distribution and outsourcing services across North America, Europe and Australasia including the supply of outsourced food packaging, disposable supplies and cleaning and safety products for supermarkets, redistributors, caterers, food processors, hotels, contract cleaners, non-food retail and other users. The Chairman's Statement, the Chief Executive's Review and the Financial Review on pages 2 to 15 and 18 and 19 give details of the Group's activities, developments and performance for the year and an indication of likely future developments.

### Directors

Mr B M May and Mr P W Johnson were appointed to the Board in January 2006 and, being eligible, offer themselves for election at the forthcoming Annual General Meeting in accordance with the Articles of Association. Mr P Heiden and Mr M J Harper resigned from the Board on 6 June 2005 following the demerger of Filtrona and Mr C P Sander resigned as a director on 13 July 2005. All of the other directors served throughout the year. Mr A P Dyer and Mr D M Williams retired from the Board on 31 December 2005 and 31 January 2006 respectively. Biographical details of the current directors are set out on page 17.

Mr A J Habgood and Mr C A Banks retire by rotation at the Annual General Meeting in accordance with the Articles of Association and, being eligible, offer themselves for re-election.

Directors' interests in ordinary shares are shown in Note 21 to the financial statements in the Directors' Report and Accounts. 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 2005.

### Dividends

An interim dividend of 4.9p was paid in respect of the year and the directors recommend a final dividend of 10.8p, making a total for the year of 15.7p. This compares with 13.3p for the year ended 31 December 2004.

### Corporate governance

The Company is committed to high standards of corporate governance. The Company confirms that, with the exception of provision A.2.1 relating to the roles of Chairman and Chief Executive discussed below, it has complied throughout 2005 with the provisions of the Combined Code on Corporate Governance. It should be noted that the separation of the roles of Chairman and Chief Executive was announced in February 2005 and took place on 1 November 2005.

The Chairman, Mr A J Habgood, continued to act in the capacity of Chief Executive until 1 November. The Board recognised the concerns, expressed in a general context, about the possible negative effects of a concentration of power through a combined Chairman and Chief Executive role and, although it believed these did not apply to the Company for a variety of reasons, it was decided at the end of February 2005 that, following the demerger of Filtrona in June 2005, the roles of Chairman and Chief Executive would be separated. Having originally agreed to do so, Mr C P Sander subsequently decided not to assume the position of Chief Executive for personal reasons. The Board therefore instigated a comprehensive search using an external search consultancy for a new Chief Executive as a result of which Mr M J Roney, who had been a non-executive director since June 2003, was appointed as Chief Executive on 1 November 2005. Mr A J Habgood remains as Chairman.

The Company's statement relating to the significant ways in which its corporate governance practices differ from those followed by US domestic companies under New York Stock Exchange listing standards is available on the Company's website, [www.bunzl.com](http://www.bunzl.com), in the investor relations section.

### Annual General Meeting

The Annual General Meeting will be held at the Chartwell Suite at the Hyatt Regency London – The Churchill, 30 Portman Square, London W1A 4ZX on Wednesday 17 May 2006 at 11.00 am. The notice convening the Meeting is set out in a separate letter from the Chairman to shareholders which explains the items of special business.

### Auditors

A resolution is to be proposed at the Annual General Meeting for the re-appointment of KPMG Audit Plc as auditors of the Company at a rate of remuneration to be determined by the directors.

### P N Hussey

Secretary  
27 February 2006

## Summary remuneration policy

The Company's current remuneration policy for 2005 and beyond is designed to help ensure the recruitment, retention and motivation of the executive directors by providing fair reward for the responsibilities they undertake and the performance they achieve on behalf of shareholders. In this context, the Remuneration Committee's policy is to set the overall remuneration package at a competitive level and in a form that permits significant additional remuneration to be earned for high performance over a sustained period. This is normally achieved by benchmarking base pay against comparator companies and a range of factors, including performance, and by providing, in addition, short and long term incentives geared to performance.

In assessing the balance of performance related and non-performance related elements of remuneration, base pay and benefits are treated as non-performance related, whereas annual bonus (including awards under the Deferred Annual Share Bonus Scheme – 'DASBS') and long term incentives are treated as performance related. For this purpose, share options and performance shares are valued at an appropriate proportion of their face value on grant or award. On this basis, the Committee sets the remuneration package such that about half the total target remuneration package is derived from the performance related elements.

### Base pay

The base pay of each executive director is set to reflect the size and scope of that director's responsibilities undertaken on behalf of the Board, the level of overall performance achieved and experience in the post. It is benchmarked against comparator companies and the actual pay level is set after taking into account individual performance and the general movement of base pay within the Group.

### Annual bonus plan

The executive directors participate in an annual bonus plan intended to support the Company's overall remuneration policy. The bonus plan for each executive director contains meaningful targets that seek to focus attention on one or two key measures of short to medium term achievement. Half of this annual bonus is normally paid in cash and the balance (but with the total aggregate amount capped) is deferred under the rules of the DASBS.

Under the DASBS, eligible executives, including the executive directors, receive the deferred element of their annual bonus as an award of ordinary shares. The ordinary shares are transferred to the executive on 1 March in the third year after the year in which the award is made, provided normally the executive has remained in the employment of the Group throughout that period or until their normal retirement date.

### Share based incentives

The Remuneration Committee believes that the long term performance of the Group is an important consideration for shareholders and that share based incentives are an important part of helping to align the interests of shareholders and those employed by the Group. A formal share ownership guideline is in place under which executive directors are expected over a period of time to retain a shareholding worth at least equal to their basic salaries.

The Group operates a Long Term Incentive Plan under which the executive directors and other senior executives in the Group may be granted options and awards in respect of performance shares. Participation in the Plan is at the discretion of the Committee. The Committee reviews biannually the level of grant taking account of each

executive's performance and job responsibilities. Annual grants of share options may not exceed an amount equal to three times base salary. In normal circumstances options granted are exercisable, subject to satisfaction of the relevant performance condition, after three years with no provision for retesting, not earlier than three years and not later than 10 years after the date of grant. Annual awards of performance shares may not exceed an amount equal to two times base salary. 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, with no provision for retesting, and will remain capable of being exercised for the three year period following the date on which it vests.

### Retirement benefits

The Group utilises both defined benefit and defined contribution pension schemes throughout the world. All principal defined benefit schemes are closed to new entrants who are now offered a defined contribution arrangement. The executive directors are eligible to participate in the relevant pension scheme or may choose to take a pension allowance, part of which can be paid into a private pension scheme.

### Service contracts

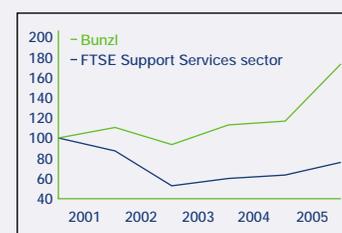
It is the Company's policy that executive directors are normally employed on contracts that provide for 12 months' notice from the Company and six months' notice from the executive. However, on appointment, Mr M J Roney, due to his relocation and move from his previous company, was employed on a contract which provides for 24 months' notice from the Company which during the first 12 months of employment reduces on a quarterly basis by one month for each quarter. During the period of months 13 to 24 of employment, the

notice period continues to reduce quarterly by two months each quarter so that after 24 months' service and thereafter the Company need only provide him with 12 months' notice. The non-executive directors do not have service contracts.

### Directors' emoluments for 2005

The directors' aggregate emoluments for 2005 were £4.4 million, the aggregate amount of gains made by directors on the exercise of share options during the year was £3.9 million, the aggregate market value of awards exercised by directors under long term incentive schemes during the year was £0.7 million and the aggregate amount of contributions paid by the Company to money purchase pension schemes in respect of the directors was £10,600. Two of the current directors participate in defined benefit pension schemes, one of whom (who is no longer accruing future benefits under the defined benefit scheme) also participates in a money purchase pension scheme.

### Total shareholder return



Source: Thomson Datastream

The Company's total shareholder return over the last five years compared to that of the FTSE Support Services Sector is shown above. A fuller representation of the Company's total shareholder return relative to this Sector can be found in the Chairman's Statement on page 3.

# Summary Financial Statement *continued*

## Consolidated income statement

for the year ended 31 December 2005

	2005 £m	2004 £m
<b>Continuing operations</b>		
<b>Revenue</b>		
Existing businesses	2,808.3	2,438.5
Acquisitions	116.1	
	<b>2,924.4</b>	<b>2,438.5</b>
<b>Operating profit before intangible amortisation</b>		
Existing businesses	199.0	168.9
Acquisitions	4.4	
<b>Operating profit before intangible amortisation</b>	<b>203.4</b>	<b>168.9</b>
Intangible amortisation	(15.9)	(7.8)
<b>Operating profit</b>	<b>187.5</b>	<b>161.1</b>
Finance income	22.0	17.0
Finance cost	(32.8)	(19.9)
<b>Profit before income tax</b>	<b>176.7</b>	<b>158.2</b>
<b>Profit before income tax and intangible amortisation</b>	<b>192.6</b>	<b>166.0</b>
Income tax	(56.7)	(52.5)
<b>Profit for the year</b>	<b>120.0</b>	<b>105.7</b>
<b>Discontinued operations</b>		
Profit for the year	4.2	35.7
<b>Total profit for the year</b>	<b>124.2</b>	<b>141.4</b>
<b>Attributable to:</b>		
Equity holders of the Company	123.6	140.2
Minority interests	0.6	1.2
<b>Total profit for the year</b>	<b>124.2</b>	<b>141.4</b>
<b>Earnings per share of the total profit for the year attributable to the Company's equity holders</b>		
Basic	36.5p	40.7p
Diluted	36.3p	40.5p
<b>Earnings per share of the profit for the year from continuing operations attributable to the Company's equity holders</b>		
Basic	35.4p	30.7p
Diluted	35.2p	30.5p
<b>Dividend per share</b>	<b>15.7p</b>	<b>13.3p</b>

## Summary consolidated balance sheet

at 31 December 2005

	2005 £m	2004 £m
<b>Assets</b>		
Property, plant and equipment	69.8	218.4
Intangible assets	695.5	636.1
Derivative assets	4.8	
Deferred tax assets	22.2	14.8
<b>Total non-current assets</b>	<b>792.3</b>	<b>869.3</b>
Inventories	272.3	275.2
Income tax receivable	2.5	3.1
Trade and other receivables	470.7	465.4
Derivative assets	0.9	
Cash and cash equivalents	53.7	107.7
<b>Total current assets</b>	<b>800.1</b>	<b>851.4</b>
<b>Total assets</b>	<b>1,592.4</b>	<b>1,720.7</b>
<b>Equity</b>		
Share capital	111.4	112.5
Share premium and other reserves	132.7	94.3
Retained earnings	216.3	278.1
<b>Total equity attributable to the Company's equity holders</b>	<b>460.4</b>	<b>484.9</b>
Minority interests	-	3.9
<b>Total equity</b>	<b>460.4</b>	<b>488.8</b>
<b>Liabilities</b>		
Interest bearing loans and borrowings	339.7	290.2
Retirement benefit obligations	60.0	70.5
Other payables	1.5	7.6
Provisions	38.3	30.3
Deferred tax liabilities	79.3	79.8
<b>Total non-current liabilities</b>	<b>518.8</b>	<b>478.4</b>
Bank overdrafts	17.0	43.2
Interest bearing loans and borrowings	52.5	179.5
Income tax payable	40.8	54.4
Trade and other payables	497.6	469.3
Provisions	5.3	7.1
<b>Total current liabilities</b>	<b>613.2</b>	<b>753.5</b>
<b>Total liabilities</b>	<b>1,132.0</b>	<b>1,231.9</b>
<b>Total equity and liabilities</b>	<b>1,592.4</b>	<b>1,720.7</b>

Approved by the Board of Directors of Bunzl plc on 27 February 2006 and signed on its behalf by Mr M J Roney, Chief Executive and Mr B M May, Finance Director.

## Summary consolidated cash flow statement

for the year ended 31 December 2005

## Analysis of revenue and operating profit

for the year ended 31 December 2005

	2005 £m	2004 £m
<b>Cash flow from operating activities of continuing operations</b>		
Profit before income tax	176.7	158.2
Adjustments for non-cash items:		
Depreciation	13.6	12.9
Intangible amortisation	15.9	7.8
Share option charge	3.6	2.8
Other	0.9	(0.7)
Working capital movement	(11.4)	(11.0)
Finance income	(22.0)	(17.0)
Finance cost	32.8	19.9
Special pension contribution	(3.3)	-
Employee trust shares	(2.7)	(9.8)
Other cash movements	(6.4)	(7.2)
<b>Cash inflow from operating activities of continuing operations</b>	<b>197.7</b>	<b>155.9</b>
Cash inflow from operating activities of discontinued operations	2.2	64.1
Income tax paid of continuing operations	(56.7)	(50.3)
Income tax paid of discontinued operations	(2.8)	(14.9)
<b>Cash inflow from operating activities</b>	<b>140.4</b>	<b>154.8</b>
Cash outflow from investing activities of continuing operations	(7.1)	(225.4)
Cash outflow from investing activities of discontinued operations	(12.3)	(56.0)
Cash (outflow)/inflow from financing activities of continuing operations	(116.1)	41.8
Cash (outflow)/inflow from financing activities of discontinued operations	(35.1)	11.9
Exchange gain/(loss) on cash and cash equivalents of continuing operations	2.1	(1.3)
Exchange gain on cash and cash equivalents of discontinued operations	0.3	0.4
<b>Decrease in cash and cash equivalents</b>	<b>(27.8)</b>	<b>(73.8)</b>
Cash and cash equivalents at start of year	64.5	138.3
<b>Increase/(decrease) in cash and cash equivalents of continuing operations</b>	<b>19.9</b>	<b>(79.3)</b>
(Decrease)/increase in cash and cash equivalents of discontinued operations	(47.7)	5.5
<b>Cash and cash equivalents at end of year</b>	<b>36.7</b>	<b>64.5</b>

### Cash and cash equivalents and net debt

	2005 £m	2004 £m
Cash at bank and in hand	48.4	78.4
Short term deposits repayable on demand	-	8.8
Bank overdrafts	(17.0)	(43.2)
Cash	31.4	44.0
Short term deposits repayable in less than 3 months	5.3	20.5
<b>Cash and cash equivalents</b>	<b>36.7</b>	<b>64.5</b>
Current liabilities – interest bearing loans and borrowings	(52.5)	(179.5)
Non-current liabilities – interest bearing loans and borrowings	(339.7)	(290.2)
<b>Net debt</b>	<b>(355.5)</b>	<b>(405.2)</b>

	Revenue	
	2005 £m	2004 £m
North America	1,665.2	1,412.9
UK & Ireland	664.2	638.9
Continental Europe	490.0	308.3
Australasia	105.0	78.4
	<b>2,924.4</b>	<b>2,438.5</b>
	Operating profit*	
	2005 £m	2004 £m
North America	116.0	105.1
UK & Ireland	56.1	51.2
Continental Europe	37.9	20.1
Australasia	8.4	6.4
Corporate	(15.0)	(13.9)
	<b>203.4</b>	<b>168.9</b>

\*Before intangible amortisation.

# Summary Financial Statement *continued*

## Notes

### 1 Income tax for continuing operations

A taxation charge of 32.0% (2004: 33.3%) has been provided on the profit on underlying operations excluding the impact of intangible amortisation of £15.9m (2004: £7.8m) and related deferred tax of £4.9m (2004: £2.8m). Including the impact of intangible amortisation and related deferred tax the overall tax rate is 32.1% (2004: 33.2%). The taxation charge of 32.0% is higher than the nominal UK rate of 30.0% principally because most of the Group's operations are in countries with higher tax rates.

### 2 Dividends

	Per share		2005 £m	2004 £m
	2005	2004		
2003 final		8.25p		37.0
2004 interim		4.15p		18.5
2004 final	<b>9.15p</b>		<b>39.3</b>	
2005 interim	<b>4.9p</b>		<b>16.5</b>	
	<b>14.05p</b>	12.4p	<b>55.8</b>	55.5

The 2005 final dividend of 10.8p will be paid on 3 July 2006 to shareholders on the register on 5 May 2006.

Total dividends by the year to which they relate are:

	Per share	
	2005	2004
Interim	<b>4.9p</b>	4.15p
Final	<b>10.8p</b>	9.15p
	<b>15.7p</b>	13.3p

### 3 Earnings per share

	2005 £m	2004 £m
<b>Continuing operations</b>		
Profit for the year attributable to the Company	120.0	105.7
Adjustment	11.0	5.0
Adjusted profit	131.0	110.7
Basic weighted average ordinary shares in issue (million) <sup>1</sup>	338.8	344.6
Dilutive effect of employee share plans (million) <sup>1</sup>	1.7	1.3
Diluted weighted average ordinary shares (million) <sup>1</sup>	340.5	345.9
<b>Continuing operations</b>		
Basic earnings per share	<b>35.4p</b>	30.7p
Adjustment	<b>3.3p</b>	1.4p
Adjusted earnings per share*	<b>38.7p</b>	32.1p
Diluted basic earnings per share	<b>35.2p</b>	30.5p

<sup>1</sup>The weighted average number of shares has been adjusted for the share consolidation on 6 June 2005, as approved by shareholders at an Extraordinary General Meeting on 2 June 2005, when the ordinary shares of 25p were consolidated on a seven for nine basis into ordinary shares of 32½p. Figures for the prior year have been restated accordingly.

\*Adjusted earnings per share excludes the charge for intangible amortisation and the related deferred tax. This adjustment removes a non-cash charge which is not used by management to assess the underlying performance of the businesses.

# Statement of the Independent Auditors to the Members of Bunzl plc

pursuant to Section 251 of the Companies Act 1985

We have examined the Summary Financial Statement on pages 22 to 26.

This statement is made solely to the Company's members, as a body, in accordance with Section 251 of the Companies Act 1985. Our work has been undertaken so that we might state to the Company's members those matters we are required to state to them in such a statement and for no other purpose. To the fullest extent permitted by the law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our work, for this statement or for the opinions we have formed.

## Respective responsibilities of directors and auditors

The directors are responsible for preparing the Summary Financial Statement in accordance with applicable law and International Financial Reporting Standards as adopted by the EU. Our responsibility is to report to you our opinion on the consistency of the Summary Financial Statement within the Annual Review and Summary Financial Statement with the full financial statements, the Directors' Report and the Directors' Remuneration Report, and its compliance with the relevant requirements of Section 251 of the Companies Act 1985, Article 4 of the IAS Regulation and the regulations made thereunder. We also read the other information contained in the Annual Review and Summary Financial Statement and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Summary Financial Statement. Our responsibilities do not extend to any other information.

## Basis of opinion

We conducted our work in accordance with Bulletin 1999/6, 'The Auditors' Statement on the Summary Financial Statement' issued by the Auditing Practices Board for use in the United Kingdom. Our report on the Group's full financial statements describes the basis of our audit opinion on those financial statements.

## Opinion

In our opinion the Summary Financial Statement is consistent with the full financial statements, the Directors' Report and the Directors' Remuneration Report of Bunzl plc for the year ended 31 December 2005 and complies with the applicable requirements of Section 251 of the Companies Act 1985 and the regulations made thereunder.

## KPMG Audit Plc

Chartered Accountants  
Registered Auditor  
London  
27 February 2006

The auditors have issued an unqualified report on the full financial statements containing no statement under Sections 237(2) or 237(3) of the Companies Act 1985.

# Shareholder Information

<b>Financial calendar</b>	<b>2006</b>
Annual General Meeting	17 May
Results for the half year to 30 June 2006	29 August
	<b>2007</b>
Results for the year to 31 December 2006	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

As at 31 December 2005 the Company had 5,691 (2004: 6,362) shareholders who held 346.6 million (2004: 350.0 million) ordinary shares between them, analysed as follows:

Size of holding	Number of shareholders	% of issued share capital
0 – 10,000	5,108	2
10,001 – 100,000	323	3
100,001 – 500,000	162	11
500,001 – 1,000,000	47	10
1,000,001 and over	51	74
	5,691	100

## Share consolidation

Following the approval of shareholders at an Extraordinary General Meeting on 2 June 2005, the Bunzl plc ordinary shares of 25p were consolidated on 6 June 2005 on a seven for nine basis into ordinary shares of 32½p. Immediately following the demerger the Filtrona plc ordinary shares of 62½p were consolidated on 6 June 2005 on a one for two basis into ordinary shares of 125p.

## Capital gains tax base cost allocation

As a result of the demerger of Filtrona, the aggregate base cost for the purposes of chargeable gains of the Bunzl plc ordinary shares and the Filtrona plc ordinary shares immediately after the demerger and the share consolidations should be the same as the base cost of the Bunzl plc shares immediately before the demerger. The base cost should be apportioned between the Bunzl and Filtrona ordinary shares by reference to their respective market values on the first day on which prices were quoted or published for such shares. Using the accepted formula for this purpose in the UK, the market value of Bunzl plc shares on 6 June 2005 was 532.75p and the value of Filtrona plc shares was 231.875p. The base cost of the new Bunzl plc shares should be 78.14% of the aggregate base cost with the remaining 21.86% of the aggregate base cost being allocated to the Filtrona plc shares. Further information is available on the Company's website, [www.bunzl.com](http://www.bunzl.com), in the investor relations section. If you are in any doubt about the allocation of the base cost between the shares of the two companies you should consult your tax adviser.

## Registered office

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Registered in England No 358948

## Secretary

P N Hussey

## Registrar

Computershare Investor Services PLC  
PO Box 82  
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Bristol BS99 7NH  
Telephone 0870 702 0001  
Fax 0870 703 6116  
Website [www.computershare.com](http://www.computershare.com)

## Auditors

KPMG Audit Plc

## Stockbrokers

JPMorgan Cazenove  
Citigroup

The Annual Review and Summary Financial Statement is only a summary of information in the Company's annual accounts, the Directors' Report and the Directors' Remuneration Report and does not contain sufficient information to allow as full an understanding of the results of the Group and state of affairs of the Company or the Group and of their policies and arrangements concerning directors' remuneration as would be provided by the full annual accounts and reports. For further information the Directors' Report and Accounts (which includes the full Directors' Report and Directors' Remuneration Report) should be consulted. Copies of the Directors' Report and Accounts may be obtained, free of charge, from the Company Secretary, Bunzl plc, 110 Park Street, London W1K 6NX or from the Company's website [www.bunzl.com](http://www.bunzl.com). Shareholders may elect in writing to receive the Directors' Report and Accounts in addition to the Annual Review and Summary Financial Statement for all future years. The full accounts for 2004 have been filed at Companies House and the full accounts for 2005 will be filed after they have been approved at the Annual General Meeting.



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