



Bunzl delivers





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

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Directors' Report

The directors have pleasure in submitting their annual report and the audited financial statements of the Company and its subsidiary undertakings for the year ended 31 December 2005.

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. The Chairman's Statement, the Chief Executive's Review and the Financial Review on pages 2 to 15 and 18 and 19 of the Annual Review and Summary Financial Statement give details of the Group's activities, developments and performance for the year and an indication of likely future developments.

Results

A summary of the Group's results is set out on page 1 of the Annual Review and Summary Financial Statement. Note 3 to the financial statements sets out a segment analysis of operating results. A financial review of the year is set out on pages 18 and 19 of the Annual Review and Summary Financial Statement.

Going concern

The directors, having made appropriate enquiries, consider 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.

Dividends

An interim dividend of 4.9p was paid in respect of the year and the directors recommend a final dividend of 10.8p per share, making a total for the year of 15.7p (2004: 13.3p). Dividend details are given in Note 18 to the financial statements. Subject to confirmation by the shareholders at the Annual General Meeting on 17 May 2006, the final dividend will be paid on 3 July 2006 to those shareholders on the register at the close of business on 5 May 2006.

Share capital

Details of the Company's share capital, including shares issued during the year and the share consolidation which took place on 6 June 2005, are set out in Note 17 to the financial statements.

Purchase of own shares

During 2004 the Company purchased 13,035,000 of its own shares into treasury pursuant to the shareholders' authority granted at the 2004 Annual General Meeting. These treasury shares were cancelled on 11 May 2005. As at 27 February 2006 the Company had not purchased any of its own shares pursuant to the existing authority which is due to expire at the conclusion of the forthcoming Annual General Meeting. The directors again propose to seek a similar authority this year.

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 of the Annual Review and Summary Financial Statement. 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. 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. Information relating to the

directors' 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 44 to 51.

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 Company's Articles of Association 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.

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. 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.

Substantial shareholdings

As at 27 February 2006 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. The notifications listed below are those which have been most recently received for the named shareholders.

Shareholder	Date of notification	% of issued share capital
FMR Corp and Fidelity International Ltd	09.02.06	5.88
Legal & General Investment Management Ltd	21.07.05	3.99
Lloyds TSB Group Plc	28.01.05	3.01

Creditor payment policy

Group operating companies are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted. It is Group policy that suppliers are made aware of these terms and that payments to suppliers are made in accordance with them, provided that suppliers also comply with all relevant terms and conditions. The number of days billings from the Company's suppliers outstanding at the end of the financial year was 30 (2004: 31).

Donations

During 2005, amongst other worldwide charitable donations, the Group contributed £201,000 to UK charities (2004: £200,000). No contributions were made for political purposes.

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 forthcoming 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

Corporate Governance

The Company is committed to high standards of corporate governance. This statement describes how the principles of corporate governance set out in the revised Combined Code issued by the Financial Reporting Council in July 2003 ('the Code') have been applied by the Company during the year ended 31 December 2005. 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 Code. 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 Board

The Board currently comprises a Chairman, a Chief Executive, two other executives and four non-executive directors who have wide experience and are considered by both the Board and the criteria set out in the Code to be independent. One of these, Mr J F Harris, has been designated as the senior independent director. None of the Company's non-executive directors had any previous connection with the Company or its executive directors on appointment to the Board. Brief biographical details of the directors are given on page 17 of the Annual Review and Summary Financial Statement. Information relating to the conduct of Board meetings and the procedures implemented to ensure that the Board retains overall control and accountability for all strategic, financial, operational and compliance issues are set out in the internal control section below and in the Financial Review on pages 18 and 19 of the Annual Review and Summary Financial Statement. The Board has Audit, Remuneration and Nomination Committees which comply with the provisions of the Code. 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 has instigated a formal performance evaluation process for the Board, its Committees and individual directors overseen by the Deputy Chairman, Mr A P Dyer, until his retirement on 31 December 2005. This includes completion of self-assessment forms by, and individual discussions with, each director. This process was carried out satisfactorily during the year. In future the performance evaluation will be overseen by the Chairman, Mr A J Habgood. The Chairman periodically holds meetings with the non-executive directors without the executive directors present. Led by Mr J F Harris, the senior independent director, the non-executive directors also meet without the Chairman present at least annually to appraise the Chairman's performance.

Detailed information concerning directors' remuneration is given in the Directors' Remuneration Report on pages 44 to 51.

Audit Committee

The Audit Committee comprises all of the independent non-executive directors and is chaired by Mr J F Harris who is considered by the Board to have recent and relevant financial experience. It receives and considers reports from the external auditors and the internal audit function, monitors the integrity of the financial statements and any formal announcements relating to the Company's financial performance and also reviews the Company's internal controls. During the year the Committee reviewed the effectiveness of both the external auditors and the internal audit function following completion of detailed questionnaires by both the Board and senior management within the Company. The

Committee also has responsibility for making recommendations to the Board concerning the appointment of the external auditors and for approving the remuneration and terms of engagement of the auditors. The Committee reviews and approves the level and type of non-audit work which the external auditors perform, including the fees paid for such work, thus ensuring that their objectivity and independence is not compromised. Such non-audit work principally comprises further assurance services relating to due diligence and other duties carried out in respect of acquisitions and disposals of businesses and tax services. The Committee believes that given their detailed knowledge of the Group's operations, its structure and accounting policies and the importance of carrying out detailed due diligence as part of the acquisition process, it is appropriate for this additional work to be carried out by the Company's auditors rather than another firm of accountants. The Committee's terms of reference 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 Mr C A Banks. 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 44 to 51. The terms of reference of the Committee are available on the Company's website.

Nomination Committee

The Nomination Committee comprises Mr A J Habgood, who chairs the Committee, and two independent non-executive directors, Mr J F Harris and Mr C A Banks. The Committee meets as necessary to enable it to make recommendations to the Board on new appointments of executive and non-executive directors. An external search consultancy is retained by the Company to assess potential candidates to be considered as prospective non-executive directors and, when appropriate, executive directors. Candidates are then interviewed by members of the Committee before an appropriate recommendation is made to the Board. On joining the Board, new directors are given an induction into the business of the Company and training as necessary. Mr J F Harris chaired the Committee when considering the Chief Executive appointment. The terms of reference of the Committee are set out on the Company's website.

Meetings attendance

The following table shows the attendance of directors in 2005:

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings	8	3	6	7
A J Habgood	8			7
M J Roney ¹	7	3	5	
A P Dyer	7			
J F Harris	8	3	6	7
D M Williams	8			
C A Banks	8	3	6	7
U Wolters	7	2	6	
P L Larmon	7			
P Heiden ²	3	1	2	
C P Sander ³	4			
M J Harper ⁴	4			

¹ Mr M J Roney was appointed Chief Executive on 1 November 2005 having attended all of the Audit and Remuneration Committee meetings held between 1 January 2005 and that date.

² Mr P Heiden resigned from the Board on 6 June 2005 following the demerger of Filtrona having attended all but one of the Board and Remuneration Committee meetings and all of the Audit Committee meetings held between 1 January 2005 and that date.

³ Mr C P Sander resigned from the Board on 13 July 2005 having attended all of the Board meetings held between 1 January 2005 and that date.

⁴ Mr M J Harper resigned from the Board on 6 June 2005 following the demerger of Filtrona having attended all of the Board meetings held between 1 January 2005 and that date.

Relations with shareholders

The Company reports formally to shareholders twice a year with the interim results announced normally at the end of August and the preliminary results announced normally at the end of February. 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 interim and preliminary results. The Chairman and the senior independent director and the other non-executive directors are available to meet with major shareholders on request and the Chairman will at such meetings engage in discussions relating to matters of governance and strategy as appropriate. 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. The level of proxy votes cast and the balance for and against each resolution, together with the level of abstentions, if any, are announced to the meeting following a vote by a show of hands. The Board periodically reviews and discusses analysts' and brokers' reports and surveys of shareholder opinions conducted by the Company's own brokers.

Internal control

The directors acknowledge that they have overall responsibility for the Group's system of internal control and for reviewing its effectiveness. 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 the Turnbull guidance the Company has established the procedures necessary to ensure that there is an ongoing process for identifying, evaluating and managing significant risks to the Group. The Board confirms that such procedures have been in place for the year ended 31 December 2005 and up to the date of approval of these financial statements and have been reviewed during the year.

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. These include the approval of the annual and interim results of the Company, the Company's strategic plans, annual budget, larger capital expenditure and acquisition/divestment proposals, material increases to borrowing and loan facilities, treasury policies and the terms of reference for the Board Committees. This ensures that the directors maintain overall control over all significant strategic, financial, operational and compliance issues. The Board has delegated to management the responsibility for establishing 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 whistleblowing procedure) based on honesty, integrity and fair dealing;

- a well-established consolidation and reporting system for the statutory accounts and monthly management accounts; and
- a detailed procedures manual covering treasury operations.

Some of the procedures carried out in order to monitor the effectiveness of the internal control system 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;
- an Executive Committee, consisting of the Chief Executive and the Finance Director and other functional managers, meets twice per month and reviews the outcome of the discussions held at business area meetings on internal control issues;
- the Board in turn reviews the outcome of the Executive Committee discussions on internal control issues which ensures a documented and auditable trail of accountability;
- both 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;
- 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;
- the external auditors are engaged to express an opinion on the financial statements. They review and test the system of internal financial control and the data contained in the financial statements to the extent necessary for expressing their audit opinion on the truth and fairness of the financial statements;
- every six months the Audit Committee, which is chaired by Mr J F Harris, the senior independent non-executive director, reviews the findings of the external and internal auditors and approves the future work plans of the internal audit function;
- regular meetings are held with insurance and risk advisers to assess the risks throughout the Group;
- the Group Environment, Health and Safety Committee 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 in operation during 2005.

Consolidated Income Statement

for the year ended 31 December 2005

	Notes	2005 £m	2004 £m
Continuing operations			
Revenue			
Existing businesses		2,808.3	2,438.5
Acquisitions		116.1	
	3	2,924.4	2,438.5
Operating profit before intangible amortisation			
Existing businesses		199.0	168.9
Acquisitions		4.4	
Operating profit before intangible amortisation	3	203.4	168.9
Intangible amortisation		(15.9)	(7.8)
Operating profit		187.5	161.1
Finance income	5	22.0	17.0
Finance cost	5	(32.8)	(19.9)
Profit before income tax		176.7	158.2
Profit before income tax and intangible amortisation		192.6	166.0
Income tax	6	(56.7)	(52.5)
Profit for the year		120.0	105.7
Discontinued operations			
Profit for the year	7	4.2	35.7
Total profit for the year		124.2	141.4
Attributable to:			
Equity holders of the Company		123.6	140.2
Minority interests		0.6	1.2
Total profit for the year		124.2	141.4
Earnings per share of the total profit for the year attributable to the Company's equity holders			
Basic		36.5p	40.7p
Diluted		36.3p	40.5p
Earnings per share of the profit for the year from continuing operations attributable to the Company's equity holders			
Basic	8	35.4p	30.7p
Diluted	8	35.2p	30.5p

The Accounting Policies and Notes on pages 8 to 35 form part of these financial statements.

Consolidated Statement of Recognised Income and Expense

for the year ended 31 December 2005

	Notes	2005 £m	2004 £m
Profit for the year		124.2	141.4
Actuarial loss on pension schemes	22	(27.3)	(13.3)
Deferred taxation on actuarial loss		8.4	4.0
Currency translation differences arising in year*		8.1	0.4
Movement of cash flow hedging reserve		1.6	
Net expense recognised directly in equity		(9.2)	(8.9)
Total recognised income for the year		115.0	132.5
Adoption of IAS 32 and IAS 39 ¹	2c	(1.3)	
		113.7	132.5
Attributable to:			
Equity holders of the Company		114.1	131.6
Minority interests		0.9	0.9
Total recognised income for the year		115.0	132.5

*Currency translation differences for 2005 of £8.1m are net of losses of £15.7m taken to equity as a result of designated effective net investment hedges.

¹IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement' were adopted by the Group on 1 January 2005 resulting in a cash flow hedging reserve of £(1.3)m being recognised in the opening balance sheet. As at 31 December 2005 the amount recognised in equity was £0.3m and the movement in the year was £1.6m.

Consolidated Balance Sheet

at 31 December 2005

	Notes	2005 £m	2004 £m
Assets			
Property, plant and equipment	9	69.8	218.4
Intangible assets	10	695.5	636.1
Derivative assets		4.8	
Deferred tax assets	16	22.2	14.8
Total non-current assets		792.3	869.3
Inventories	11	272.3	275.2
Income tax receivable		2.5	3.1
Trade and other receivables	12	470.7	465.4
Derivative assets		0.9	
Cash and cash equivalents		53.7	107.7
Total current assets		800.1	851.4
Total assets		1,592.4	1,720.7
Equity			
Share capital	17	111.4	112.5
Share premium	19	112.8	88.3
Merger reserve	19	2.5	–
Capital redemption reserve	19	8.6	5.3
Cash flow hedging reserve	19	0.3	
Translation reserve	19	8.5	0.7
Retained earnings	19	216.3	278.1
Total equity attributable to the Company's equity holders		460.4	484.9
Minority interests		–	3.9
Total equity		460.4	488.8
Liabilities			
Interest bearing loans and borrowings	26	339.7	290.2
Retirement benefit obligations	22	60.0	70.5
Other payables		1.5	7.6
Provisions	15	38.3	30.3
Deferred tax liabilities	16	79.3	79.8
Total non-current liabilities		518.8	478.4
Bank overdrafts	26	17.0	43.2
Interest bearing loans and borrowings	26	52.5	179.5
Income tax payable		40.8	54.4
Trade and other payables	13	497.6	469.3
Provisions	15	5.3	7.1
Total current liabilities		613.2	753.5
Total liabilities		1,132.0	1,231.9
Total equity and liabilities		1,592.4	1,720.7

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.

Consolidated Cash Flow Statement

for the year ended 31 December 2005

	Notes	2005 £m	2004 £m
Cash flow from operating activities of continuing operations			
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)
Cash inflow from operating activities of continuing operations		197.7	155.9
Cash inflow from operating activities of discontinued operations	7	2.2	64.1
Income tax paid of continuing operations		(56.7)	(50.3)
Income tax paid of discontinued operations	7	(2.8)	(14.9)
Cash inflow from operating activities		140.4	154.8
Investing activities of continuing operations			
Interest received		11.8	7.1
Purchase of property, plant and equipment		(11.4)	(11.4)
Sale of property, plant and equipment		0.8	3.2
Purchase of businesses		(124.4)	(234.2)
Disposal of businesses		–	8.0
Demerger of business		115.4	–
Other investment cash flows		0.7	1.9
Cash outflow from investing activities of continuing operations		(7.1)	(225.4)
Cash outflow from investing activities of discontinued operations	7	(12.3)	(56.0)
Cash outflow from investing activities		(19.4)	(281.4)
Financing activities of continuing operations			
Interest paid		(20.2)	(9.7)
Dividends paid		(57.8)	(54.4)
(Decrease)/increase in short term loans		(102.2)	135.2
Increase in long term loans		37.8	24.6
Decrease in finance leases		(0.3)	(0.2)
Shares issued for cash		26.6	4.9
Purchase of own shares		–	(58.6)
Cash (outflow)/inflow from financing activities of continuing operations		(116.1)	41.8
Cash (outflow)/inflow from financing activities of discontinued operations	7	(35.1)	11.9
Cash (outflow)/inflow from financing activities		(151.2)	53.7
Exchange gain/(loss) on cash and cash equivalents of continuing operations			
Exchange gain on cash and cash equivalents of discontinued operations	7	0.3	0.4
Net exchange gain/(loss) on cash and cash equivalents		2.4	(0.9)
Decrease in cash and cash equivalents		(27.8)	(73.8)
Cash and cash equivalents at start of year		64.5	138.3
Increase/(decrease) in cash and cash equivalents of continuing operations		19.9	(79.3)
(Decrease)/increase in cash and cash equivalents of discontinued operations	7	(47.7)	5.5
Cash and cash equivalents at end of year	26	36.7	64.5

1 Basis of preparation

The Group has adopted International Financial Reporting Standards ('IFRS') as adopted for use in the EU in its consolidated financial statements for accounting periods from 1 January 2005. The consolidated financial statements for the year ended 31 December 2005 have been prepared in accordance with all adopted IFRSs including the interpretations issued by the International Accounting Standards Board ('IASB'). These are the Group's first consolidated financial statements under IFRS and IFRS 1 'First-time Adoption of International Financial Reporting Standards' has been applied (see Note 30). The Company has elected to prepare its parent company financial statements in accordance with UK Generally Accepted Accounting Practices ('UK GAAP'). These are presented on pages 36 to 41.

In preparing the financial statements the Group has decided to adopt early the amendment issued in December 2004 to International Accounting Standard ('IAS') 19 'Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosure'.

With effect from 1 January 2005 the Group adopted IAS 39 'Financial Instruments: Recognition and Measurement'. The effect of adopting IAS 39 at 1 January 2005 is presented as a movement in the Group's consolidated statement of recognised income and expense for 2005.

The financial information for the year ended 31 December 2004 has been prepared on the same basis with the exception of IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 which have been applied from 1 January 2005. The comparative figures for financial assets and liabilities are accounted for under UK GAAP.

In general, as a first time adopter of IFRS, the Group has applied the standards retrospectively. However there are a number of exceptions available under IFRS 1 and details of these are set out in Note 30.

Some adjustments, none of which materially impact the previously published IFRS information, have been made to reflect reclassifications and interpretations of accounting standards.

2 Accounting policies

a Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the financial statements from the date that control commences until the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of the acquisition is measured as the fair value of the consideration plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the acquisition date. The excess of the cost of the acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill.

(ii) Transactions eliminated on consolidation

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

b Foreign currency

(i) Foreign currency transactions

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.

(ii) Financial statements of foreign operations

Assets and liabilities of foreign operations, including goodwill, intangibles and fair value adjustments arising on consolidation, are translated at the exchange rate prevailing at the balance sheet date. Income and expenses of foreign operations are translated at average exchange rates. Exchange differences arising on retranslation are recognised in the translation reserve.

(iii) Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations and related hedges are taken to the translation reserve and released to the income statement on disposal. In respect of all foreign operations, differences that have arisen since 1 January 2004, the date of transition to IFRS, are presented as a separate component of equity.

c Financial instruments

The financial statements for the year ended 31 December 2004 have been prepared using the accounting policies previously applied for financial instruments under UK GAAP as the Group has adopted the IFRS 1 exemption not to apply IAS 32 and IAS 39 to the comparative period. Under UK GAAP forward foreign exchange contracts hedging transaction exposures were revalued at year end exchange rates with net unrealised gains and losses being deferred to match the maturity of the underlying exposure. The accounting policies described below for financial instruments are applicable from 1 January 2005. The effect of adopting these standards was to recognise a net derivative liability of £1.3m in the opening balance sheet.

Under IAS 39, financial instruments are initially measured at fair value with subsequent measurement depending upon the classification of the instrument. Financial assets classified as 'available for sale' and financial assets or liabilities classified as 'at fair value through profit or loss' (including derivatives) are held at fair value. 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.

2 Accounting policies continued

c Financial instruments continued

(i) Fair value hedge

Where a derivative financial instrument is designated as a hedge of variability in fair value 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.

(ii) Cash flow hedge

Where derivatives that are designated and qualify as a hedge are used to hedge forecast transactions, any effective portion of the change in fair value is recognised in equity. The gain or loss relating to the 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 will affect profit.

(iii) Hedge of net investment in foreign operations

Gains or losses on instruments used to hedge net investment in foreign operations that are effective hedges are recognised in equity. Ineffective hedges or portions thereof 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. The revalued amounts of previously revalued properties were treated as deemed cost upon transition to IFRS.

e Depreciation

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

Buildings	2% or life of lease if shorter
Plant and machinery	10 – 20%
Fixtures, fittings and equipment	10 – 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 purchase method. As permitted by IFRS 1 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 that have occurred on or after 1 January 2004, goodwill represents the difference between the fair value of consideration given and the fair value of net identifiable assets. For acquisitions made before 1 January 2004, goodwill is included on the basis of deemed cost, which represents the amount previously recorded under UK GAAP. Goodwill is stated at cost less any impairment losses. Goodwill is allocated to cash generating units and is not amortised but tested annually for impairment. Negative goodwill arising on acquisition is recognised in the income statement.

(ii) Other intangible assets

Intangible assets acquired in a business combination are recognised on acquisition and recorded at fair value. To date these have principally been related to customer lists and relationships. Amortisation is charged to the income statement on a straight line basis over the estimated useful economic lives (15 to 18 years). Other intangible assets are stated at cost less accumulated amortisation and any impairment losses.

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 finance leases the accounting treatment of the land is considered separately from that of the buildings.

h Impairment

The carrying amounts of the Group's long term assets, other than inventory and deferred tax assets, are reviewed at each balance sheet date to determine if there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated. Impairment losses are recognised when the carrying amount of an asset or its cash generating unit exceeds its recoverable amount, with impairment losses being recognised in the income statement. For goodwill the recoverable amount is estimated at each balance sheet date. The recoverable amount is the greater of net selling price and value in use. In assessing value in use estimated future cash flows are discounted to present value using a pre-tax discount rate which reflects the current market assessment of the time value of money and the risks specific to the asset.

i Inventories

Inventories are valued at the lower of cost (on a first in, first out basis) and net realisable value.

j Cash and cash equivalents

Cash and cash equivalents comprise cash balances and fixed term investments with maturities of three months or less from the date of acquisition. In preparing the consolidated cash flow statement, cash and cash equivalents also comprise bank overdrafts.

k Trade and other receivables

Trade and other receivables are stated at cost less any impairment losses.

2 Accounting policies continued

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 certain temporary differences arising between tax bases and carrying amounts in the financial statements. 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. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

n Revenue

Revenue from the sale of goods is recognised in the income statement when significant risks and rewards of ownership have been transferred to the buyer. Revenue is not recognised if there is significant uncertainty regarding recovery of the consideration due, nor is it recognised if there is significant uncertainty concerning the return of goods.

o Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension schemes are charged as an expense to the income statement as incurred.

(ii) Defined benefit plans

IAS 19 has been applied to the Group's defined benefit schemes. Accordingly all actuarial gains and losses at 1 January 2004, the date of transition to IFRS, were recognised. Actuarial gains and losses arising on or after 1 January 2004 are recognised in full in the consolidated statement of recognised income and expense.

Pension liabilities are recognised in the consolidated balance sheet and represent the difference between the market 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 a rate of AA rated bonds that have a similar maturity to the scheme liabilities.

Current service cost, past service cost and gains and losses on any settlement and curtailments are charged to the income statement. The expected increase in the present value of scheme liabilities arising during the year is included within finance cost and the expected return generated during the year on scheme assets is included within finance income.

p Share based payments

The Group operates equity settled, share based compensation plans. The total expected expense based on the fair value at grant date of options and other share based incentives is calculated using a valuation model at the date of grant and spread over the expected vesting period. The corresponding credit entry is taken to equity. Details of these plans are outlined in the Directors' Remuneration Report on pages 44 to 51.

q 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 its obligation under the contract.

r Net debt

Net debt is defined as cash and cash equivalents, net of interest bearing loans and borrowings.

s Discontinued operations

Discontinued operations represent a component of the Group that has either been disposed of or is classified as held for sale in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. The profit or loss after tax of the discontinued component is disclosed as a single line on the income statement. The cash flows of the discontinued component are also disclosed as a single line in each of the categories in the cash flow statement.

Critical accounting policies

The following provides information on those policies that management considers critical because of the level of judgement and estimation involved which often involve assumptions regarding future events which can vary from what is anticipated. The directors believe that the financial statements reflect appropriate judgements and estimations and provide a true and fair view of the Group's performance and financial position.

a Pensions

The Group accounts for its defined benefit pension schemes in accordance with IAS 19 'Employee Benefits'. The application of IAS 19 requires the exercise of judgement in relation to the assumptions used (see Note 22) and for each assumption there is a range of possible outcomes. In consultation with the Group's actuaries management decides the point within those ranges that most appropriately reflects the Group's circumstances. Small changes to these assumptions can have a significant impact on valuations.

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. 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 not amortised but 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.

c Revenue recognition

Revenue represents sales to third parties for goods sold and are valued at invoiced amount, excluding sales taxes, less estimated provisions for returns and volume and early settlement discounts where relevant. Returns provisions are based on experience over an appropriate period whereas volume and early settlement discounts are based on agreements with customers.

d Acquisitions

Acquisitions are accounted for using the purchase method based upon 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 upon these fair values.

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

Management believes that estimates made in previous years have been accurate as any change made in the 12 month period following acquisition to finalise provisional fair value adjustments made in the year of acquisition have not been material.

3 Segment analysis

Year ended 31 December 2005	North America £m	UK & Ireland £m	Continental Europe £m	Australasia £m	Corporate £m	Total £m
Continuing operations						
Revenue	1,665.2	664.2	490.0	105.0		2,924.4
Operating profit/(loss) before intangible amortisation	116.0	56.1	37.9	8.4	(15.0)	203.4
Intangible amortisation	(2.4)	(0.3)	(12.6)	(0.6)	–	(15.9)
Operating profit/(loss)	113.6	55.8	25.3	7.8	(15.0)	187.5
Finance income						22.0
Finance cost						(32.8)
Profit before income tax						176.7
Profit before income tax and intangible amortisation						192.6
Income tax						(56.7)
Profit for the year						120.0
Capital expenditure	3.9	3.9	2.8	0.7	0.1	11.4
Depreciation	4.9	4.9	3.2	0.5	0.1	13.6
Assets	375.3	214.3	182.9	31.1	15.2	818.8
Liabilities	191.2	143.0	131.6	12.6	37.1	515.5
Year ended 31 December 2004						
Continuing operations						
Revenue	1,412.9	638.9	308.3	78.4		2,438.5
Operating profit/(loss) before intangible amortisation	105.1	51.2	20.1	6.4	(13.9)	168.9
Intangible amortisation	(0.4)	(0.2)	(7.1)	(0.1)	–	(7.8)
Operating profit/(loss)	104.7	51.0	13.0	6.3	(13.9)	161.1
Finance income						17.0
Finance cost						(19.9)
Profit before income tax						158.2
Profit before income tax and intangible amortisation						166.0
Income tax						(52.5)
Profit for the year						105.7
Capital expenditure	4.3	5.2	1.3	0.6	–	11.4
Depreciation	4.8	5.3	2.3	0.4	0.1	12.9
Assets	272.0	214.8	162.4	26.7	8.8	684.7
Liabilities	141.6	129.7	108.9	11.8	19.0	411.0

The directors consider the secondary segment as defined in IAS 14 'Segment Reporting' to relate to the Group's continuing operations. Accordingly the total amounts shown above relate to this reportable segment.

The revenue presented above relates to external customers having eliminated intra segment sales (which are immaterial).

4 Analysis of operating income and expenses

	2005 £m	2004 £m
Changes in inventories of finished goods and work-in-progress	(103.6)	(53.9)
Purchase of goods	2,296.9	1,880.3
Employee costs (see Note 23)	296.9	250.8
Depreciation and other amounts written off property, plant and equipment and intangible fixed assets	29.5	20.7
Other operating expenses	217.2	179.5
Net operating expenses	2,736.9	2,277.4
Hire of plant and machinery – rentals payable under operating leases	15.2	13.7
	2005 £m	2004 £m
Remuneration of the Group's principal auditors for statutory reporting	1.5	1.9

	2005			2004		
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
Analysis of non-audit fees						
Audit services						
Statutory audit related	0.3	–	0.3	0.2	–	0.2
Further assurance services						
Advice on accounting matters	0.1	–	0.1	0.2	–	0.2
Due diligence	0.3	0.4	0.7	0.6	0.5	1.1
Tax services						
Advisory	0.1	0.3	0.4	0.7	0.3	1.0
Compliance	–	0.2	0.2	–	0.2	0.2
Services related to demerger	4.3	–	4.3	–	–	–
	5.1	0.9	6.0	1.7	1.0	2.7

Statutory audit related services include the work on the Form 20-F US filing and the Interim Report of the Group. The fees for further assurance services principally related to due diligence and other duties carried out in respect of the acquisition of businesses. The Group believes that, given their detailed knowledge of the Group's operations, its structure and accounting policies and the importance of carrying out detailed due diligence as part of the acquisition process, it is appropriate for this additional work to be carried out by the Group's auditors rather than another firm of accountants.

The Audit Committee, which consists entirely of independent non-executive directors, reviews and approves the level and type of non-audit work which the auditors perform, including the fees paid for such work, to ensure that the auditors' objectivity and independence is not compromised.

5 Finance income/(cost)

	2005 £m	2004 £m
Deposits	11.8	8.2
Expected return on pension scheme assets	10.2	8.8
Finance income	22.0	17.0
Loans and overdrafts	(22.5)	(10.4)
Interest charge on pension scheme liabilities	(10.3)	(9.5)
Finance cost	(32.8)	(19.9)

6 Income 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 £15.9m (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 rate is 32.1% (2004: 33.2%).

	2005 £m	2004 £m
Current tax on profit from continuing operations		
current year	67.3	129.3
prior years	(4.0)	(3.5)
double tax relief	(4.3)	(74.2)
	59.0	51.6
Deferred tax on profit from continuing operations – current year	(2.3)	0.9
Income tax on profit from continuing operations	56.7	52.5
Current tax on profit from discontinued operations		
current year	7.2	19.1
prior years	(4.4)	(1.0)
double tax relief	–	(0.6)
	2.8	17.5
Deferred tax on profit from discontinued operations – current year	(0.3)	(1.3)
Income tax on profit from discontinued operations	2.5	16.2
	2005	2004
Taxation credited to equity	£m	£m
Current tax credit on exchange movements offset in reserves	(5.5)	(0.1)
Deferred tax credit on share option charge and pension liability	(10.0)	(4.2)

Factors affecting taxation charge for the year

The Group operates across the world and is subject to income tax in many different jurisdictions. The Group calculates its average expected tax rate as a weighted average of the national tax rates in the tax jurisdictions in which the Group operates. The differences are as follows:

	2005 £m	2004 £m
Profit before income tax	176.7	158.2
Taxation charge at weighted average	57.6	53.9
Effects of:		
overseas state and local taxes	2.2	1.7
adjustment to taxation charge in respect of prior years	(4.2)	(2.4)
permanent differences	1.8	(0.6)
(utilisation of)/unrelieved tax losses	(0.3)	0.7
other items	(0.4)	(0.8)
Income tax on profit from continuing operations	56.7	52.5
	2005	2004
Deferred tax in the income statement	£m	£m
Accelerated capital allowances	(0.1)	0.2
Pension liabilities	3.3	2.8
Intangible assets	(4.9)	(2.8)
Revalued properties	(0.1)	(0.6)
Other	(0.5)	1.3
Deferred tax on profit from continuing operations	(2.3)	0.9

7 Discontinued operations

Following the demerger of Filtrona on 6 June 2005, this business has been presented as 'discontinued operations' in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. There is no impact on the prior period financial statements other than a change in the presentation of Filtrona's results and cash flows as discontinued operations.

Income statement

	2005*	2004
	£m	£m
Revenue	209.9	477.5
Operating profit before intangible amortisation and demerger costs	25.8	54.5
Intangible amortisation	(0.4)	(0.7)
Demerger costs	(17.3)	-
Operating profit	8.1	53.8
Finance income	3.4	8.0
Finance cost	(4.8)	(9.9)
Profit before income tax	6.7	51.9
Income tax	(2.5)	(16.2)
Profit for the year	4.2	35.7

*Represents the five months trading under the Company's ownership.

Profit from discontinued operations for the period to 6 June 2005 of £4.2m (year ended 31 December 2004: £35.7m) comprised North America £8.2m (2004: £14.6m), UK & Ireland £2.2m (2004: £7.9m), Continental Europe £4.1m (2004: £3.2m) and rest of the world £4.9m (2004: £10.0m). In the period to 6 June 2005, £15.2m (net of tax) of demerger costs were also incurred.

Cash flow statement

	2005	2004
	£m	£m
Profit before income tax	6.7	51.9
Adjustments for non-cash items:		
depreciation	8.9	20.1
intangible amortisation	0.4	0.7
share option charge	0.5	1.1
other	(0.5)	4.8
Working capital movement	(11.7)	(14.2)
Finance income	(3.4)	(8.0)
Finance cost	4.8	9.9
Special pension contribution	(1.5)	-
Other cash movements	(2.0)	(2.2)
Cash inflow from operating activities	2.2	64.1
Income tax paid	(2.8)	(14.9)
Net cash (outflow)/inflow from operating activities	(0.6)	49.2
Net cash outflow from investing activities	(12.3)	(56.0)
Net cash (outflow)/inflow from financing activities	(35.1)	11.9
Exchange gain on cash and cash equivalents	0.3	0.4
Net (decrease)/increase in cash and cash equivalents	(47.7)	5.5

The cash flow presented for discontinued operations includes demerger costs of £17.3m.

The net assets of Filtrona that were demerged were £122.4m. As the divestment was accounted for as a demerger in the form of a dividend in specie, there was no gain or loss recognised in the income statement.

8 Earnings per share

	2005 £m	2004 £m
Continuing operations		
Profit for the year attributable to the Company	120.0	105.7
Adjustment	11.0	5.0
Adjusted profit	131.0	110.7
Discontinued operations		
Profit for the year attributable to discontinued operations (net of minority interests)	3.6	34.5
Basic weighted average ordinary shares in issue (million) [†]	338.8	344.6
Dilutive effect of employee share plans (million) [†]	1.7	1.3
Diluted weighted average ordinary shares (million) [†]	340.5	345.9
Continuing operations		
Basic earnings per share	35.4p	30.7p
Adjustment	3.3p	1.4p
Adjusted earnings per share*	38.7p	32.1p
Diluted basic earnings per share	35.2p	30.5p
Discontinued operations		
Basic earnings per share	1.1p	10.0p
Diluted basic earnings per share	1.1p	10.0p

[†]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.

9 Property, plant and equipment

	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	2005 Total £m
Cost				
Beginning of year	83.3	271.7	87.1	442.1
Acquisitions	3.2	0.2	2.0	5.4
Additions	1.1	15.9	6.5	23.5
Disposals	(1.3)	(3.3)	(2.5)	(7.1)
Demerger of business	(40.5)	(246.2)	(45.2)	(331.9)
Currency translation	3.1	10.0	3.7	16.8
End of year	48.9	48.3	51.6	148.8
Depreciation				
Beginning of year	17.9	156.5	49.3	223.7
Charge in year	2.3	13.6	6.6	22.5
Disposals	(1.2)	(2.5)	(2.5)	(6.2)
Demerger of business	(7.7)	(142.6)	(19.3)	(169.6)
Currency translation	0.8	4.1	3.7	8.6
End of year	12.1	29.1	37.8	79.0
Net book value at 31 December 2005	36.8	19.2	13.8	69.8

9 Property, plant and equipment continued

	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	2004 Total £m
Cost				
Beginning of year	75.3	256.9	80.1	412.3
Acquisitions	10.9	7.5	1.7	20.1
Additions	4.1	28.7	13.4	46.2
Disposals	(3.6)	(12.3)	(6.0)	(21.9)
Currency translation	(3.4)	(9.1)	(2.1)	(14.6)
End of year	83.3	271.7	87.1	442.1
Depreciation				
Beginning of year	16.2	151.7	47.9	215.8
Charge in year	3.2	21.2	8.6	33.0
Disposals	(0.7)	(11.5)	(5.8)	(18.0)
Currency translation	(0.8)	(4.9)	(1.4)	(7.1)
End of year	17.9	156.5	49.3	223.7
Net book value at 31 December 2004	65.4	115.2	37.8	218.4
Net book value at 1 January 2004	59.1	105.2	32.2	196.5

The net book value of property, plant and equipment includes assets held under finance leases and hire purchase contracts totalling £5.9m (2004: £6.2m). Accumulated depreciation of these assets amounts to £0.9m (2004: £0.8m). Future capital expenditure at 31 December 2005 consisted of commitments not provided for of £0.8m (2004: £0.3m).

10 Intangible assets

	2005 £m	2004 £m
Goodwill		
Net book value		
Beginning of year	407.8	290.9
Additions	41.8	118.7
Demerger of business	(37.2)	–
Currency translation	8.7	(1.8)
End of year	421.1	407.8
Customer lists		
Cost		
Beginning of year	236.9	–
Additions	82.8	230.8
Demerger of business	(21.1)	–
Currency translation	(0.5)	6.1
End of year	298.1	236.9
Amortisation		
Beginning of year	8.6	–
Charge in year	16.3	8.5
Demerger of business	(0.9)	–
Currency translation	(0.3)	0.1
End of year	23.7	8.6
Net book value at 31 December	274.4	228.3
Total net book value of intangible assets at 31 December	695.5	636.1

Both goodwill and customer lists have been acquired as part of business combinations. Customer lists are amortised over their estimated useful lives which range from 15 to 18 years.

11 Inventories

	2005 £m	2004 £m
Raw materials and consumables	–	22.1
Work-in-progress	–	3.1
Finished goods and goods for resale	272.3	250.0
	272.3	275.2

£7.4m was written off inventory balances during the year (2004: £1.3m). The inventory provision at 31 December 2005 was £21.7m (2004: £25.9m).

12 Trade and other receivables

	2005 £m	2004 £m
Trade receivables	370.4	374.4
Other receivables	77.4	60.9
Prepayments and accrued income	22.9	30.1
	470.7	465.4

£3.2m was written off in respect of doubtful trade receivables during the year (2004: £2.6m). The provision for doubtful trade receivables at 31 December 2005 was £13.7m (2004: £13.5m).

13 Trade and other payables – current

	2005 £m	2004 £m
Trade payables	341.4	307.6
Dividends	16.5	18.5
Other taxation and social security contributions	11.1	12.6
Other payables	39.6	43.3
Accruals and deferred income	89.0	87.3
	497.6	469.3

14 Financial instruments

An explanation of the Group's treasury policies, controls and strategies is included in the Financial Review on pages 18 and 19 of the Annual Review and Summary Financial Statement. The financial statements for the year ended 31 December 2004 have been prepared using the accounting policies previously applied under UK GAAP for financial instruments as the Group has adopted the IFRS 1 exemption not to apply IAS 32 and IAS 39 to the comparative period.

The adoption of IAS 32 and IAS 39 had the following impact on the balance sheet at 1 January 2005:

	Non-current derivative assets £m	Current derivative assets £m	Current derivative liabilities £m	Non-current interest bearing loans and borrowings £m	Current interest bearing loans and borrowings £m	Equity £m
At 31 December 2004 under IFRS – excluding IAS 32 and IAS 39	–	–	–	290.2	179.5	488.8
IAS 32 and IAS 39 fair value adjustments						
US dollar bond – hedged portion	–	–	–	8.3	0.4	(8.7)
Interest rate swaps	8.3	0.4	–	–	–	8.7
Foreign exchange contracts – cash flow hedge	–	–	1.3	–	–	(1.3)
At 1 January 2005 under IFRS – including IAS 32 and IAS 39	8.3	0.4	1.3	298.5	179.9	487.5

14 Financial instruments continued

Fair value of financial assets and liabilities

	Book value 2005 £m	Fair value 2005 £m	Book value 2004 £m	Fair value 2004 £m
Primary financial instruments:				
US dollar bond	136.0	136.7	117.2	126.7
Loans	246.0	246.0	335.9	335.9
Interest rate swaps	(5.2)	(5.2)	–	(8.7)
Interest rate caps	(0.2)	(0.2)	–	–
Foreign exchange contracts – cash flow hedge	(0.3)	(0.3)	–	1.3
Foreign exchange contracts – net investment hedge	5.9	5.9	6.5	6.5
	382.2	382.9	459.6	461.7

Fair values of other financial assets and liabilities are approximately equal to book values. The unrealised gain on the interest rate derivatives at 31 December 2004 was £8.7m, of which £2.2m related to the year ended 31 December 2005 and £6.5m thereafter. Fair values have been calculated by discounting cash flows at the prevailing interest rates. Details of the US dollar bond and other bank facilities are explained in the Financial Review on page 19 of the Annual Review and Summary Financial Statement. The US dollar bond tranches comprise:

	Maturity date	Fixed interest rate	£m
Tranche 1	2006	6.36%	43.9
Tranche 2	2008	6.66%	60.7
Tranche 3	2011	7.10%	31.4
			136.0

Maturity of financial liabilities

The maturity of the Group's financial liabilities at 31 December was as follows:

	2005 £m	2004 £m
Within one year	69.5	222.7
After one year but within two years	1.0	71.4
After two years but within three years	60.7	48.4
After three years but within four years	–	117.6
After four years but within five years	246.6	26.5
After five years	31.4	26.3
	409.2	512.9

The loans are drawn for various periods at interest rates linked to LIBOR. 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. At 31 December 2005 there were no loans (2004: £0.5m) secured by either fixed or floating charges on various assets of the relevant companies.

The Group had available undrawn committed facilities at 31 December as follows:

	2005 £m	2004 £m
Expiring within one year	29.7	86.9
Expiring after one year but within two years	–	20.9
Expiring after two years	411.5	398.4
	441.2	506.2

Derivative financial instruments

The Group uses derivative financial instruments as part of its risk management strategies in relation to interest rate and foreign exchange risk as detailed below. All of these financial instruments are carried at fair value.

Interest rate risk

Interest rate swaps with a notional principal of £101.7m were outstanding at 31 December 2005 (2004: £91.1m). The interest rate swaps have swapped \$175m of the \$225m US dollar bond from fixed to floating rates. The interest rate is based on US dollar LIBOR repricing every three months.

Financial liabilities with a notional principal of £211.1m were capped at 31 December 2005 (2004: £178.2m). Interest rate caps manage the interest rate risk of floating rate liabilities. The interest rate is based on US dollar and euro LIBOR and the LIBOR fixings are every three months. Hedge accounting is not applied to interest rate caps under IAS 39.

14 Financial instruments continued

Hedge of net investment in foreign entity

The Group has dollar denominated borrowings which it has designated as a hedge of the net investment in its subsidiaries in the US. The book value of these dollar borrowings at 31 December 2005 was £136.0m (2004: £117.2m). The foreign exchange loss of £13.6m (2004: £8.5m gain) on translation of these borrowings into sterling has been recognised in a separate component of equity.

The Group also has foreign currency forward contracts which it has designated as a hedge of the net investments in its subsidiaries primarily relating to the euro. The fair value of these contracts at 31 December 2005 was a liability of £5.9m (2004: £6.5m).

Currency profile of financial assets and liabilities

In the following tables short term debtors and creditors are excluded from the 2004 comparatives as permitted by FRS 13 'Derivatives and Other Financial Instruments: Disclosures'.

The interest rate and currency profile of the Group's financial assets at 31 December was:

Currency	Floating rate 2005 £m	Monetary working capital* 2005 £m	Total 2005 £m	Floating rate and total 2004 £m
Sterling	15.1	122.4	137.5	20.9
US dollar	24.4	174.9	199.3	38.4
Euro	10.1	104.2	114.3	35.9
Other	10.4	48.1	58.5	18.5
	60.0	449.6	509.6	113.7

After taking into account interest rate swaps and foreign exchange swaps, the interest rate and currency profile of the Group's financial liabilities at 31 December was:

Currency	Floating rate 2005 £m	Fixed rate 2005 £m	Monetary working capital* 2005 £m	Impact of foreign exchange swaps 2005 £m	Total 2005 £m	Floating rate 2004 £m	Fixed rate 2004 £m	Impact of foreign exchange swaps 2004 £m	Total 2004 £m
Sterling	262.2	-	160.9	(524.4)	(101.3)	261.9	-	(457.3)	(195.4)
US dollar	106.5	29.1	166.5	144.8	446.9	197.6	26.0	57.8	281.4
Euro	2.6	-	81.8	284.3	368.7	19.6	-	317.4	337.0
Other	2.9	-	47.8	101.2	151.9	1.3	-	88.6	89.9
	374.2	29.1	457.0	5.9	866.2	480.4	26.0	6.5	512.9

*Monetary working capital reflects financial amounts on which no interest is paid.

15 Provisions

	2005 £m	2004 £m
Current	5.3	7.1
Non-current	38.3	30.3
	43.6	37.4

15 Provisions continued

Movements	Legal and environmental			Legal and environmental		
	Properties 2005 £m	2005 £m	Total 2005 £m	Properties 2004 £m	2004 £m	Total 2004 £m
Beginning of year	14.8	22.6	37.4	14.6	10.2	24.8
Charge	6.7	–	6.7	0.1	1.4	1.5
Acquisitions	0.2	11.2	11.4	4.5	15.5	20.0
Demerger of business	(0.1)	(4.5)	(4.6)	–	–	–
Utilised	(5.6)	(1.4)	(7.0)	(4.4)	(4.9)	(9.3)
Currency translation	0.3	(0.6)	(0.3)	–	0.4	0.4
End of year	16.3	27.3	43.6	14.8	22.6	37.4

The properties provision includes vacant properties where amounts are held against onerous lease commitments, repairs and dilapidations. These provisions cover the length of the lease agreements which typically extend for one to 10 years.

The Group holds provisions for expected legal, environmental and other claims that it expects to incur within the next one to five years. These costs are based on detailed plans and other known factors and to take account of past experience based on similar items.

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

16 Deferred tax

	2005			2004		
	Asset £m	Liability £m	Net £m	Asset £m	Liability £m	Net £m
Accelerated capital allowances	1.2	(3.5)	(2.3)	1.7	(13.1)	(11.4)
Pension liabilities	18.7	–	18.7	21.5	–	21.5
Intangible assets	–	(82.4)	(82.4)	–	(75.5)	(75.5)
Revalued properties	–	(2.8)	(2.8)	–	(4.4)	(4.4)
Other	21.4	(9.7)	11.7	24.8	(20.0)	4.8
Deferred tax asset/(liability)	41.3	(98.4)	(57.1)	48.0	(113.0)	(65.0)
Set-off of tax	(19.1)	19.1	–	(33.2)	33.2	–
Net deferred tax asset/(liability)	22.2	(79.3)	(57.1)	14.8	(79.8)	(65.0)

Deferred tax has been accounted for in respect of future remittances of the accumulated reserves of overseas subsidiary undertakings only to the extent that such distributions are accrued as receivable. Deferred tax assets have only been recognised in respect of tax losses and other temporary differences giving rise to deferred tax assets because it is probable that these assets will be recovered. A deferred tax asset of £30.1m (2004: £33.9m) has not been recognised in respect of capital losses as the realisation of this deferred tax asset is not considered likely.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries as it is not expected that the distribution of overseas earnings will give rise to a tax liability.

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of the country of operation.

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

	2005 £m	2004 £m
Beginning of year	65.0	(1.3)
Acquisitions	12.7	71.8
Charge to income statement	(2.6)	(0.4)
Charge to equity	(10.0)	(4.2)
Demerger of business	(8.7)	–
Other	0.7	(0.9)
End of year	57.1	65.0

17 Share capital

	2005 £m	2004 £m
Authorised: 529 million ordinary shares of 32½p each (2004: 680 million ordinary shares of 25p each)	170.0	170.0
Issued and fully paid ordinary shares of 32½p each	111.4	112.5
Number of ordinary shares in issue and fully paid		
Beginning of year	349,966,186*	348,712,350*
Issued on option exercises		
1 January 2004 – 31 December 2004		1,253,836*
1 January 2005 – 5 June 2005	1,347,152*	
6 June 2005 – 31 December 2005	4,916,148	
Issued on acquisition of Sanicare Pty Ltd	492,966	–
Cancellation of own shares	(10,138,322)*	–
End of year	346,584,130	349,966,186

*The 2004 comparative information and 2005 prior to 6 June 2005 has been restated for the Bunzl plc share consolidation following the demerger of Filtrona on 6 June 2005 (using a ratio of seven new Bunzl shares of 32½p each for nine old Bunzl shares of 25p each).

Details of share options which have been granted and exercised and those which have lapsed during 2005 and those outstanding at 31 December 2005, in each case in respect of options and awards over new issue shares, under the Company's Sharesave Scheme (1991), Sharesave Scheme (2001), International Sharesave Plan, 1994 Executive Share Option Scheme and Long Term Incentive Plan Part A and Part B are set out in the following table:

	Options outstanding at 1.1.05		Grants/awards 2005		Exercises 2005		Lapses 2005		Options outstanding at 31.12.05		Options available to exercise at 31.12.05
	Number	Number	Price (p)	Number	Price (p)	Number	Number	Price (p)	Number	Number	
Sharesave Scheme (1991)	454,264			324,421	224-365	63,737	66,106	308-365		21,907	
Sharesave Scheme (2001)	2,689,263	288,178	437	744,732	296-389	736,615	1,496,094	296-437		10,817	
International Sharesave Plan	218,562			98,087	296-389	51,366	69,109	296-389		–	
1994 Executive Scheme	8,992,263			5,205,460	212-461	191,500	3,595,503	229-461		2,329,503	
LTIP Part A	1,429,000	82,500	568	275,500	428.75	56,500	1,179,500	428.75-568		83,500	
LTIP Part B	206,250						206,250	–		–	
	13,989,602	370,678		6,648,200		1,099,718	6,612,562			2,445,727	
									Weighted average fair value of options granted (£)	Weighted average remaining contractual life (years)	
Sharesave Scheme (2001)									1.61	3.75	
LTIP Part A									0.74	2.39	
LTIP Part B									3.57	2.39	

The outstanding options and awards are exercisable at various dates up to September 2015.

18 Dividends

	Per share		2005 £m	Total 2004 £m
	2005	2004		
2003 final		8.25p		37.0
2004 interim		4.15p		18.5
2004 final	9.15p		39.3	
2005 interim	4.9p		16.5	
	14.05p	12.4p	55.8	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 for the year to which they relate are:

	Per share	
	2005	2004
Interim	4.9p	4.15p
Final	10.8p	9.15p
	15.7p	13.3p

19 Movement in reserves

	Share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Cash flow hedging reserve £m	Translation reserve £m	Retained earnings £m	Total equity £m	Minority interests £m	Total equity including minority interests £m
At 1 January 2005	112.5	88.3	–	5.3		0.7	278.1	484.9	3.9	488.8
Adoption of IAS 32 and 39 – cash flow hedging reserve					(1.3)			(1.3)		(1.3)
At 1 January 2005	112.5	88.3	–	5.3	(1.3)	0.7	278.1	483.6	3.9	487.5
Currency translation differences						7.8		7.8	0.3	8.1
Movement of cash flow hedging position					1.6			1.6		1.6
Actuarial loss on pension schemes							(27.3)	(27.3)		(27.3)
Deferred taxation on actuarial loss							8.4	8.4		8.4
Net profit for the year							123.6	123.6	0.6	124.2
Total recognised income and expenses for the year					1.6	7.8	104.7	114.1	0.9	115.0
2004 final dividend							(39.3)	(39.3)		(39.3)
2005 interim dividend							(16.5)	(16.5)		(16.5)
Issue of share capital	2.2	24.5	2.5					29.2		29.2
Cancellation of own shares	(3.3)			3.3						
Purchase of employee trust shares							(2.7)	(2.7)		(2.7)
Amortisation of employee trust shares							1.6	1.6		1.6
Share based payments							3.6	3.6		3.6
Tax on share based payments							4.4	4.4		4.4
Demerger of business*							(117.6)	(117.6)	(4.8)	(122.4)
At 31 December 2005	111.4	112.8	2.5	8.6	0.3	8.5	216.3	460.4	–	460.4
At 1 January 2004	112.1	83.8	–	5.3			266.9	468.1	3.0	471.1
Currency translation differences						0.7		0.7	(0.3)	0.4
Actuarial loss on pension schemes							(13.3)	(13.3)		(13.3)
Deferred taxation on actuarial loss							4.0	4.0		4.0
Net profit for the year							140.2	140.2	1.2	141.4
Total recognised income and expenses for the year						0.7	130.9	131.6	0.9	132.5
2003 final dividend							(37.0)	(37.0)		(37.0)
2004 interim dividend							(18.9)	(18.9)		(18.9)
Issue of share capital	0.4	4.5						4.9		4.9
Purchase of own shares							(58.6)	(58.6)		(58.6)
Purchase of employee trust shares							(9.8)	(9.8)		(9.8)
Amortisation of employee trust shares							0.8	0.8		0.8
Share based payments							3.9	3.9		3.9
Movement in pension asset revaluation							(0.1)	(0.1)		(0.1)
At 31 December 2004	112.5	88.3	–	5.3		0.7	278.1	484.9	3.9	488.8

*The demerger of business has been effected by a divestment in the form of a dividend in specie.

Within retained earnings 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, the Deferred Annual Share Bonus Scheme and the 1994 Executive Share Option Scheme. Details of such plans and schemes are set out in Note 24 and in the Directors' Remuneration Report on pages 44 to 51. The assets, liabilities and expenditure of the trust have been incorporated in the Group's financial statements. At 31 December 2005 the trust held 8,121,342 (2004: 6,951,506¹) shares, upon which dividends have been waived, with an aggregate nominal value of £2.6m (2004: £2.2m) and market value of £51.8m (2004: £39.7m).

¹Restated for the Bunzl plc share consolidation following the demerger of Filtrona on 6 June 2005 (using a ratio of seven new Bunzl shares of 32½p each for nine old Bunzl shares of 25p each).

20 Contingent liabilities

	2005 £m	2004 £m
Bank guarantees	0.2	1.4
Other items	0.7	1.7
	0.9	3.1

Other items principally comprise trade and other guarantees entered into in the normal course of business. Provision is made for any amounts that the directors consider may become payable under such arrangements.

21 Directors' ordinary share interests

	31.12.05	1.1.05*
The interests of the directors at 31 December in the share capital of the Company according to the register of directors' interests were:		
A J Habgood	123,577	248,577
M J Roney	13,888	3,888
D M Williams	98,104	97,199
J F Harris	2,625	2,544
C A Banks	3,888	3,888
U Wolters	5,000	2,333
P L Larmon	11,835	3,888
	258,917	362,317

*The comparative information has been restated for the share consolidation following the demerger of Filtrona (using a ratio of seven new Bunzl shares of 32½p for nine old Bunzl shares of 25p).

The share interests shown above include the non-beneficial interests of Mr A J Habgood in 16,644 ordinary shares and Mr D M Williams in 12,359 ordinary shares. Details of directors' options over ordinary shares and awards made under the Company's Long Term Incentive Plan and Deferred Annual Share Bonus Scheme are set out in the Directors' Remuneration Report on pages 44 to 51. Since 31 December 2005 Mr J F Harris and Mr P L Larmon have acquired interests in 19 and 71 ordinary shares respectively as a result of their electing to participate in the dividend reinvestment plan in respect of the interim dividend which was paid on 3 January 2006 and Mr P L Larmon has acquired an interest in 287 ordinary shares (in the form of 57.4 American Depository Receipts) pursuant to the Company's US Stock Purchase Plan and dividend reinvestment plan. No other changes to the directors' ordinary share interests shown in this Note and the Directors' Remuneration Report on pages 44 to 51 have taken place between 31 December 2005 and 27 February 2006.

22 Pensions

The Group accounts for pension costs in accordance with IAS 19. The Group operates both defined benefit and defined contribution pension schemes. The funds of the principal 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 carried out on the principal European defined benefit schemes in April 2003 and annual actuarial valuations are performed on the principal US defined benefit schemes. Contributions to all schemes are determined in line with actuarial advice, local conditions and practices. The most recent actuarial valuations have incorporated the requirements of IAS 19 in assessing scheme liabilities at 31 December 2005. Scheme assets for the purpose of IAS 19 are stated at their bid value.

The amounts included in the financial statements are as follows:

	2005 £m	2004 £m
Amounts charged to income statement – Group		
Defined contribution schemes	7.0	8.6
Defined benefit schemes – service cost	6.2	7.4
Total operating charge	13.2	16.0
Amounts included as other finance costs		
Expected return on pension scheme assets	(13.5)	(16.0)
Interest charge on pension scheme liabilities	13.5	16.6
Net financial return	–	0.6
Total charge	13.2	16.6

22 Pensions *continued*

	2005 £m	2004 £m
Amounts recognised in the statement of recognised income and expense		
Actual return less expected return on scheme assets	15.8	7.8
Experience gain/(loss) on scheme liabilities	0.4	(3.6)
Impact of changes in assumptions relating to the present value of scheme liabilities	(43.5)	(17.5)
Actuarial loss recognised in the statement of recognised income and expense	(27.3)	(13.3)

The cumulative amount of actuarial losses recognised in the statement of recognised income and expense at the end of the year was £40.6m (2004: £13.3m).

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

Europe	2005	2004
Longevity at age 65 for current pensioners (years)	18.5	17.5
Longevity at age 65 for future pensioners (years)	20.0	19.0

The mortality assumptions used by the actuaries for the US pension schemes have been taken from Group Annuity Mortality tables.

	Europe			US		
	2005	2004	2003	2005	2004	2003
Rate of increase in salaries	3.75%	3.75%	3.75%	4.0%	4.0%	5.0%
Rate of increase in pensions	2.75%	2.75%	2.75%	-	-	-
Discount rate	4.8%	5.3%	5.5%	5.75%	6.0%	6.25%
Inflation rate	2.75%	2.75%	2.75%	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 timescale covered, may not necessarily be borne out in practice.

The market value of the scheme assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the obligations, which are derived from cash flow projections over long periods and are therefore inherently uncertain, are:

	Europe*		US	Total
	Long term rate of return	Value £m	Value £m	Value £m
Equities	6.6%	91.3	29.7	121.0
Bonds	4.4%	44.9	12.0	56.9
Other	4.1%	0.8	0.3	1.1
Blended rate of return on assets	5.9%		8.5%	
Total market value		137.0	42.0	179.0
Present value of funded obligations		(181.7)	(54.2)	(235.9)
Present value of unfunded obligations		(3.1)	-	(3.1)
Present value of funded and unfunded obligations		(184.8)	(54.2)	(239.0)
Deficit		(47.8)	(12.2)	(60.0)
Deferred taxation		14.4	4.3	18.7
Pension liabilities		(33.4)	(7.9)	(41.3)

*The European returns on assets are based on the weighted average across all European pension schemes.

22 Pensions continued

	Europe*		US		Total
	Long term rate of return	Value £m	Long term rate of return	Value £m	Value £m
Equities	7.0%	127.1	9.8%	43.3	170.4
Bonds	4.8%	65.2	5.8%	17.4	82.6
Other	4.4%	5.0		–	5.0
Blended rate of return on assets	6.2%		8.7%		
Total market value		197.3		60.7	258.0
Present value of funded obligations		(252.5)		(73.0)	(325.5)
Present value of unfunded obligations		(3.0)		–	(3.0)
Present value of funded and unfunded obligations		(255.5)		(73.0)	(328.5)
Deficit		(58.2)		(12.3)	(70.5)
Deferred taxation		17.2		4.3	21.5
Pension liabilities		(41.0)		(8.0)	(49.0)

	Europe*		US		Total
	Long term rate of return	Value £m	Long term rate of return	Value £m	Value £m
Equities	7.3%	114.4	9.7%	42.1	156.5
Bonds	5.2%	48.8	5.6%	16.3	65.1
Other	3.8%	4.9		–	4.9
Blended rate of return on assets	6.6%		8.6%		
Total market value		168.1		58.4	226.5
Present value of funded obligations		(216.2)		(69.4)	(285.6)
Deficit		(48.1)		(11.0)	(59.1)
Deferred taxation		14.4		3.9	18.3
Pension liabilities		(33.7)		(7.1)	(40.8)

*The European returns on assets are based on the weighted average across all European pension schemes.

The 2003 market value of scheme assets and the present value of the obligations are stated under UK GAAP. The closing net deficit for 2003 of £59.1m when revalued under IFRS is £59.8m.

22 Pensions *continued*

	2005 £m	2004 £m
Movement in deficit during the year		
Beginning of year	(70.5)	(59.8)
Current service cost	(6.2)	(7.4)
Contributions	11.6	13.0
Demerger of business	32.4	–
Net financial return	–	(0.6)
Actuarial loss	(27.3)	(13.3)
Currency translation	–	(2.4)
End of year	(60.0)	(70.5)
Changes in the present value of the defined benefit obligation	£m	£m
Beginning of year	328.5	285.6
Current service cost	6.2	7.4
Interest on scheme liabilities	13.5	16.6
Contributions by employees	1.5	2.4
Actuarial loss	43.1	21.1
Benefits paid	(5.7)	(10.2)
Demerger of business	(153.7)	–
Currency translation	5.6	5.6
End of year	239.0	328.5
Changes in the fair value of plan assets	£m	£m
Beginning of year	258.0	225.8
Expected return of scheme assets	13.5	16.0
Actuarial gain	15.8	7.8
Contributions by employer	11.6	13.0
Contributions by employees	1.5	2.4
Benefits paid	(5.7)	(10.2)
Demerger of business	(121.3)	–
Currency translation	5.6	3.2
Fair value of plan assets at end of year	179.0	258.0

The actual return on plan assets was £29.3m (2004: £23.8m).

A triennial valuation of the UK defined benefit pension scheme is planned for 2006. Subject to the results of the valuation the Company estimates that the contributions to the scheme in 2006 will not be materially different from those in 2005.

23 Directors and employees

	2005 Year end	2005 Average	2004 Year end	2004 Average
Continuing operations				
The number of persons employed by the Group at 31 December and the average number employed during the year were:				
North America	3,454	3,058	2,802	2,735
UK & Ireland	3,780	3,819	3,742	3,286
Continental Europe	2,794	2,567	2,476	2,175
Australasia	438	402	373	327
	10,466	9,846	9,393	8,523
Corporate	60	61	62	63
	10,526	9,907	9,455	8,586

	Total 2005 £m	Total 2004 £m
Employee costs		
Wages and salaries	253.1	215.8
Social security costs	29.2	21.7
Share based payments	3.6	2.8
Pension costs	11.0	10.5
	296.9	250.8

	2005 £m	2004 £m
Key management remuneration		
Salaries and short term employee benefits	5.0	4.9
Post-employment benefits	0.8	0.9
Share based payments	1.7	1.3
	7.5	7.1

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 operating segments who are not directors. The amounts disclosed are on the same basis as those used to determine the relevant amounts disclosed in the Directors' Remuneration Report on pages 44 to 51.

	2005 £m	2004 £m
Directors' emoluments		
Total emoluments of the directors of the Company were:		
Non-executive directors	0.3	0.3
Executive directors:		
remuneration excluding performance related elements	3.1	2.4
annual cash bonus	1.0	0.9
	4.4	3.6

More detailed information concerning directors' emoluments and long term incentives is set out in the Directors' Remuneration Report on pages 44 to 51. The aggregate amount of gains made by directors on the exercise of share options during the year was £3.9m (2004: £0.3m). The aggregate market value of awards exercised by directors under long term incentive schemes during the year was £0.7m (2004: £0.4m).

24 Share based payments

The Company operates the following share schemes and plans for the benefit of its employees relating to the acquisition of shares from the Company.

Sharesave Scheme (1991) ('Sharesave Scheme')

The Sharesave Scheme, approved by shareholders at the 1991 Annual General Meeting, is approved by the UK Inland Revenue and was open to all UK employees, including the UK based executive directors, who had completed at least one year of continuous service. No further options have been granted under the Sharesave Scheme since it expired in May 2001. 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 options were granted to participating employees at a discount of up to 20% to 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.

Sharesave Scheme (2001) ('2001 Sharesave Scheme')

The 2001 Sharesave Scheme was approved by shareholders at the 2001 Annual General Meeting and has replaced the Sharesave Scheme. The 2001 Sharesave Scheme is also approved by the UK Inland Revenue. It operates on a similar basis to the Sharesave Scheme as summarised above.

International Sharesave Plan ('International Sharesave Plan')

The International Sharesave Plan was introduced following the approval of the 2001 Sharesave Scheme by shareholders. It operates on a similar basis to the 2001 Sharesave Scheme save that it is linked to a contract for monthly savings of up to €400 per month (or equivalent in other currencies) over a period of three years and options are granted to participating employees at a discount of up to 20% to the market price prevailing five days before the date of invitation to apply for the option.

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 inflation over three years, has to be satisfied before options may normally be exercised.

Long Term Incentive Plan ('LTIP')

The LTIP was approved by shareholders at the 2004 Annual General Meeting and replaces 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 inflation over three years.

Part B of the LTIP allows the Board to award performance shares which is a conditional right to receive shares in the Company for no or nominal 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 vest will be subject to the Company's total shareholder return ('TSR') performance over a three year period relative to the TSR performance of a specified peer group of companies.

Details of the share schemes and plans operated by the Company are set out in the Directors' Remuneration Report on pages 44 to 51.

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

	2005	2004
Grant date	01.03.05-01.11.05	03.03.04-12.10.04
Share price at grant date (£)	5.00-5.69	4.25-4.61
Exercise price (£)	nil-5.69	nil-4.61
Shares granted during the year	4,301,156	4,196,071
Vesting period (years)	3-5	3-5
Expected volatility (%)	22-24	24-28
Option life (years)	3-10	3-10
Expected life (years)	3.0-3.9	3.0-3.8
Risk free rate of return (%)	4.1-4.7	4.7-5.0
Expected dividends expressed as a dividend yield (%)	2.6-3.0	3.0-3.2
Possibility of options lapsing (%)	26-49	27-49
Fair value per option (£)	0.72-1.95	0.56-1.38

The expected volatility is based on historical volatility over the last three to five 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 over the year was £5.35 (2004: £4.44). The total charge for the year for continuing operations relating to employee share based payments was £3.6m (2004: £2.8m), all of which related to equity settled share based payments. After deferred tax the total charge for continuing operations was £1.7m (2004: £2.8m).

25 Operating lease commitments – minimum lease payments

	Land & buildings 2005 £m	Other 2005 £m	Land & buildings 2004 £m	Other 2004 £m
At 31 December the Group had the following commitments under non-cancellable operating leases:				
expiring within one year	19.3	8.1	22.2	9.4
expiring between one and five years	60.6	12.6	63.3	13.2
expiring after five years	43.5	0.3	45.9	0.3
	123.4	21.0	131.4	22.9

26 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 three months	5.3	20.5
Cash and cash equivalents	36.7	64.5
Current liabilities – interest bearing loans and borrowings	(52.5)	(179.5)
Non-current liabilities – interest bearing loans and borrowings	(339.7)	(290.2)
Net debt	(355.5)	(405.2)

27 Acquisitions

The principal acquisitions made during the year were Gelpa, Tecep, Sanicare, SOFCO, A W Mendenhall, Retail Resources and Weiss Brothers. Gelpa, a distributor principally supplying the retail and food processor sectors in the Netherlands with packaging and consumables, was purchased on 28 January. Tecep, a French holding company with operations primarily serving retail, foodservice, catering and food processing markets in Central Europe with packaging supplies and food processing equipment, was purchased on 1 July. Sanicare, a supplier of disposable products principally into the healthcare sector across Australia and New Zealand, was purchased on 29 July. SOFCO, a distributor to a number of sectors in the US including grocery, foodservice and healthcare, was purchased on 3 September. A W Mendenhall, a supplier of foodservice, janitorial, industrial packaging and disposable products in the US, was purchased on 26 September. Retail Resources, a provider of distribution services to non-food retail stores across the US, was purchased on 7 October. Weiss Brothers, a supplier of goods not for resale to supermarkets as well as a distributor to the food processor sector in the US, was purchased on 14 October.

During the period between 31 December 2005 and 27 February 2006, two further acquisitions have taken place. Master Craft Packaging, a company serving the redistribution and foodservice sectors in the US, was acquired on 25 January 2006. The Midshires Group, a business principally engaged in the operation and sale of vending machines and associated services throughout Central England, was acquired on 31 January 2006.

Acquisitions have been accounted for under the acquisition method of accounting and contributed £4.4m to operating profit in 2005. All 2005 acquisitions, as well as the two reported 2006 acquisitions, involved the purchase of 100% of the acquiree's share capital or, as the case may be, all of the relevant assets of the businesses acquired. On acquisition the assets and liabilities of the businesses acquired were adjusted to reflect their fair values to the Group. This has included the separate identification of intangible assets in accordance with IFRS 3. As permitted under IFRS 3 these provisional fair values will be finalised within the 12 month period from the relevant date of acquisition.

The provisional fair values applied in the prior year to the acquisitions made in 2004 have been finalised during 2005. Adjustments were made to provisions to reflect more accurately the conditions at the date of acquisition based on information and knowledge which came to light during the 12 month post acquisition period. Adjustments have also been made to reflect the associated taxation effects. The net impact on acquired net assets reported in 2004 from these adjustments was £8.8m.

27 Acquisitions continued

When assessing the fair value of assets acquired, the Group has made adjustments to property, plant and equipment, inventories, receivables and payables to reflect the estimated realisable or settlement value. To date the Company has recognised customer lists and relationships as separately identifiable intangible assets. Finally, adjustments have been made to accruals and provisions to include amounts in respect of onerous contracts and other commitments that existed at the acquisition date. The accounting policies of the acquired businesses have been brought into line with those of the Group with adjustments made where necessary. All of the provisional fair value adjustments have been made net of any relevant tax effects.

The purchase price for the acquisitions has been allocated against the identified net assets, with the balance recorded as goodwill. The acquisitions provide opportunities for further development of the Group's activities and in most cases 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.

	Book value at acquisition £m	Provisional fair value adjustments		Fair value of assets acquired £m
		Revaluation £m	Consistency of accounting policy £m	
A summary of the effect of acquisitions is detailed below:				
Intangible assets	–	82.8		82.8
Property, plant and equipment	3.2	2.2		5.4
Inventories	22.4	(1.4)	(0.9)	20.1
Trade and other receivables	33.6	0.4	(0.9)	33.1
Trade and other payables	(25.7)	(1.2)		(26.9)
Net bank overdrafts	(6.2)	–		(6.2)
Provisions for liabilities and charges	(2.0)	(9.4)		(11.4)
Deferred taxation	0.6	(14.0)	0.7	(12.7)
Taxation	(0.3)	(3.0)		(3.3)
	25.6	56.4	(1.1)	80.9
Goodwill				41.8
Consideration				122.7
Satisfied by:				
Cash consideration				118.2
Share issue*				2.6
Deferred consideration				1.9
				122.7
The net cash outflow in the year in respect of acquisitions comprised:				
Cash consideration				118.2
Net bank overdrafts acquired				6.2
Net cash outflow in respect of acquisitions				124.4

*The fair value of the shares issued as consideration as part of the Sanicare acquisition consisted of 492,966 Bunzl plc shares at the quoted mid-market price of 518.83p per share at the time of the transaction.

The estimated results of operations, as if the principal acquisitions had been made at the beginning of the year, are as follows:

Group	2005 £m
Revenue	270.0
Operating profit	5.7

28 Related party disclosures

The Group has identified the directors of the Company, its key management and the Group pension schemes as related parties for the purpose of IAS 24 'Related Party Disclosures'. Details of the relevant relationships are disclosed in the Directors' Remuneration Report, Note 23 and Note 22, respectively.

29 Principal subsidiary undertakings

	Country of incorporation
Bunzl Australia Ltd	Australia
Bunzl Finance plc*	
Bunzl Holding Danmark A/S	Denmark
Bunzl Holding GmbH	Germany
Bunzl Holdings France SAS	France
Bunzl Outsourcing Services BV	Holland
Bunzl Outsourcing Services UK Ltd	
Bunzl USA Holdings Corporation	USA

The companies named above are the principal subsidiary undertakings of Bunzl plc at 31 December 2005 and are included in the consolidated financial statements of the Group. They are wholly owned and, unless otherwise stated, are incorporated in England and Wales. 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 on pages 6 to 15 of the Annual Review and Summary Financial Statement.

*Direct subsidiary undertaking of Bunzl plc.

30 Reconciliation of UK GAAP profit to IFRS profit for the year ended 31 December 2004

As stated in Note 1 these are the Group's first consolidated financial statements prepared in accordance with IFRS.

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended 31 December 2005, the comparative information for the year ended 31 December 2004 and the opening IFRS balance sheet at 1 January 2004.

In preparing the IFRS balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with UK GAAP. An explanation of how the transition from UK GAAP to IFRS has affected the Group's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

	Continuing operations £m	Discontinued operations £m	Total £m
Profit for the year ended 31 December 2004 under UK GAAP	91.4	37.2	128.6
Net impact of amortisation on goodwill and intangibles	14.3	2.3	16.6
Recognition of fair value adjustments outside investigative period	–	(2.2)	(2.2)
Deferred tax on previously revalued land and buildings	–	0.7	0.7
Release of deferred tax recognised on intangibles	2.6	0.2	2.8
Share based payments (net of taxation)	(2.6)	(1.2)	(3.8)
Impairment of previously revalued land and buildings	–	(1.3)	(1.3)
Profit for the year ended 31 December 2004 under IFRS	105.7	35.7	141.4

Reconciliation of UK GAAP equity to IFRS equity

	Share capital £m	Share premium £m	Capital redemption reserve £m	Translation reserve £m	Revaluation reserve £m	Retained earnings £m	Total equity £m	Minority interests £m	Total equity including minority interests £m
At 1 January 2004 under UK GAAP	112.1	83.8	5.3		1.3	229.5	432.0	2.8	434.8
IFRS adjustments									
reclassification of opening fair value reserve					(1.3)	1.3	–		–
pension asset revaluation						(0.6)	(0.6)		(0.6)
deferred tax liabilities on property revaluations						(1.9)	(1.9)		(1.9)
deferred tax asset on share options						1.8	1.8		1.8
undeclared dividends						36.8	36.8	0.2	37.0
At 1 January 2004 under IFRS	112.1	83.8	5.3		–	266.9	468.1	3.0	471.1
At 31 December 2004 under UK GAAP	112.5	88.3	5.3			222.0	428.1	3.7	431.8
IFRS adjustments									
net impact of amortisation on goodwill and intangibles						16.6	16.6		16.6
recognition of fair value adjustments outside investigative period						(2.2)	(2.2)		(2.2)
pension asset revaluation						(0.7)	(0.7)		(0.7)
deferred tax liabilities on property revaluations						(1.3)	(1.3)		(1.3)
deferred tax asset on share options						1.9	1.9		1.9
deferred tax liabilities on business combination intangibles						2.8	2.8		2.8
undeclared dividends						39.7	39.7	0.2	39.9
reclassification of opening translation reserve				0.7		(0.7)	–		–
At 31 December 2004 under IFRS	112.5	88.3	5.3	0.7	–	278.1	484.9	3.9	488.8

Explanation of transition to IFRS

The following sets out significant accounting policy changes and adjustments arising from the transition to IFRS from UK GAAP.

a Business combinations, goodwill and customer lists and relationships

IFRS 3 'Business Combinations' requires that goodwill arising from business combinations should not be amortised and will be tested annually for impairment. In addition certain intangible assets which were previously recognised as part of goodwill under UK GAAP are now required to be recognised separately and amortised over their estimated useful lives.

As permitted by IFRS 1 the Group has chosen to apply IFRS 3 from 1 January 2004 and has elected not to restate previous business combinations. The acquisition accounting for acquisitions made during 2004 has been restated in accordance with IFRS 3 and IAS 38 'Intangible Assets', which has resulted in the recognition of certain intangible assets relating to customer lists and relationships. As such, £230.8m has been transferred from goodwill to intangible assets in the consolidated balance sheet at 31 December 2004.

These intangible assets are being amortised over their estimated useful lives. As a result, amortisation relating to goodwill on the balance sheet at the date of transition (net of the amortisation charged on intangible assets) has been reversed, resulting in a credit to income of £16.6m for the year ended 31 December 2004.

Under UK GAAP the Group was permitted to make adjustments to the fair values of assets acquired in business combinations for a period up to the end of the financial year following the date of acquisition (the 'investigative period'). Under IFRS the investigative period covers one calendar year from the date of acquisition. During the year ended 31 December 2004 adjustments were made to the fair values of assets and liabilities acquired in business combinations since the date of transition, the timing of which were within the investigative period for UK GAAP but fell outside the investigative period under IFRS. As a result, £2.2m of fair value adjustments which were recognised in goodwill under UK GAAP were charged to the consolidated income statement under IFRS for the year ended 31 December 2004.

b Post employment benefits

Due to the Group having previously adopted FRS 17 'Retirement Benefits' under UK GAAP, there are no significant differences arising upon transition to IAS 19 'Employee Benefits'. A credit adjustment of £0.7m has been made to the pension liabilities in the consolidated balance sheet at 31 December 2004 to take account of the different valuation methodologies for pension scheme assets under IAS 19. The full actuarial deficit has been recognised rather than the corridor approach that can be adopted under IAS 19.

Explanation of transition to IFRS continued

b Post employment benefits continued

The disclosure requirements of IAS 19 require pension assets or liabilities recognised on the balance sheet to be stated gross of deferred tax, rather than being stated net of deferred tax as required by FRS 17. Accordingly £21.5m of deferred tax relating to pension liabilities has been reclassified as a deferred tax asset within the IFRS consolidated balance sheet at 31 December 2004.

c Deferred and current taxes

The scope of IAS 12 'Income Taxes' is wider than the corresponding UK GAAP standards and requires deferred tax to be provided on all temporary differences rather than just certain taxable timing differences under UK GAAP.

As a result, a deferred tax liability of £1.3m relating to previously revalued fixed assets has been included in the consolidated balance sheet at 31 December 2004. In addition a deferred tax asset of £1.9m resulting from the recognition of an expense for share based payments has been included in the consolidated balance sheet at 31 December 2004.

IAS 12 also requires a deferred tax liability to be recognised in the consolidated balance sheet upon recognition of intangible assets other than goodwill as part of a business combination. This deferred tax liability is unwound through the consolidated income statement in line with the amortisation profile of the intangible assets acquired. Accordingly £75.5m has been recognised on the consolidated balance sheet as deferred tax at 31 December 2004 with £2.8m of the deferred tax being credited to the consolidated income statement for the year ended 31 December 2004.

d Share based payments

IFRS 2 'Share Based Payments' requires that an expense for all equity instruments granted is recognised based on the fair value at the date of grant. This expense, which is in relation to option and performance share schemes, is recognised over the vesting period of the relevant scheme. The Group has adopted a valuation model for the purposes of computing fair value under IFRS as at the date of grant.

The additional pre-tax expense arising from the adoption of IFRS 2 on the Group's consolidated income statement is £3.9m for the year ended 31 December 2004.

e Post balance sheet events

IAS 10 'Events after the Balance Sheet Date' requires that dividends declared after the balance sheet date should not be recognised as a liability at that balance sheet date as the liability does not represent a present obligation as defined by IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.

The final dividend in respect of the year ended 31 December 2003 of £37.0m has been reversed in the IFRS opening balance sheet at 1 January 2004 and charged in the consolidated statement of changes in shareholders' equity for the year ended 31 December 2004.

The final dividend for the year ended 31 December 2004 of £39.9m has been reversed in the IFRS balance sheet at 31 December 2004 and has been charged in the consolidated statement of changes in shareholders' equity for the year ended 31 December 2005.

f Previously revalued properties

Upon transition to IFRS, the Group elected to treat the UK GAAP value of all previously revalued properties as deemed cost. During the year ended 31 December 2004 one previously revalued property was deemed impaired, with the impairment loss of £1.3m being charged against the revaluation reserve under UK GAAP. Under IFRS, as the revaluation reserve was transferred to retained earnings upon transition as permitted by IFRS 1, the impairment loss has been taken to the consolidated income statement.

g Financial instruments

IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement' address the accounting for, and reporting of, financial instruments. IAS 39 sets out detailed accounting requirements in relation to financial assets and liabilities. As outlined in Note 1, this was applied for the first time for the year ended 31 December 2005.

All derivative financial instruments are accounted for at fair value whilst other financial instruments are accounted for either at amortised cost or at fair value depending on their classification. Subject to stringent criteria, derivative financial instruments, financial assets and financial liabilities may be designated as forming hedge relationships as a result of which fair value changes are offset in the income statement or charged/credited to equity depending on the nature of the hedge relationship.

From 1 January 2005 hedge accounting has been adopted for the Group's forward currency contracts which are taken out to hedge the cost of foreign currency debtors and creditors, thereby reducing potential volatility in the income statement. Hedge accounting has also been adopted for the Group's interest rate swaps and underlying capital market debt, thereby reducing potential volatility in the income statement.

h Other disclosure changes

Under UK GAAP the deferred tax position of the Group is shown net on the consolidated balance sheet. Under IFRS the assets and liabilities are required to be shown separately (net of any allowable offsets) and, as such, £8.6m has been reclassified as deferred tax assets and liabilities in the consolidated balance sheet at 31 December 2004.

Under UK GAAP provisions are not disclosed according to their expected usage date. IFRS requires that provisions should be classified into current liabilities and non-current liabilities. As a result, £7.1m of provisions has been reclassified as current liabilities in the consolidated balance sheet at 31 December 2004.

Company Balance Sheet

at 31 December 2005

	Notes	2005 £m	2004 Restated* £m
Fixed assets			
Tangible fixed assets	3	1.0	0.9
Investments	4	200.4	273.3
		201.4	274.2
Current assets			
Debtors	5	437.0	647.9
Cash at bank and in hand		0.1	0.1
		437.1	648.0
Current liabilities			
Creditors: amounts falling due within one year	6	(142.0)	(257.9)
Net current assets		295.1	390.1
Total assets less current liabilities		496.5	664.3
Provisions for liabilities	7	(3.5)	(3.5)
Net assets		493.0	660.8
Capital and reserves			
Called up share capital	8	111.4	112.5
Share premium account	9	112.8	88.3
Other reserves	9	2.5	-
Capital redemption reserve	9	8.6	5.3
Profit and loss account	9	257.7	454.7
Shareholders' funds: equity interests		493.0	660.8

*Restated on adoption of FRS 20 'Share based payments' and FRS 21 'Events after the balance sheet date'.

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.

The Accounting Policies and Notes on pages 37 to 41 form part of these financial statements.

Notes to the Company Financial Statements

1 Basis of preparation

Bunzl plc's Company balance sheet has been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and certain forward foreign exchange contracts and has been prepared in accordance with the Companies Act 1985 and applicable UK accounting standards. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company balance sheet.

Under Section 230(4) of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account. Under FRS 1 'Cash Flow Statements' the Company is exempt from the requirement to prepare a cash flow statement on the grounds that the Group includes the Company in its own published consolidated financial statements.

2 Accounting policies

In these financial statements, the following new standards have been adopted for the first time: FRS 20 'Share based payments' and FRS 21 'Events after the balance sheet date'. The effect of the adoption of FRS 20 and FRS 21 is set out in Note 10.

FRS 23 'The effect of changes on foreign exchange rates' sets out additional guidance on the translation method for transactions in foreign currencies and on determining the functional and presentation currencies. The adoption of FRS 23 had no effect on the Company's profit or net assets.

The Company has taken advantage of the exemption in FRS 25 'Financial Instruments: Disclosure and Presentation' not to prepare a financial instruments note as the information is available in the published financial statements of the Group. The corresponding amounts in these financial statements are restated in accordance with the new policies.

FRS 26 'Financial Instruments: Measurement' sets out the requirements for measurement recognition and derecognition of financial instruments. The adoption of FRS 26 has had no effect on the Company's profit or net assets. 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.

FRS 28 'Corresponding amounts' has no material effect as it imposes the same requirements previously required by the Companies Act 1985.

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 (ESOP trust) is deducted from shareholders' funds.

c Share based payments

The Company operates equity settled, share based compensation plans. The total expected expense based on the fair value of options and other share based incentives using a valuation model is calculated at the date of grant and spread over the expected vesting period.

d Tangible fixed assets

Until 31 December 1999 land and buildings were revalued periodically. As permitted under FRS 15, the valuations of land and buildings have not been and will not be updated. All other 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

Tangible fixed assets are depreciated over their estimated remaining useful lives at the following annual rates applied to book value less estimated residual value:

Buildings	2% or life of lease if shorter
Plant and machinery	10 – 20%
Fixtures, fittings and equipment	10 – 33%
Freehold land	Not depreciated

Useful lives are reviewed annually.

f Leases

Where the Company has substantially all the risks and rewards of ownership of an asset subject to a lease, the lease is treated as a finance lease. Future installments payable under finance leases, net of finance charges, are included in creditors with the corresponding asset value treated as a tangible fixed asset. All other leases are treated as operating leases and the rentals are charged to the profit and loss account on a straight line basis.

g Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred due to timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 'Deferred Tax'.

h Pensions

As the Company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, the Company treats contributions to defined benefit schemes as if they were contributions to a defined contribution scheme in accordance with the exemptions permitted by FRS 17 'Retirement Benefits'.

Notes to the Company Financial Statements *continued*

3 Tangible fixed assets

	Land £m	Freehold buildings £m	Short leasehold £m	Fixtures, fittings and equipment £m	Total £m
Cost					
Beginning of year	0.6	0.2	0.4	1.3	2.5
Additions	–	–	–	0.2	0.2
End of year	0.6	0.2	0.4	1.5	2.7
Depreciation					
Beginning of year		–	0.3	1.3	1.6
Charge in year		–	–	0.1	0.1
End of year		–	0.3	1.4	1.7
Net book value at 31 December 2005	0.6	0.2	0.1	0.1	1.0
Net book value at 31 December 2004	0.6	0.2	0.1	–	0.9

4 Investments held as fixed assets

	Investments in subsidiary undertakings £m
Cost	
Beginning of year	304.2
Demerger of business	(141.6)
Additions	80.6
Disposals	(1.5)
End of year	241.7
Impairment provisions	
Beginning of year	30.9
Charge in year	10.4
End of year	41.3
Net book value at 31 December 2005	200.4
Net book value at 31 December 2004	273.3

5 Debtors

	2005 £m	2004 £m
Amounts owed by subsidiary undertakings	428.2	646.4
Other debtors	7.9	0.6
Corporation tax	0.2	–
Prepayments and accrued income	0.7	0.9
	437.0	647.9

The principal companies in which the Company's interest at 31 December 2005 is more than 20% are as follows:

	Country of incorporation
Bunzl Australia Ltd	Australia
Bunzl Finance plc	England
Bunzl Holding Danmark A/S	Denmark
Bunzl Holding GmbH	Germany
Bunzl Holdings France SAS	France
Bunzl Outsourcing Services BV	Holland
Bunzl Outsourcing Services UK Ltd	England
Bunzl USA Holdings Corporation	USA

6 Creditors

	2005 £m	2004 Restated* £m
Amounts falling due within one year		
Loans	0.9	125.9
Overdrafts	0.1	2.1
Trade creditors	0.1	0.4
Amounts owed to subsidiary undertakings	116.6	101.6
Dividends	16.5	18.5
Corporate taxes	0.4	3.8
Other taxation and social security contributions	0.4	0.3
Accruals and deferred income	7.0	5.3
	142.0	257.9

*Restated on adoption of FRS 21 'Events after the balance sheet date'.

7 Provisions for liabilities

	2005 £m	2004 £m
At beginning and end of year	3.5	3.5

The provisions relate to properties and include vacant properties where amounts are held against onerous lease commitments, repairs and dilapidations. These provisions cover the length of the lease agreements which typically extend for one to 10 years.

8 Share capital

	2005 £m	2004 £m
Authorised: 529 million ordinary shares of 32½p each (2004: 680 million ordinary shares of 25p each)	170.0	170.0
Issued and fully paid ordinary shares of 32½p each	111.4	112.5

Number of ordinary shares in issue and fully paid

Beginning of year	349,966,186 ¹	348,712,350 ¹
Issued on option exercises		1,253,836 ¹
1 January 2004 – 31 December 2004		
1 January 2005 – 5 June 2005	1,347,152 ¹	
6 June 2005 – 31 December 2005	4,916,148	
Issued on acquisition of Sanicare Pty Ltd	492,966	–
Cancellation of own shares	(10,138,322) ¹	–
End of year	346,584,130	349,966,186

¹The 2004 comparative information and 2005 prior to 6 June 2005 has been restated for the Bunzl plc share consolidation following the demerger of Filtrona on 6 June 2005 (using a ratio of seven new Bunzl shares of 32½p each for nine old Bunzl shares of 25p each).

Notes to the Company Financial Statements *continued*

9 Share premium and reserves

	Share premium account	Other reserves	Capital redemption reserve	Profit and loss account	
	£m	£m	£m	Own shares £m	Retained earnings £m
At 1 January 2005	88.3	–	5.3	(94.3)	509.3
Restated on adoption of FRS 21					39.7
At 1 January 2005 restated	88.3	–	5.3	(94.3)	549.0
Issue of share capital	24.5	2.5			
Cancellation of own shares			3.3	55.3	(55.3)
Purchase of employee trust shares				(2.6)	
Amortisation of trust shares				1.4	
Share based payments					1.0
Demerger of business					(141.6)
Retained loss for the financial year					(55.2)
At 31 December 2005	112.8	2.5	8.6	(40.2)	297.9

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the Company has not been separately presented in these financial statements. The profit attributable to shareholders included in the accounts of the Company is £0.6m (2004: £220.9m).

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, the Deferred Annual Share Bonus Scheme and the 1994 Executive Share Option Scheme. Details of such plans and schemes are set out in Note 24 and in the Directors' Remuneration Report on pages 44 to 51. The assets, liabilities and expenditure of the trust have been incorporated in the Group's financial statements. At 31 December 2005 the trust held 8,121,342 (2004: 6,951,506*) shares, upon which dividends have been waived, with an aggregate nominal value of £2.6m (2004: £2.2m) and market value of £51.8m (2004: £39.7m).

*Restated for the Bunzl plc share consolidation following the demerger of Filtrona on 6 June 2005 (using a ratio of seven new Bunzl shares of 32½p each for nine old Bunzl shares of 25p each).

10 Reconciliation of movement in shareholders' funds

	2005 £m	2004 £m
Profit for the year	0.6	220.9
Dividends	(55.8)	(55.5)
Retained (loss)/profit for the year	(55.2)	165.4
Issue of share capital	29.2	4.9
Cancellation of own shares	–	(58.6)
Purchase of employee trust shares	(2.6)	(9.4)
Amortisation of trust shares	1.4	0.5
Demerger of business	(141.6)	–
Share based payments	1.0	0.7
Net (reduction)/addition to shareholders' funds	(167.8)	103.5
Opening shareholders' funds as restated on adoption of FRS 21	660.8	557.3
Closing shareholders' funds	493.0	660.8

FRS 20 'Share based payments' has been adopted during the year resulting in a charge to the prior year profit and loss account of £0.7m. FRS 21 'Events after the balance sheet date' has been applied to the prior year and has resulted in a credit to opening shareholders' funds of £39.7m relating to the timing of the dividend recognition.

11 Contingent liabilities

	2005 £m	2004 £m
Bank guarantees	376.8	328.1

The bank guarantees are guarantees provided on behalf of subsidiary undertakings.

12 Directors' remuneration

The remuneration of the directors of the Company is disclosed in the Directors' Remuneration Report on pages 44 to 51.

13 Employee numbers and costs

The average number of persons employed by the Company (including directors) during the year was 44 (2004: 45).

The aggregate employee costs relating to these persons were:

	2005 £m	2004 £m
Wages and salaries	5.6	5.8
Share based payments	1.0	0.7
Social security costs	0.7	0.8
Other pension costs	0.4	0.3
	7.7	7.6

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 have elected to prepare the parent company financial statements in accordance with UK GAAP.

The Group financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position and performance of the Group. The Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The parent company financial statements are required by law to give a true and fair view of the state of affairs of the parent company.

In preparing each of 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 proper accounting records that 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 1985. 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 Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

Independent Auditors' Report to the Members of Bunzl plc

We have audited the Group and parent company financial statements (the 'financial statements') of Bunzl plc for the year ended 31 December 2005 which comprise the Group Income Statement, the Group Statement of Recognised Income and Expense, the Group and parent company Balance Sheets, the Group Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Group financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the EU and for preparing the parent company financial statements and the Directors' Remuneration Report in accordance with applicable law and UK Generally Accepted Accounting Practice are set out in the Statement of Directors' Responsibilities on page 42.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and whether, in addition, the Group financial statements have been properly prepared in accordance with Article 4 of the IAS Regulation. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Directors' Report and Accounts and relevant sections of the Annual Review and Summary Financial Statement and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the EU, of the state of the Group's affairs as at 31 December 2005 and of its profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the parent company financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2005; and
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

Chartered Accountants
Registered Auditor
London
27 February 2006

Directors' Remuneration Report

Terms of reference of the Remuneration Committee

The terms of reference of the Remuneration Committee (the 'Committee'), as approved by the Board, embody the purpose of the Committee as ensuring that the Company's executive directors and senior executives are properly incentivised and fairly rewarded for their individual contributions to the Group's overall performance having due regard to the interests of the shareholders and to the financial and commercial health of the Group.

Membership

All members of the Committee, who are identified on pages 16 and 17 of the Annual Review and Summary Financial Statement, are independent non-executive directors. The Committee is chaired by Mr C A Banks. Members of the Committee do not have any personal financial interest (other than as shareholders) in matters decided by the Committee, nor do they have any potential conflict of interest arising from cross-directorships or day-to-day involvement in running the Group's business. The Committee meets at least three times during the year and at other times as may be required. While neither the Chairman of the Company, Mr A J Habgood, nor the Chief Executive, Mr M J Roney, are members of the Committee, they normally attend meetings except when the Committee is considering matters concerning themselves. The Director of Group Human Resources acts as Secretary to the Committee.

Audit

The directors' remuneration in 2005 and the details of the directors' interests in the Company's ordinary shares disclosed on pages 45 to 51 have been audited by the Company's independent external auditor.

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 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 taking into account 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) (the '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.

Both the overall competitiveness of the remuneration package and the balance between performance and non-performance related elements are kept under regular review in the light of market practice and the needs of the Company. The Committee commissions reports and receives advice on directors' remuneration from independent remuneration and benefits consultants, namely Monks Partnership and New Bridge Street Consultants, who may from time to time also provide other services to the Company on remuneration and benefit matters that are not the subject of review by the Committee. Further details of the remuneration policy and how it is currently applied to the various aspects of remuneration is provided in the relevant sections below.

With regard to external pay survey data, the Committee reviews each year, prior to the annual review of base pay in January, information on remuneration and benefit levels based on an external survey conducted on its behalf by Monks Partnership. The Committee seeks to maintain, wherever possible, a consistent and appropriate basis for comparison

year-on-year in terms of the survey methodology and, in particular, the use of comparator groups on which the survey is based. There are three comparator groups that the Committee uses. These are related to revenue, profit before tax and market capitalisation. In each case the comparator group consists of 20 non-financial UK based companies that have substantial operations overseas. 10 of the companies in each comparator group are the next highest and 10 are the next lowest compared to Bunzl. The results from each of the comparator groups are blended by Monks Partnership to provide an overall assessed market position as at 1 January of the year of the review. Neither Monks Partnership nor New Bridge Street Consultants provide specific recommendations to the Committee on remuneration or benefit levels for the executive directors. The Committee does, however, review survey information provided by them in the light of its established remuneration policy before making its decisions. All decisions of the Committee were implemented in full.

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. As stated above, it is benchmarked against comparator companies and the actual pay level is set after taking account of performance, relevant external survey data 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. Bonus awards are not pensionable. In 2005, the target for the annual bonus for Mr A J Habgood, Mr M J Roney and Mr D M Williams (who retired from the Board on 31 January 2006) was linked to the Group's achievement of earnings per share after certain specified adjustments ('eps'). Detailed terms of the plan were determined by the Committee and provided for a bonus to be awarded if the Group achieved, in 2005, a threshold eps level. No bonus was to be awarded for eps achievement below the threshold level. The bonus plan provided for an increase in the bonus award pro rata for eps achievement above the threshold up to a target level of eps and for above target achievement. Half of this annual bonus will be paid in cash to a maximum level of 60% of annual base pay and the balance (but with the total aggregate amount capped at 100% of base pay) is deferred under the rules of the DASBS, details of which are set out below.

For Mr C P Sander (who resigned from the Board on 13 July 2005) and Mr P L Larmon their bonus plans for 2005 were based on the profit and return on average capital employed achieved in the businesses for which they were directly responsible. Mr P L Larmon also has a portion of his bonus based on Group performance. Half of Mr P L Larmon's annual bonus is normally paid in cash to a maximum level of 60% of annual base pay and the balance (but with the total aggregate amount capped at 100% of base pay) is deferred under the rules of the DASBS. Mr C P Sander did not qualify for an award under the DASBS in respect of the 2005 financial year.

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 purchased in the market and deposited with the Bunzl Group General Employee Benefit Trust (the 'Trust') until 1 March in the third year after the year in which the award is made, following which they are transferred to the executive provided normally that the executive has remained in the employment of the Group throughout that period or until their normal retirement date. The DASBS forms a part of the annual bonus plan so as to provide, in total, an annual bonus opportunity linked to the overall performance of the Group, with a significant portion of any bonus award held in shares for a three year period. The Committee believes this supports the overall remuneration policy and contributes to the alignment of executives' and shareholders' interests.

The table below shows the number of shares held by the executive directors under the DASBS.

	Shares held at 1 January 2005	Shares awarded during 2005	Shares transferred during 2005	Shares held at 31 December 2005 or date ceased to be a director
A J Habgood	162,758	73,668	(45,061)	191,365
D M Williams	87,792	38,843	(24,578)	102,057
P L Larmon	21,563	16,641	(10,618)	27,586
C P Sander	74,471	23,882	(17,616)	80,737
M J Harper	45,232	19,427	(10,538)	54,121

Notes

- a) All awards of shares are made in respect of bonus performance in the previous year.
b) The market values of the shares at the date of transfer in 2005 were as follows: Mr A J Habgood £230,555; Mr D M Williams £125,754; Mr P L Larmon £54,327, Mr C P Sander £90,133 and Mr M J Harper £53,918.
c) All awards held by Mr C P Sander on the date he ceased to be a director lapsed on 10 January 2006. All shares held by Mr M J Harper on the date he ceased to be a director were transferred to him on 7 June 2005 following the demerger of Filtrona at a market value of £289,283.

The Committee also reviews and authorises the outline structure of annual bonus plans for other senior executives within the Group. These plans are based on performance targets relevant to individual businesses or areas of responsibility and are compatible with the principles of the bonus plans approved for the executive directors.

Share based incentives

The 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 to retain a shareholding worth at least equal to their basic salaries. A period of three years is allowed for executives who are promoted from within the Company to achieve this shareholding with an additional two years permitted in the case of external appointments.

The Long Term Incentive Plan (the 'LTIP') was approved by shareholders at the Company's Annual General Meeting in May 2004 under which the executive directors and other senior executives in the Group may be granted share options and awards in respect of performance shares. Participation in the LTIP is at the discretion of the Committee. The Committee periodically reviews the level of grant, taking account of each executive's performance and job responsibilities. No further options will be granted under the 1994 Executive Share Option Scheme (the '1994 Scheme') which is now closed with the exception of any outstanding options. Options were granted and performance shares awarded under the LTIP to the executive directors in 2005 in respect of market purchased shares some of which are held through the Trust. The LTIP is divided into two parts. Part A allows the Board to grant share options.

Annual grants 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 conditions as referred to below, not earlier than three years and not later than 10 years after the date of grant. Share options granted to date have a performance condition attached based on the Company's eps growth (adjusted to exclude items which do not reflect the Company's underlying financial performance and intangible amortisation) relative to UK inflation over three years. The performance conditions for options granted operate on the following sliding scale:

Face value of annual share options grant as a proportion of salary	Total margin over UK inflation after 3 years
First 150% of salary	9%
Next 75% of salary	12%
Next 75% of salary	19%

The performance condition is tested after three years, with no provision for retesting. Accordingly, to the extent the performance condition has not been met after three financial years, the relevant share options will lapse. The Committee can set different performance conditions from those described above for future options, provided that the new conditions are no less challenging. Similarly the Committee can adjust the performance conditions of existing options to take account of technical changes, for example changes in accounting standards or in the event of a rights issue. The amended condition will be no less challenging as a result of the change.

Directors' Remuneration Report *continued*

The table below shows the number of share options held by executive directors under the executive share options schemes.

	Exercise price (p)	Options exercisable between	Options at 31 December 2005 or date ceased to be a director	Options at 1 January 2005
A J Habgood	246	09.03.02 – 08.03.09	–	406,504
	289	01.03.03 – 28.02.10	–	150,000
	384	30.08.03 – 29.08.10	–	125,000
	455.5	27.02.04 – 26.02.11	135,000	135,000
	450	29.08.04 – 28.08.11	145,000	145,000
	482	28.02.05 – 27.02.12	155,000	155,000
	461	29.08.05 – 28.08.12	190,000	190,000
	372.25	25.02.06 – 24.02.13	305,000	305,000
	446.25	27.08.06 – 26.08.13	305,000	305,000
	451.5	03.03.07 – 02.03.14	305,000	305,000
	500.25	01.03.08 – 28.02.15	152,500	–
568	09.09.08 – 08.09.15	143,029	–	
M J Roney	565	01.11.08 – 30.10.15	180,530	–
D M Williams	246	09.03.02 – 08.03.09	–	145,782
	245	30.03.02 – 29.03.09	–	29,275
	289	01.03.03 – 28.02.10	–	80,000
	384	30.08.03 – 29.08.10	–	65,000
	455.5	27.02.04 – 26.02.11	–	65,000
	450	29.08.04 – 28.08.11	–	70,000
	482	28.02.05 – 27.02.12	–	75,000
	461	29.08.05 – 28.08.12	–	90,000
	372.25	25.02.06 – 24.02.13	125,000	125,000
	446.25	27.08.06 – 26.08.13	125,000	125,000
	460.5	26.05.07 – 25.05.14	125,000	125,000
500.25	01.03.08 – 28.02.15	65,500	–	
P L Larmon	328	01.09.02 – 31.08.09	15,000	15,000
	384	30.08.03 – 29.08.10	20,000	20,000
	455.5	27.02.04 – 26.02.11	20,000	20,000
	450	29.08.04 – 28.08.11	20,000	20,000
	482	28.02.05 – 27.02.12	20,000	20,000
	461	29.08.05 – 28.08.12	20,000	20,000
	372.25	25.02.06 – 24.02.13	30,000	30,000
	446.25	27.08.06 – 26.08.13	30,000	30,000
	451.5	03.03.07 – 02.03.14	60,000	60,000
	500.25	01.03.08 – 28.02.15	53,200	–
	568	09.09.08 – 08.09.15	48,411	–
C P Sander	455.5	27.02.04 – 26.02.11	–	25,000
	450	29.08.04 – 28.08.11	–	25,000
	482	28.02.05 – 27.02.12	–	25,000
	461	29.08.05 – 28.08.12	40,000	40,000
	372.25	25.02.06 – 24.02.13	60,000	60,000
	446.25	27.08.06 – 26.08.13	60,000	60,000
	451.5	03.03.07 – 02.03.14	60,000	60,000
	500.25	01.03.08 – 28.02.15	54,300	–
M J Harper	289	01.03.03 – 28.02.10	30,000	30,000
	384	30.08.03 – 29.08.10	30,000	30,000
	455.5	27.02.04 – 26.02.11	25,000	25,000
	450	29.08.04 – 28.08.11	25,000	25,000
	482	28.02.05 – 27.02.12	25,000	25,000
	461	29.08.05 – 28.08.12	40,000	40,000
	372.25	25.02.06 – 24.02.13	60,000	60,000
	446.25	27.08.06 – 26.08.13	60,000	60,000
451.5	03.03.07 – 02.03.14	60,000	60,000	

Notes

a) The following executive share options were exercised during 2005 by:

- (i) Mr A J Habgood on 7 September 2005 in respect of 406,504 ordinary shares at an exercise price of 246p and 150,000 ordinary shares at an exercise price of 289p (market price 572p) and on 10 November 2005 in respect of 125,000 ordinary shares at an exercise price of 384p (market price 594p);
 - (ii) Mr D M Williams on 12 September 2005 in respect of 145,782 ordinary shares at an exercise price of 246p, 29,275 ordinary shares at an exercise price of 245p and 80,000 ordinary shares at an exercise price of 289p (market price 575p) and on 15 November 2005 in respect of 65,000 ordinary shares at an exercise price of 384p, 65,000 ordinary shares at an exercise price of 455.5p, 70,000 ordinary shares at an exercise price of 450p, 75,000 ordinary shares at an exercise price of 482p and 90,000 ordinary shares at an exercise price of 461p (market price 593p);
 - (iii) Mr C P Sander on 29 June 2005 in respect of 25,000 ordinary shares at an exercise price of 455.5p, 25,000 ordinary shares at an exercise price of 450p and 25,000 ordinary shares at an exercise price of 482p (market price 509.5p) and on 12 December 2005 in respect of 40,000 ordinary shares at an exercise price of 461p (market price 600p); all remaining options lapsed when Mr C P Sander left the Company on 10 January 2006;
 - (iv) Mr M J Harper on 7 June 2005 following the demerger of Filtrona in respect of all of the ordinary shares listed above (market price 534.5p).
- b) The exercise price of executive share options is the market price prevailing at or immediately prior to the date of grant of the option.
- c) The mid-market price of an ordinary share on 31 December 2005 was 638p and the range during 2005 was 443p to 643p.
- d) The performance condition for options granted under the 1994 Scheme is that they may not be exercised unless the growth in eps over a period of three consecutive financial years exceeds the growth in the UK retail price index over the same period by at least 6%.
- e) All options granted prior to 25 May 2004 are under the 1994 Scheme. Options granted since then have been made under the LTIP.

The UK based executive directors may also participate in a Sharesave Scheme which was approved by shareholders in 2001, is approved by the Inland Revenue and is open to all UK employees who have completed at least one year 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 options are

granted to participating employees at a discount of up to 20% to 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 following table sets out the number of share options held under the Sharesave Scheme by the UK based executive directors.

	Exercise price (p)	Options exercisable between	Options at 31 December 2005 or date ceased to be a director	Options at 1 January 2005
A J Habgood	296	01.05.06 – 01.11.06	3,192	3,192
D M Williams	358	01.11.06 – 30.04.07	2,576	2,576
C P Sander	231	01.06.05 – 30.11.05	7,305	7,305
M J Harper	296	01.05.08 – 31.10.08	5,548	5,548

Notes

- a) Mr C P Sander exercised 7,305 options under the Sharesave Scheme (1991) on 13 July 2005 at an exercise price of 231p (market price 527p).
- b) Mr M J Harper exercised 2,772 options under the Sharesave Scheme (2001) on 5 December 2005 at an exercise price of 296p (market price 606.5p). All of his remaining options lapsed on this date.

Directors' Remuneration Report *continued*

US based executive directors may participate in the Bunzl Employee Stock Purchase Plan (US). This Plan provides an opportunity for employees in the US to purchase the Company's shares in the form of American Depositary Receipts ('ADRs') at a 15% discount to the market price, up to an annual maximum of 10% of remuneration or \$25,000 worth of ADRs, whichever is lower. The purchase of the ADRs is funded by after-tax payroll deductions from the employee with the employing company contributing the 15% discount.

Based on the authority obtained at the 2001 Annual General Meeting, the Company introduced the International Sharesave Plan during 2002. This operates on a similar basis to the Sharesave Scheme (2001) except that options are normally exercisable three years after they have been granted. None of the executive directors are eligible to participate in this Plan.

Part B of the LTIP allows the Board to award performance shares which is a conditional right to receive shares in the Company for no or nominal consideration. Annual awards 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 and will remain capable of being exercised for the three year period following the date on which it vests. The extent to which performance share awards vest will be subject to the Company's total shareholder return ('TSR') performance over a three year period relative to the TSR performance of a specified group of companies (the 'Peer Group'). The process for identifying the Peer Group is the same as that used for identifying the comparator group for the setting of base pay as described under 'Remuneration policy' on page 44. The companies currently within the Peer Group for any awards to be made in 2006 are:

ARM Holdings	GKN	Reuters
BBA Group	Hanson	Rexam
BG Group	ICI	Rolls-Royce Group
British Airways	IMI	Ryanair
Cairn Energy	Inchcape	Sage Group
Cobham	Johnson Matthey	Signet Group
Compass Group	Kesa Electricals	Smiths Group
Cookson Group	LogicaCMG	Tate & Lyle
Corus Group	Lonmin	Tomkins
Dimensions Data Hldgs	Meggitt	United Business Media
Electrocomponents	Pearson	Xstrata
EMI Group	Reed Elsevier	
FKI	Rentokil Initial	

A performance share award will vest in full only if the Company's TSR performance is ranked at upper quartile or above within the Peer Group and the following vesting schedule will apply:

TSR	Proportion of performance share award exercisable
Below median	0
Median	25%
Median to upper quartile	25% – 100% (pro rata, on a straight line basis)
Upper quartile	100%

The performance condition will be tested after three years and there is no provision for retesting. Accordingly, to the extent the performance condition has not been met after three years, the relevant performance share awards will lapse. As with the share option grants, the Committee reviews the performance condition each time performance share awards are made in order to ensure that they remain challenging and may impose different conditions on performance share awards made in subsequent years provided that any new conditions are no less challenging.

The table below shows the number of performance share awards allocated to the executive directors under the LTIP and its predecessor plan which is now closed, all for no consideration.

	Awards (shares) held at 1 January 2005	Conditional shares awarded during 2005	Awards (shares) vested during 2005	Awards (shares) held at 31 December 2005 or date ceased to be a director
A J Habgood	228,750	221,647	–	450,397
M J Roney	–	120,353	–	120,353
D M Williams	93,750	46,875	–	140,625
P L Larmon	60,000	76,208	–	136,208
C P Sander	160,000	40,800	–	100,800
M J Harper	60,000	–	–	60,000

Notes

- In addition to the conditional shares awarded under the LTIP to Mr M J Roney in 2005 as listed above, a further 175,000 conditional shares were awarded on 1 November 2005 as an exceptional discretionary benefit to implement the terms agreed on the recruitment of Mr M J Roney as Chief Executive in order to compensate him for the loss of existing entitlements from his previous employer. This award will vest if Mr M J Roney remains employed by the Company until 31 October 2008, or earlier if the Company terminates Mr Roney's employment prior to this date for any reason other than gross misconduct or if his employment terminates due to death, disability, sickness or a change of control of the Company.
- An award of 100,000 shares, which vested prior to his appointment as a director, was exercised by Mr C P Sander on 28 June 2005 giving a total market value on exercise of £506,600. The awards relating to the remaining 100,800 shares held by Mr C P Sander lapsed on 10 January 2006 when he left the Company.
- Half of the award held by Mr M J Harper became exercisable in respect of 30,000 shares on 7 June 2005 giving a total market value on exercise of £160,353. The balance of the award in respect of the remaining 30,000 shares lapsed on 6 June 2005 following the demerger of Filtrona.

Any shares required to fulfil entitlements under the share based incentive schemes in respect of options and awards over market purchased shares will be provided by the Trust. Mr A J Habgood, Mr D M Williams, Mr M J Roney and Mr P L Larmon are deemed by virtue of the Companies Act 1985 to be interested in all the shares held by the Trust, which at 31 December 2005 amounted to 8,121,342 ordinary shares, because they are potential beneficiaries under the Trust together with all other directors and employees of the Group. These interests do not reflect the awards actually made to them individually through the Trust that are summarised above.

The Company's TSR over the last five years compared to that of the FTSE Support Services Sector is shown in the graph on page 23 of the Annual Review and Summary Financial Statement.

Retirement benefits

As stated in the Accounting Policies section of the financial statements and elaborated upon in Note 22, the Group utilises both defined benefit and defined contribution pension schemes throughout the world. All principal defined benefit schemes are now closed to new entrants who are offered a defined contribution arrangement.

In the UK the Group has historically operated as its main contributory scheme for senior executives the Bunzl Senior Pension Scheme ('BSPS'). BSPS provides for members' contributions currently at the rate of 9% of pensionable salary (which is basic salary) with the Group being responsible for the balance of the cost of providing the benefit as determined from time to time by the consulting actuaries to BSPS. Subject to Inland Revenue limits, BSPS members are eligible for a pension which accrues at a maximum rate of 3% per annum up to two thirds of pensionable salary, with a normal retirement age of 60 years. BSPS also provides for payment of certain benefits in the event of death or disability. Because of the cap on pensionable salary introduced in the Finance Act 1989, the amount of direct contribution by the Company to pension schemes for some of the UK executive directors is limited and arrangements have therefore been made to provide the executive directors with an allowance of 30% of base salary above the cap which permits them to make provision, of their choice, in respect of that part of their salary which exceeds the cap. Alternatively the executive director may choose to opt for a pension allowance of 30% of base salary, part of which could be paid directly into a private pension scheme. Currently any UK executive director newly appointed to the Group is offered a pension allowance of 30% of base salary and has the choice of joining the defined contribution section of the Bunzl Pension Plan or to opt for a private pension scheme or other investment vehicle. The Company also contributes to lump sum life assurance cover equivalent to that provided under BSPS for those executive directors receiving allowances.

In the US the main scheme for employees is the non-contributory Bunzl USA, Inc Retirement Plan (the 'US Plan'). Subject to IRS limits, members of the US Plan earn a lifetime pension which accrues 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 \$140,000. The US Plan also provides for certain benefits in the event of death or disability. On closure of the US Plan to new entrants all existing participating employees had the choice to continue in the existing scheme or freeze their benefit and join a defined contribution plan, the Retirement Saving Benefit (the '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 \$200,000 per annum. Because of the cap on pensionable salary under the US Plan and the RSB, the pensions of senior US executives are limited and arrangements have been made to provide certain executives with supplementary pensions through a Senior Executive Retirement Agreement ('SERA'). Mr P L Larmon's SERA provides for a lifetime pension of \$100,000 per annum, payable upon retirement.

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. However on appointment, Mr M J Roney, due to his relocation and move from his previous company after 24 years' service, was provided with 24 months' notice 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 but by two months each quarter so that after 24 months' service the Company will provide Mr M J Roney with 12 months' notice. For the UK executive directors, the only circumstance in which there is predetermined compensation for termination of these contracts is where there is a change of control of the Company. Mr P L 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. There are no provisions for any of the directors for predetermined compensation in excess of one year's remuneration and benefits in kind. Mr M J Roney, for the first three years of service in limited circumstances only, is also entitled to receive a repatriation payment to cover relocation and school fees that have been incurred. The date of each service contract is noted in the table below.

	Date of service contract
A J Habgood	16 January 1996
M J Roney	1 September 2005
D M Williams	16 January 1996
P L Larmon	1 January 2005

Mr A J Habgood's service contract ended on 31 December 2005 and was replaced with a letter of appointment relating to his ongoing role as Chairman. Mr M J Harper's service contract ended on 6 June 2005 following the demerger of Filtrona. Mr C P Sander resigned as a director on 13 July 2005 and his service contract ended on 10 January 2006. Mr D M Williams retired as Finance Director on 31 December 2005 and retired from the Board and from the Company on 31 January 2006. Mr B M May was appointed as Finance Director with effect from 1 January 2006. His service contract is dated 9 December 2005.

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. Mr A J Habgood served as Chairman Designate of Whitbread Group PLC from 1 May 2005 and Chairman from 1 August 2005 and retained the fees paid for this service of £166,667. Further, Mr A J Habgood served as a non-executive director of SVG Capital plc throughout 2005 and retained the fees of £36,250. He also served as a non-executive director of Marks and Spencer Group plc until 30 August 2005 and retained the fees of £33,333. Mr D M Williams served as a non-executive director of George Wimpey Plc throughout 2005 and retained the fees of £49,583. In addition he served as a non-executive director of Peninsular & Oriental Steam Navigation Company from 1 March 2005 and retained the fees of £43,169.

Other principal benefits for executive directors

In common with many senior executives in the Group, the executive directors are eligible for certain benefits which include the provision of a company car and payment of its operating expenses including fuel, or a cash allowance in lieu thereof, in line with prevailing Group policies, and, in the case of Mr A J Habgood, Mr D M Williams and Mr M J Roney, private medical plan coverage under the Company's prevailing UK healthcare plan. Mr P L Larmon participates in welfare benefit plans made available to all US employees of the Group covering life insurance, medical, dental and disability cover. In addition Mr M J Roney has received a relocation package consisting of reimbursement of travel

Directors' Remuneration Report *continued*

costs, temporary accommodation, legal and professional fees for securing accommodation and tax advice and a disturbance allowance.

Non-executive directors

The non-executive directors are paid an annual fee for their services. In addition, where relevant, they are paid a fee for chairing the Audit and

Remuneration Committees of the Board. The non-executive directors do not have service contracts, are not eligible for pension scheme membership or other employee benefits and do not participate in any of the Group's bonus, share option or long term incentive plans. The non-executive directors' pay is reviewed annually, based on external market survey data, and is determined by the Board.

Directors' remuneration

The following table gives details of each director's remuneration for the year.

	Salary/fees 2005 £000	Annual cash bonus 2005 £000	Pension allowance 2005 £000	Benefits 2005 £000	Total 2005 £000	Total 2004 £000
Executive						
A J Habgood	875.0	426.1	262.5	29.9	1,593.5	1,461.3
M J Roney	152.2	55.2	34.0	76.7	318.1	38.1
D M Williams	460.0	224.0	106.5	23.7	814.2	752.6
P L Larmon	400.5	209.1	–	19.9	629.5	29.9
C P Sander	410.8	60.0	60.6	12.4	543.8	247.8
M J Harper	145.6	–	–	5.6	151.2	27.7
Non-executive						
A P Dyer	70.9	–	–	–	70.9	86.7
J F Harris	70.0	–	–	–	70.0	62.7
C A Banks	54.8	–	–	–	54.8	48.0
U Wolters	45.5	–	–	–	45.5	22.8
P Heiden	17.8	–	–	–	17.8	39.4

Notes

- The remuneration for Mr A P Dyer and Mr P L Larmon is paid or determined in US dollars and has been translated at the average exchange rates for the year of £1: \$1.81 in respect of 2005 and £1: \$1.82 in respect of 2004.
- The remuneration of Mr M J Roney relates to the period from 1 January 2005 until 31 October 2005, when he held the role of non-executive director and received fees of £38,917, and the period 1 November 2005 until 31 December 2005, when he held the role of Chief Executive Officer and received base salary of £113,333 as well as a bonus, pension allowance and benefits as detailed in the above table. The benefits received include £74,343 of relocation related expenses.
- The remuneration of Mr C P Sander for 2005 relates to the period from 1 January 2005 until 10 January 2006 when his service contract terminated. His remuneration for 2004 relates to the period from 21 July 2004 (the date of his appointment to the Board) to 31 December 2004. For the period from 1 January 2005 until 13 July 2005 Mr C P Sander was an executive director and during this period received base salary of £212,308, a bonus of £60,000, a pension allowance of £31,075 and benefits of £6,323. Following Mr C P Sander's resignation from the Board he remained employed by the Company until 10 January 2006. For the period 14 July 2005 until 31 December 2005 he received base salary of £187,692, a pension allowance of £27,927 and benefits of £5,682 and for the period 1 January 2006 until 10 January 2006 he received base salary of £10,769, a pension allowance of £1,585 and benefits of £398. Life cover (to the value of £721) continues until 31 March 2006 when all obligations cease. No termination payments were made.
- The remuneration of Mr M J Harper and Mr P Heiden for 2005 relate to the period from 1 January 2005 until 6 June 2005, the date of their retirement from the Board following the demerger of Filtrona.
- The remuneration of Mr M J Harper and Mr P L Larmon for 2004 relates to the period from 8 December 2004 (the date of their appointment to the Board) to 31 December 2004. The remuneration of Mr U Wolters for 2004 relates to the period from 1 July 2004 (the date of his appointment to the Board) to 31 December 2004.
- Mr B M May was appointed to the Board on 1 January 2006 to replace Mr D M Williams who retired from the Board on 31 January 2006. His base salary is £375,000 per annum and his bonus and benefits are in line with those applied to other UK based executive directors.
- Benefits incorporate all taxable benefits arising from employment by the Company and principally relate to the provision of a company car or cash allowance in lieu thereof.
- The figures above represent remuneration earned as directors during the relevant financial year including, in the case of the executive directors, the cash element of the bonus, which is paid in the year following that in which it is earned. The deferred element of the bonus is conditionally allocated as shares as described on page 44 and is not included in the table above. Shares relating to the 2004 bonus were allocated in 2005 as shown in the table on page 45 and for the 2005 bonus will be allocated in 2006.
- Neither Mr A J Habgood nor Mr M J Roney are members of the Company pension schemes and therefore they received a pension allowance of 30% of base salary as shown in the above table. Mr A J Habgood's entitlement to this allowance ceased on 31 December 2005. The values of the pension benefits for the other executive directors are shown in the following table and are not included in the directors' remuneration table above. In addition the Company paid all necessary contributions, on actuarial advice, to a SERA for Mr P L Larmon which in 2005 amounted to £44,975 (2004: £3,309).

	Accrued benefits at 31.12.04 £	Accrued benefits at 31.12.05 or date of termination whichever is the earlier £	Transfer value of accrued benefits at 31.12.04 £	Change in transfer value of accrued benefits during the year, after deducting contributions made by the director during the year £	Transfer value of accrued benefits at 31.12.05 or date of termination whichever is the earlier £
D M Williams	40,545	45,144	783,971	176,363	969,787
P L Larmon*	13,607	15,190	58,285	14,256	72,541
C P Sander	26,730	30,133	266,928	73,362	349,713
M J Harper	116,219	141,785	1,413,706	360,889	1,787,345

*Excluding SERA entitlements.

Notes

- Of the additional benefits accrued since 1 January 2005, the increases attributable to factors other than inflation were £3,504 for Mr D M Williams, £nil for Mr P L Larmon, £2,682 for Mr C P Sander and £25,566 for Mr M J Harper.
- The above figures do not take account of any Additional Voluntary Contributions that all members of BSPS have the option to make.
- 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 Mr D M Williams, Mr C P Sander and Mr M J Harper, are net of their contributions.
- Mr P L Larmon's benefits under the US Plan are frozen. Mr P L Larmon is now a member of the RSB to which the Company has made contributions in 2005 of £5,525 (2004: £nil).
- In addition Mr P L Larmon participates in the Bunzl USA, Inc Deferred Savings (401k) Plan. The Company makes matching contributions to this Plan. During 2005 such contributions for Mr P L Larmon amounted to £5,097 (2004: £nil).

Five Year Review

IFRS			2005	2004
			£m	£m
Continuing operations				
Revenue			2,924.4	2,438.5
Operating profit before intangible amortisation			203.4	168.9
Intangible amortisation			(15.9)	(7.8)
Operating profit			187.5	161.1
Finance income			22.0	17.0
Finance cost			(32.8)	(19.9)
Profit before income tax			176.7	158.2
Profit before income tax and intangible amortisation			192.6	166.0
Income tax			(56.7)	(52.5)
Profit for the year			120.0	105.7
Discontinued operations				
Profit for the year			4.2	35.7
Total profit for the year			124.2	141.4
Attributable to:				
Equity holders of the Company			123.6	140.2
Minority interests			0.6	1.2
Total profit for the year			124.2	141.4
Basic earnings per share			35.4p	30.7p
Adjusted earnings per share			38.7p	32.1p

UK GAAP

	2004	2003	2002	2001
	£m	£m	£m	£m
Sales				
Continuing operations	2,438.5	2,275.6	2,231.2	2,129.1
Discontinued operations	477.5	452.6	604.1	747.4
Total sales	2,916.0	2,728.2	2,835.3	2,876.5
Operating profit				
Continuing operations	149.6	143.5	139.3	137.0
Discontinued operations	56.1	52.9	57.1	64.5
Total operating profit	205.7	196.4	196.4	201.5
Profit on sale of discontinued operations	-	-	4.1	-
Profit on ordinary activities before interest	205.7	196.4	200.5	201.5
Net interest payable	(4.8)	(1.8)	(5.2)	(11.3)
Profit on ordinary activities before taxation	200.9	194.6	195.3	190.2
Profit before taxation, goodwill amortisation and exceptional items	226.0	212.3	207.3	203.0
Taxation on profit on ordinary activities	(72.3)	(69.0)	(70.0)	(71.3)
Profit on ordinary activities after taxation	128.6	125.6	125.3	118.9
Profit attributable to minorities	(1.2)	(1.0)	(0.5)	(0.4)
Profit for the year	127.4	124.6	124.8	118.5
Basic earnings per share	28.7p	27.4p	27.1p	25.8p
Adjusted earnings per share	34.4p	31.3p	29.7p	28.6p

Refer to Note 30 on pages 33 to 35 for the significant accounting policy changes and adjustments arising from the transition to IFRS from UK GAAP.



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