



Bunzl is now a focused, international, value-added distribution and outsourcing Group with operations in North America, Europe and Australasia

Interim report 2005

Chairman's statement

In early June, shareholders of Bunzl received shares in Filtrona plc as our manufacturing operations were successfully demerged into a separate quoted entity. As a result Bunzl is now a focused, international, value-added distribution and outsourcing Group with operations in North America, Europe and Australasia. The results are stated under IFRS and are, therefore, for continuing operations with Filtrona's contribution to profits included as a single line net of interest, tax and the costs of effecting the demerger. Earnings per share under IFRS are also on a continuing operations basis and the dividend represents a dividend on continuing operations. Filtrona plc is today announcing that it will be paying its shareholders a full interim dividend covering the whole six month period including the five months under Bunzl's ownership.

Results from continuing operations

Revenue rose 22% to £1,366.3 million (2004: £1,121.3 million) as the regions benefited from the combination of organic growth and significant acquisition activity. The effect of the weaker dollar (\$1.86: £1 compared to \$1.81 in 2004) was partially offset by the euro being stronger by 3 cents resulting in an overall adverse currency translation effect of 1–1½% on revenue

and profit growth. Operating profit before intangible amortisation was up 28% to £91.8 million (2004: £72.0 million) reflecting improved margins across Europe and Australasia. Profit before tax and intangible amortisation was up 23% to £87.8 million (2004: £71.6 million) while profit before tax was up 15% to £80.0 million (2004: £69.8 million). Earnings per share rose 19% to 16.0p (2004: 13.4p) while adjusted earnings per share, after eliminating intangible amortisation, rose 29% to 17.8p (2004: 13.8p).

Cash inflow from the operating activities of continuing operations funded acquisition activity and marginally reduced borrowings. Net debt was also significantly reduced as a result of the demerger and was £285.6 million at the end of the period. While shareholders' equity also reduced as a result of the demerger, gearing fell from 83.8% at the year end to 73.6%.

Results from discontinued operations

While underlying trading in Filtrona was good in the five months under Bunzl's ownership, after deducting the costs of the demerger the operating profit after intangible amortisation, interest and tax was £4.2 million compared to £18.6 million for the six months in 2004.

Dividend

The Board has decided to increase the interim dividend by 18% to 4.9p (2004: 4.15p). Shareholders will again be able to participate in our dividend reinvestment plan.

Board

As announced in February, the demerger of Filtrona resulted in Mark Harper and Paul Heiden resigning from the Board to take up the positions of Chief Executive and non-executive director of Filtrona respectively. Christoph Sander, who was due to become Chief Executive of Bunzl with effect from the demerger and who decided on 2 June not to assume the role for personal reasons, resigned from the Board on 13 July. We wish Mark, Paul and Christoph all the very best for the future. A search is underway for a new Chief Executive.

Acquisitions

Acquisition activity continued in 2005 with the purchase of Gelpa in late January. Based in the Netherlands, Gelpa had sales in 2004 of €49 million and principally serves the retail and food processor sectors, complementing our existing strong position in the Dutch Horeca market. In July we acquired Tecepo, which had sales in 2004

Operating review

of €41 million and operations in Hungary, Czech Republic, Slovakia, Romania and Poland. Tecep is focused principally on serving the retail, foodservice, catering and food processing sectors and expands our position in the exciting and growing Central European markets. Also in July, Sanicare was purchased in Australia. Based in New South Wales with sales in the year to April 2005 of A\$22 million, Sanicare supplies disposable products principally into the healthcare market and strengthens our position in that growing sector. Early in August we announced our intention to purchase SOFCO. Based in New York State, SOFCO had sales in 2004 of \$175 million. It will further strengthen our position in the northeast United States in our traditional grocery and redistribution markets while also expanding our position in the healthcare and industrial sectors.

2005 acquisition activity to date will add about £175 million to annualised revenue at a total cost of £78 million.

Prospects

As constituent parts of what is now a focused, international, value-added distribution and outsourcing Group, we expect each region will grow both organically and by acquisition. Bunzl overall will continue to expand its market coverage both geographically and by sector as we consolidate our industry internationally.

In North America we expect organic growth to continue and prices to remain firm. We also expect momentum in acquisition activity to be maintained as we further consolidate the industry and strengthen our position in growing sectors of the market. Recently acquired businesses have had lower margins than our average and, while we expect these margins to improve as the businesses are integrated into Bunzl, there remains some overall margin pressure particularly in the supermarket sector.

In Europe we also expect organic growth to continue as we win new contracts both in the UK & Ireland and in Continental Europe. While macroeconomic conditions may dampen organic prospects in some parts of Europe this should be offset by our increasing presence in the faster growing economies in Central Europe. We expect acquisition activity to continue as we further extend our geographic coverage and deepen our participation in our chosen sectors. Our increased scale and efficiency

across Europe as a whole should continue to benefit our results.

In Australasia we expect to continue the successful development of our position as we grow both organically and by acquisition. We also expect to see benefits from our increasing scale and our position in growing sectors of the market.

While the weak dollar has affected the translation of our Group results into sterling compared to 2004, its current rate suggests that this effect will be greatly diminished for 2005 as a whole. With the euro slightly stronger, current exchange rates would indicate overall currency translation neutrality on our results for 2005 for the first time for many years.

Our strong competitive position in our international markets and our ability to add to organic growth with continuing acquisition activity as we expand both geographically and by market sector give us confidence that the Group will continue to develop successfully.

Anthony Habgood
Chairman
30 August 2005

Revenue rose by 22% due to organic growth supplemented by acquisitions. Operating profit before intangible amortisation was up 28% as our acquisition activity and increased scale across Europe as a whole showed through in higher profits. Margin rose to 6.7% (2004: 6.4%) as increases in Continental Europe & Australasia and in the UK & Ireland more than offset a decrease in North America.

North America

The combination of acquisitions towards the end of 2004 and organic development contributed to a 15% dollar sales growth and a 10% dollar operating profit increase over last year. Recent acquisitions with lower margins than our average were a major contributor to the net margin reduction. In addition, margins remain under some pressure, particularly in the supermarket sector, as there continues to be a shift to the larger store format. However, smaller specialised stores have recently made progress in taking market share from these large warehouse stores. This presents great opportunities for us and we are focusing more of our efforts in this area anticipating growth in this niche sector. In addition, we continue to concentrate on expanding our business in the redistribution, processor and convenience store sectors. These areas are growing and offer good opportunities for implementing our distribution model. More recently, we have also committed resources to market and sell jan/san products and services which impact many of our current sectors as well as being a potential new sector in its own right.

Acquisitions continue to help us increase our position in growth sectors, particularly redistribution, non-food retail and jan/san. We are successfully integrating the acquisitions that were made last year and they have helped drive business in these areas. Our recently announced intention to acquire SOFCO further reinforces our position in both our traditional supermarket and redistribution sectors and our expansion into other sectors. We are also reviewing new product lines that increase our penetration into most customers by offering different items that will be combined with our current shipments, thereby improving our productivity. As a more focused company following the demerger of Filtrona, we have initiated conversations with strategic global vendors focused on fulfilling distribution needs not only in

North America but also elsewhere around the world. Our global platform is attractive to many North American suppliers who have international distribution needs. As we develop these programs it affords us the opportunity to increase our service to global customers as well.

Operating costs have been closely controlled despite significant increases in fuel costs and freight expense. By implementing our best practices program throughout our warehouse system and by increasingly sophisticated management of truck routes, we have been able to offset these additional costs and even show some improvements. Programs instituted to maximise use of our warehouse space have also contributed to the reduction of costs. At the same time, we continue to improve the service to our customers by offering them a program customised to meet their needs.

UK & Ireland

Revenue grew 6% while the benefits of increased scale and ongoing cost control have delivered an increase in operating profit of 12%.

Our hotel, restaurant and catering supplies business grew partly as a result of a leading hotel group contract secured in the second half of 2004 and a major pub group customer expanding their estate through acquisition. Catering equipment sales increased following the successful implementation of a supply agreement for one of the leading contract caterers. Our ability to offer both catering disposables and catering equipment strengthens our position in the Horeca market and we benefited from a new contract to supply both categories to a national restaurant chain.

Within our retail supplies business, key supermarket customers continue to rationalise their supply base allowing us to consolidate more products on their behalf. Our track record in the sector helped us secure a new goods not for resale consolidation contract for a leading UK retailer starting just before the end of the first half.

Sales in our cleaning and safety business were flat following rationalisation within the cleaning and hygiene branch network. Reduced costs more than offset the reduction in local sales around the closed

branches and sales from our national contracts have continued to grow. We have continued to develop our sales of safety products to national construction companies.

Within Ireland, new hotel construction activity driven by available capital allowances helped us increase catering equipment and disposables sales and our retail supplies business secured a contract to supply a broad range of products for a leading retailer.

The vending business has seen the benefits of good cost control combined with new account wins in the retail and hotel markets. We also secured the renewal of a number of significant national contracts.

Continental Europe & Australasia

The business has developed strongly in the first half of 2005 by organic growth, the integration of acquisitions made in 2004 and through continued acquisition activity. Revenue rose by 104% and operating profit by 207%. While the majority of the increase was due to the effect of acquisitions, there was a significant increase in the profitability of the underlying business as a result of improved operating efficiency and scale.

The integration of Groupe Pierre Le Goff in France, which was acquired in May 2004, has continued during the first half of 2005 and the business has continued its previous development plans. The operations are focused on the supply of cleaning and hygiene products and personal protection equipment/safety products. The business continues to develop in line with our expectations, albeit operating in a challenging economic environment. We are exploiting synergies in a number of areas and at the same time investing in the operational infrastructure and IT systems.

Our other businesses in Northern Europe have shown a robust performance in relatively weak economies. This performance has been achieved both through the growth in a number of larger accounts and the continuing benefit from ongoing purchasing initiatives as well as operational improvements achieved through actions taken during 2004. In January 2005 we completed the acquisition of Gelpa in the Netherlands which has provided us with a route into the retail and food processor sectors there. The business has settled in well and, together with our existing Dutch business, is enabling us to achieve synergies.

Our first acquisition in Central Europe, Beltex, a leading distributor of cleaning and safety products in Hungary acquired in 2004, continues to grow strongly. This was followed with the acquisition of Tecep in July 2005. Tecep is a leading distributor of packaging supplies and catering and food processing equipment to the retail, foodservice, catering and food processing markets in Hungary, Czech Republic and Slovakia with smaller operations in Poland and Romania. The acquisition is a significant expansion of our presence in the growing Central European market.

In Australasia we have continued our successful development with the integration of the acquisitions made in 2004 as well as growth in the underlying business. In July 2005 we completed the acquisition of Sanicare, which expands our position and product offering into the growing healthcare sector.

| Exchange rates Average | Six months to 30.6.05 | Six months to 30.6.04 |
|---------------------------|--------------------------|--------------------------|
| US\$: £ | 1.86 | 1.81 |
| € : £ | 1.46 | 1.49 |
| Period end | 30.6.05 | 30.6.04 |
| US\$: £ | 1.79 | 1.80 |
| € : £ | 1.48 | 1.49 |

Consolidated income statement

| | Notes | Six months to 30.6.05 £m | Six months to 30.6.04 £m | Year to 31.12.04 £m |
|--|-------|--------------------------------|--------------------------------|---------------------------|
| Continuing operations | | | | |
| Revenue | | | | |
| Existing businesses | | 1,351.0 | 1,121.3 | 2,438.5 |
| Acquisitions | | 15.3 | | |
| | 3 | 1,366.3 | 1,121.3 | 2,438.5 |
| Operating profit before intangible amortisation | | | | |
| Existing businesses | | 91.1 | 72.0 | 168.9 |
| Acquisitions | | 0.7 | | |
| Operating profit before intangible amortisation | | | | |
| Intangible amortisation | | (7.8) | (1.8) | (8.6) |
| Operating profit before financing and income tax | | | | |
| Finance income | 4 | 14.2 | 6.3 | 17.0 |
| Finance cost | 4 | (18.2) | (6.7) | (19.9) |
| Profit before income tax | | | | |
| | | 80.0 | 69.8 | 157.4 |
| Profit before income tax and intangible amortisation | | | | |
| | | 87.8 | 71.6 | 166.0 |
| Income tax | 5 | (26.1) | (23.4) | (53.0) |
| Profit for the period | | | | |
| | | 53.9 | 46.4 | 104.4 |
| Discontinued operations | | | | |
| Profit for the period | 7 | 4.2 | 18.6 | 35.7 |
| Total profit for the period | | | | |
| | | 58.1 | 65.0 | 140.1 |
| Attributable to: | | | | |
| Equity holders of the Company | | 57.5 | 64.4 | 138.9 |
| Minority interests | | 0.6 | 0.6 | 1.2 |
| Total profit for the period | | | | |
| | | 58.1 | 65.0 | 140.1 |
| Earnings per share of the profit for the period from continuing operations attributable to the Company's equity holders | | | | |
| Basic | 8 | 16.0p | 13.4p | 30.3p |
| Diluted | 8 | 15.9p | 13.4p | 30.2p |

Consolidated balance sheet

| | 30.6.05 £m | 30.6.04 £m | 31.12.04 £m |
|--|----------------|----------------|----------------|
| Assets | | | |
| Property, plant and equipment | 64.2 | 200.4 | 218.4 |
| Intangible assets | 581.8 | 552.4 | 623.7 |
| Deferred tax assets | 13.6 | 10.2 | 14.8 |
| Total non-current assets | 659.6 | 763.0 | 856.9 |
| Inventories | 218.8 | 249.9 | 275.2 |
| Income tax receivable | 2.8 | 2.2 | 3.1 |
| Trade and other receivables | 424.3 | 467.7 | 465.4 |
| Derivative assets | 0.8 | – | – |
| Cash and cash equivalents | 103.8 | 77.2 | 107.7 |
| Total current assets | 750.5 | 797.0 | 851.4 |
| Total assets | 1,410.1 | 1,560.0 | 1,708.3 |
| Equity | | | |
| Share capital | 110.0 | 112.3 | 112.5 |
| Share premium | 98.9 | 86.6 | 88.3 |
| Capital redemption reserve | 8.6 | 5.3 | 5.3 |
| Cash flow hedging reserve | 0.8 | – | – |
| Translation reserve | 1.1 | (1.2) | 0.7 |
| Retained earnings | 168.9 | 296.4 | 276.8 |
| Capital and reserves attributable to the Company's equity holders | 388.3 | 499.4 | 483.6 |
| Minority interests | – | 3.4 | 3.9 |
| Total equity | 388.3 | 502.8 | 487.5 |
| Liabilities | | | |
| Interest bearing loans and borrowings | 287.8 | 305.0 | 290.2 |
| Retirement benefit obligations | 53.2 | 53.9 | 70.5 |
| Other payables | 4.8 | 3.3 | 7.6 |
| Provisions | 31.9 | 20.2 | 30.3 |
| Deferred tax liabilities | 49.2 | 53.5 | 68.7 |
| Total non-current liabilities | 426.9 | 435.9 | 467.3 |
| Bank overdrafts | 42.6 | 31.5 | 43.2 |
| Interest bearing loans and borrowings | 59.0 | 46.4 | 179.5 |
| Income tax payable | 41.8 | 51.5 | 54.4 |
| Trade and other payables | 364.1 | 405.5 | 382.0 |
| Provisions | 4.1 | 4.7 | 7.1 |
| Accruals and deferred income | 83.3 | 81.7 | 87.3 |
| Total current liabilities | 594.9 | 621.3 | 753.5 |
| Total liabilities | 1,021.8 | 1,057.2 | 1,220.8 |
| Total equity, minority interests and liabilities | 1,410.1 | 1,560.0 | 1,708.3 |

Consolidated cash flow statement

| | Notes | Six months to 30.6.05 £m | Six months to 30.6.04 £m | Year to 31.12.04 £m |
|---|-------|--------------------------------|--------------------------------|---------------------------|
| Cash flow from operating activities of continuing operations | | | | |
| Profit before income tax from continuing operations | | 80.0 | 69.8 | 157.4 |
| Adjustments for non-cash items: | | | | |
| Depreciation | | 6.7 | 6.0 | 12.9 |
| Intangible amortisation | | 7.8 | 1.8 | 8.6 |
| Share option charge | | 1.3 | 1.3 | 2.8 |
| Other | | (1.5) | (2.5) | (0.7) |
| Working capital movement | | (18.3) | 2.5 | (11.0) |
| Finance income | | (14.2) | (6.3) | (17.0) |
| Finance cost | | 18.2 | 6.7 | 19.9 |
| Special pension contribution | | (3.3) | – | – |
| Employee trust shares | | 2.2 | (5.8) | (9.8) |
| Other cash movements | | (5.3) | (2.2) | (7.2) |
| Cash inflow from operating activities of continuing operations | | 73.6 | 71.3 | 155.9 |
| Cash inflow from operating activities of discontinued operations | 7 | 16.1 | 28.3 | 64.1 |
| Income tax paid | | (34.0) | (28.1) | (65.2) |
| Net cash inflow from operating activities | | 55.7 | 71.5 | 154.8 |
| Investing activities | | | | |
| Interest received | | 10.7 | 2.1 | 7.9 |
| Purchase of property, plant and equipment | | (17.4) | (18.4) | (46.2) |
| Sale of property, plant and equipment | | 1.1 | 3.0 | 4.6 |
| Purchase of businesses | | (22.7) | (191.4) | (256.7) |
| Disposal of businesses | | – | – | 8.0 |
| Demerger of business | | 115.4 | – | – |
| Other investment cash flows | | (3.4) | (0.2) | 1.0 |
| Net cash inflow/(outflow) from investing activities | | 83.7 | (204.9) | (281.4) |
| Financing activities | | | | |
| Interest paid | | (12.1) | (3.1) | (12.5) |
| Dividends paid | | (18.5) | (17.4) | (54.4) |
| (Decrease)/increase in short term loans | | (120.3) | 30.8 | 150.0 |
| (Decrease)/increase in long term loans | | (2.4) | 28.8 | 24.5 |
| Decrease in finance leases | | (0.2) | – | (0.2) |
| Shares issued for cash | | 11.4 | 3.0 | 4.9 |
| Purchase of own shares | | – | – | (58.6) |
| Net cash (outflow)/inflow from financing activities | | (142.1) | 42.1 | 53.7 |
| Exchange losses on cash and cash equivalents | | (0.6) | (1.3) | (0.9) |
| Decrease in cash and cash equivalents | | (3.3) | (92.6) | (73.8) |
| Cash and cash equivalents at start of period | | 64.5 | 138.3 | 138.3 |
| Increase/(decrease) in cash and cash equivalents from continuing operations | | 30.5 | (92.9) | (79.3) |
| (Decrease)/increase in cash and cash equivalents from discontinued operations | 7 | (33.8) | 0.3 | 5.5 |
| Cash and cash equivalents at end of period | 9 | 61.2 | 45.7 | 64.5 |

Consolidated statement of changes in shareholders' equity

| | Share capital £m | Share premium £m | Capital redemption reserve £m | Cash flow hedging reserve £m | Translation reserve £m | Retained earnings £m | Minority interests £m | Total equity £m |
|---|---------------------|---------------------|-------------------------------------|---------------------------------------|------------------------------|----------------------------|-----------------------------|-----------------------|
| As at 1 January 2005 | 112.5 | 88.3 | 5.3 | | 0.7 | 276.8 | 3.9 | 487.5 |
| Adoption of IAS 32 and 39 (see note 2d) | | | | (1.3) | | | | (1.3) |
| As at 1 January 2005 | 112.5 | 88.3 | 5.3 | (1.3) | 0.7 | 276.8 | 3.9 | 486.2 |
| Currency translation differences | | | | | 0.4 | | 0.3 | 0.7 |
| Movement of cash flow hedging position | | | | 2.1 | | | | 2.1 |
| Actuarial loss on pension schemes | | | | | | (19.2) | | (19.2) |
| Deferred taxation on actuarial loss | | | | | | 6.2 | | 6.2 |
| 2004 final dividend | | | | | | (39.3) | | (39.3) |
| Net profit for the period | | | | | | 57.5 | 0.6 | 58.1 |
| Issue of share capital | 0.8 | 10.6 | | | | | | 11.4 |
| Cancellation of own shares | (3.3) | | 3.3 | | | | | - |
| Sale of employee trust shares | | | | | | 2.2 | | 2.2 |
| Amortisation of employee trust shares | | | | | | 0.5 | | 0.5 |
| Share option charge | | | | | | 1.8 | | 1.8 |
| Demerger of business | | | | | | (117.6) | (4.8) | (122.4) |
| As at 30 June 2005 | 110.0 | 98.9 | 8.6 | 0.8 | 1.1 | 168.9 | - | 388.3 |
| As at 1 January 2004 | 112.1 | 83.8 | 5.3 | | | 266.9 | 3.0 | 471.1 |
| Currency translation differences | | | | | (1.2) | | (0.2) | (1.4) |
| Actuarial gain on pension schemes | | | | | | 8.0 | | 8.0 |
| Deferred taxation on actuarial gain | | | | | | (2.4) | | (2.4) |
| 2003 final dividend | | | | | | (37.0) | | (37.0) |
| Net profit for the period | | | | | | 64.4 | 0.6 | 65.0 |
| Issue of share capital | 0.2 | 2.8 | | | | | | 3.0 |
| Purchase of employee trust shares | | | | | | (5.8) | | (5.8) |
| Amortisation of employee trust shares | | | | | | 0.4 | | 0.4 |
| Share option charge | | | | | | 1.9 | | 1.9 |
| As at 30 June 2004 | 112.3 | 86.6 | 5.3 | | (1.2) | 296.4 | 3.4 | 502.8 |
| As at 1 January 2004 | 112.1 | 83.8 | 5.3 | | | 266.9 | 3.0 | 471.1 |
| Currency translation differences | | | | | 0.7 | | (0.3) | 0.4 |
| Actuarial loss on pension schemes | | | | | | (13.3) | | (13.3) |
| Deferred taxation on actuarial loss | | | | | | 4.0 | | 4.0 |
| Movement in pension asset revaluation | | | | | | (0.1) | | (0.1) |
| 2003 final dividend | | | | | | (37.0) | | (37.0) |
| 2004 interim dividend | | | | | | (18.9) | | (18.9) |
| Net profit for the year | | | | | | 138.9 | 1.2 | 140.1 |
| Issue of share capital | 0.4 | 4.5 | | | | | | 4.9 |
| Purchase of own shares | | | | | | (58.6) | | (58.6) |
| Purchase of employee trust shares | | | | | | (9.8) | | (9.8) |
| Amortisation of employee trust shares | | | | | | 0.8 | | 0.8 |
| Share option charge | | | | | | 3.9 | | 3.9 |
| As at 31 December 2004 | 112.5 | 88.3 | 5.3 | | 0.7 | 276.8 | 3.9 | 487.5 |

Consolidated statement of recognised income and expense

| | Six months to 30.6.05 £m | Six months to 30.6.04 £m | Year to 31.12.04 £m |
|--|--------------------------------|--------------------------------|---------------------------|
| Profit for the period | 58.1 | 65.0 | 140.1 |
| Actuarial (loss)/gain on pension schemes | (19.2) | 8.0 | (13.3) |
| Deferred taxation on actuarial loss/(gain) | 6.2 | (2.4) | 4.0 |
| Currency translation differences arising in period | 0.7 | (1.4) | 0.4 |
| Movement of cash flow hedging position | 2.1 | | |
| (Expenses)/income not recognised in income statement | (10.2) | 4.2 | (8.9) |
| Adoption of IAS 32 and 39 (see note 2d) | (1.3) | | |
| Total recognised income for the period | 46.6 | 69.2 | 131.2 |
| Attributable to: | | | |
| Equity holders of the Company | 45.7 | 68.8 | 130.3 |
| Minority interests | 0.9 | 0.4 | 0.9 |
| Total recognised income for the period | 46.6 | 69.2 | 131.2 |

Notes

1. Basis of preparation

EU law (IAS Regulation EC 1606/2002) requires that the next annual consolidated financial statements of the Company, for the year ending 31 December 2005, be prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the EU ('adopted IFRS').

This interim financial information has been prepared on the basis of the recognition and measurement requirements of IFRS in issue that either are endorsed by the EU and effective (or available for early adoption) at 31 December 2005 or are expected to be endorsed and effective (or available for early adoption) at 31 December 2005, the Group's first annual reporting date at which it is required to use adopted IFRS. Based on the adopted and unadopted IFRS, the directors have made assumptions about the accounting policies expected to be applied, which are as set out in note 2, when the first annual IFRS financial statements are prepared for the year ending 31 December 2005.

In particular, the directors have assumed that the following IFRS issued by the International Accounting Standards Board will be adopted by the EU in sufficient time that it will be available for use in the annual IFRS financial statements for the year ending 31 December 2005:

IAS 19 'Employee benefits – Actuarial Gains and Losses, Group Plans and Disclosures'. The impact on the Group of this not being endorsed would be to record a portion of actuarial gains and losses in the income statement rather than directly to the statement of recognised income and expense.

In addition, the adopted IFRS that will be effective (or available for early adoption) in the annual financial statements for the year ending 31 December 2005 are still subject to change and to additional interpretations and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period will be determined finally only when the annual financial statements are prepared for the year ending 31 December 2005.

The comparative figures for the financial year ended 31 December 2004 are not the Company's statutory accounts for the financial year. Those accounts, which were prepared under UK Generally Accepted Accounting Practices ('UK GAAP'), have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain statements under Section 237(2) or (3) of the Companies Act 1985. The figures for the six months to 30 June 2004 and year ended 31 December 2004 are extracted from the '2004 Preliminary IFRS Financial Statements' (as adjusted per note 12) which were issued in a press release on 29 April 2005, a copy of which can be found on the Company's website.

2. Accounting policies

a IFRS 1

The following exemptions, as set out in the '2004 Preliminary IFRS Financial Statements' have been adopted:

- a) Business combinations: no retrospective application of IFRS 3 'Business Combinations' to business combinations that occurred prior to the transition to IFRS on 1 January 2004.
- b) IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement' came into effect on 1 January 2005. The Company took the exemption under IFRS 1 'First Full-time Adoption of International Financial Reporting Standards' not to restate comparative information in respect of these standards. As a consequence financial instruments included in the 2004 comparative information are still accounted for in accordance with UK GAAP, whereas they are accounted for in accordance with IFRS in the 2005 results. In accordance with the transitional provisions of IFRS, this has been treated as a change in accounting policy. The accounting policy for financial instruments under IFRS is detailed in note 2d of this report. The adjustments made to reserves as a result of adopting IAS 32 and IAS 39 on 1 January 2005 are detailed in the consolidated statement of recognised income and expense and the consolidated statement of changes in shareholders' equity.
- c) Cumulative translation differences: cumulative translation differences have been reset to zero as at 1 January 2004, the date of transition to IFRS.
- d) Fair value or revaluation at deemed cost: adoption of the exemption to treat revalued property, plant and equipment at deemed cost.

b 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.

(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 financial statements.

c 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.

(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. Revenues 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.

d Financial instruments

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 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.

(i) Fair value hedge

Changes in the fair value of derivatives designated as hedges are recorded in the income statement together with any changes in the fair value of the associated hedged item with respect 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.

Notes continued

e Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Previously revalued properties were treated as deemed cost upon transition to IFRS.

f Depreciation

Property, plant and equipment 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 |

g Intangible assets

(i) Goodwill

Acquisitions are accounted for using the purchase method. For acquisitions that have occurred on or after 1 January 2004, goodwill represents the difference between the cost and 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 not amortised but tested annually for impairment.

(ii) Other intangible assets

Intangible assets acquired in a business combination are recognised on acquisition and recorded at fair value. Amortisation is charged to the income statement on a straight line basis over the estimated useful economic life. Other intangible assets are stated at cost less accumulated amortisation and impairment losses.

h Leases

Operating lease rentals and any incentives receivable are recognised in the income statement on a straight line basis over the term of the lease.

i Impairment

Assets are reviewed at each balance sheet date for impairment. 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.

j Inventories

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

k 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. Bank overdrafts repayable on demand are included in cash and cash equivalents.

l Trade and other receivables

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

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 which are recognised in equity.

Current tax reflects tax payable on taxable income for the year and any adjustments in respect of prior years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences arising between tax bases and carrying amounts in the 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 any 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 or return of goods.

o Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

The principal pension schemes in Europe and the US have been accounted for on a defined benefit basis under IAS 19 (revised) as if the standard had been endorsed for use in the EU. Accordingly all actuarial gains and losses as at 1 January 2004, the date of transition to IFRS, were recognised due to the prior adoption of FRS 17 'Retirement Benefits'. Actuarial gains and losses arising after 1 January 2004 are recognised in the consolidated statement of changes in shareholders' equity.

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 is included within finance cost and the expected return on scheme assets is included within finance income.

p Share based payments

The Group operates equity settled, share based compensation plans. A charge is made in the income statement based on the fair value of options and other share based incentives using the Black Scholes model.

q Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

r Net debt

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

3. Segment analysis

| | Sales | | | Operating profit | | |
|-------------------------------------|--------------------------------|--------------------------------|---------------------------|--------------------------------|--------------------------------|---------------------------|
| | Six months to 30.6.05 £m | Six months to 30.6.04 £m | Year to 31.12.04 £m | Six months to 30.6.05 £m | Six months to 30.6.04 £m | Year to 31.12.04 £m |
| North America | 753.2 | 673.7 | 1,412.9 | 52.5 | 49.3 | 105.1 |
| UK & Ireland | 326.1 | 307.1 | 638.9 | 24.8 | 22.1 | 51.2 |
| Continental Europe & Australasia | 287.0 | 140.5 | 386.7 | 22.1 | 7.2 | 26.5 |
| | 1,366.3 | 1,121.3 | 2,438.5 | 99.4 | 78.6 | 182.8 |
| Corporate | | | | (7.6) | (6.6) | (13.9) |
| Intangible amortisation* | | | | (7.8) | (1.8) | (8.6) |
| Continuing operations | 1,366.3 | 1,121.3 | 2,438.5 | 84.0 | 70.2 | 160.3 |
| Discontinued operations† | 209.9 | 237.6 | 477.5 | 25.8 | 28.0 | 54.5 |
| Intangible amortisation | | | | (0.4) | (0.3) | (0.7) |
| | 1,576.2 | 1,358.9 | 2,916.0 | 109.4 | 97.9 | 214.1 |

*For the six months to 30 June 2005 intangible amortisation for continuing operations comprised North America £1.1m, UK & Ireland £0.1m and Continental Europe & Australasia £6.6m. For the six months to 30 June 2004 all of the intangible amortisation for continuing operations related to Continental Europe & Australasia. For the year to 31 December 2004 intangible amortisation for continuing operations comprised North America £0.5m, UK & Ireland £0.2m and Continental Europe & Australasia £7.9m.

†Operating profit from discontinued operations for the six months to 30 June 2005 is stated before demerger costs of £17.3m.

Notes continued

4. Finance income/(cost)

| | Six months to 30.6.05 £m | Six months to 30.6.04 £m | Year to 31.12.04 £m |
|--|--------------------------------|--------------------------------|---------------------------|
| Continuing operations | | | |
| Bank deposits | 9.3 | 1.6 | 8.2 |
| Expected return on pension scheme assets | 4.9 | 4.7 | 8.8 |
| Finance income | 14.2 | 6.3 | 17.0 |
| Bank loans and overdrafts | (13.2) | (1.7) | (10.4) |
| Interest on pension scheme liabilities | (5.0) | (5.0) | (9.5) |
| Finance cost | (18.2) | (6.7) | (19.9) |

5. Income tax for continuing operations

A taxation charge of 32.0% (2004: 33.4%) on the profit on underlying operations excluding the impact of intangible amortisation of £7.8m (2004: £1.8m) and related deferred tax of £2.0m (2004: £0.5m) has been provided based on the estimated effective rate of taxation for the year. Including the impact of intangible amortisation and related deferred tax, the overall tax rate is 32.6% (2004: 33.5%). The income tax charge includes UK tax of £3.8m, £5.9m and £8.7m for the six months to 30 June 2005 and 2004, and the year to 31 December 2004 respectively.

6. Dividends

| | Per share | | | Total | | |
|--------------|--------------------------|--------------------------|---------------------|--------------------------------|--------------------------------|---------------------------|
| | Six months to 30.6.05 | Six months to 30.6.04 | Year to 31.12.04 | Six months to 30.6.05 £m | Six months to 30.6.04 £m | Year to 31.12.04 £m |
| 2003 final | | 8.25p | 8.25p | | 37.0 | 37.0 |
| 2004 interim | | | 4.15p | | | 18.5 |
| 2004 final | 9.15p | | | 39.3 | | |
| | 9.15p | 8.25p | 12.4p | 39.3 | 37.0 | 55.5 |

The 2004 interim dividend paid was £18.5m, £0.4m lower than the amount proposed of £18.9m due to the impact of the Company purchasing its own shares. The 2004 final dividend of 9.15p was declared on 28 February 2005 and totalled £39.3m when paid on 1 July 2005. The 2005 interim dividend of 4.9p will be paid on 3 January 2006 to shareholders on the register on 18 November 2005.

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

| | Six months to 30.6.05* £m | Six months to 30.6.04 £m | Year to 31.12.04 £m |
|---|---------------------------------|--------------------------------|---------------------------|
| Revenue | 209.9 | 237.6 | 477.5 |
| Operating profit before intangible amortisation and demerger costs | 25.8 | 28.0 | 54.5 |
| Intangible amortisation | (0.4) | (0.3) | (0.7) |
| Demerger costs | (17.3) | – | – |
| Operating profit before financing and tax | 8.1 | 27.7 | 53.8 |
| Finance income | 3.4 | 3.8 | 8.0 |
| Finance cost | (4.8) | (4.6) | (9.9) |
| Profit before income tax | 6.7 | 26.9 | 51.9 |
| Income tax | (2.5) | (8.3) | (16.2) |
| Profit for the period | 4.2 | 18.6 | 35.7 |

*The results for the period represent the five months trading under the Company's ownership.

Cash flow statement

| | Six months to 30.6.05 £m | Six months to 30.6.04 £m | Year to 31.12.04 £m |
|---|--------------------------------|--------------------------------|---------------------------|
| Profit before income tax | 6.7 | 26.9 | 51.9 |
| Adjustments for non-cash items: | | | |
| Depreciation | 8.9 | 10.2 | 20.1 |
| Intangible amortisation | 0.4 | 0.3 | 0.7 |
| Share option charge | 0.5 | 0.6 | 1.1 |
| Other | (0.5) | 2.1 | 4.8 |
| Working capital movement | (11.7) | (12.2) | (14.2) |
| Demerger accrual | 13.9 | – | – |
| Finance income | (3.4) | (3.8) | (8.0) |
| Finance cost | 4.8 | 4.6 | 9.9 |
| Special pension contribution | (1.5) | – | – |
| Other cash movements | (2.0) | (0.4) | (2.2) |
| Cash inflow from operating activities | 16.1 | 28.3 | 64.1 |
| Income tax paid | (2.8) | (6.3) | (14.9) |
| Net cash inflow from operating activities | 13.3 | 22.0 | 49.2 |
| Net cash outflow from investing activities | (12.3) | (32.8) | (56.0) |
| Net cash (outflow)/inflow from financing activities | (35.1) | 11.6 | 11.9 |
| Exchange gains/(losses) on cash and cash equivalents | 0.3 | (0.5) | 0.4 |
| Net (decrease)/increase in cash and cash equivalents | (33.8) | 0.3 | 5.5 |

Notes continued

8. Earnings per share

| | Six months to 30.6.05 £m | Six months to 30.6.04 £m | Year to 31.12.04 £m |
|---|--------------------------------|--------------------------------|---------------------------|
| Continuing operations | | | |
| Profit for the period attributable to the Company | 53.9 | 46.4 | 104.4 |
| Adjustment* | 5.8 | 1.3 | 6.3 |
| Adjusted profit | 59.7 | 47.7 | 110.7 |
| Discontinued operations | | | |
| Profit for the period attributable to discontinued operations (net of minority interests) | 3.6 | 18.0 | 34.5 |
| Adjustment* | 0.3 | 0.2 | 0.5 |
| Adjusted profit | 3.9 | 18.2 | 35.0 |
| Basic weighted average ordinary shares in issue (million) [†] | 336.0 | 345.3 | 344.6 |
| Dilutive effect of employee share plans (million) [†] | 2.2 | 1.5 | 1.3 |
| Diluted weighted average ordinary shares (million) [†] | 338.2 | 346.8 | 345.9 |
| Continuing operations | | | |
| Basic earnings per share | 16.0p | 13.4p | 30.3p |
| Adjustment* | 1.8p | 0.4p | 1.8p |
| Adjusted earnings per share | 17.8p | 13.8p | 32.1p |
| Diluted basic earnings per share | 15.9p | 13.4p | 30.2p |
| Discontinued operations | | | |
| Basic earnings per share | 1.1p | 5.2p | 10.0p |
| Adjustment* | 0.1p | 0.1p | 0.2p |
| Adjusted earnings per share | 1.2p | 5.3p | 10.2p |
| Diluted basic earnings per share | 1.1p | 5.2p | 10.0p |

Adjusted earnings per share is provided to reflect the underlying earnings performance of the Group.

*The adjustment relates to intangible amortisation and related deferred tax.

[†]Restated for share consolidation (using a ratio of 7 new Bunzl shares for 9 old Bunzl shares).

9. Net debt

| | 30.6.05 £m | 30.6.04 £m | 31.12.04 £m |
|---|----------------|----------------|----------------|
| Cash at bank and in hand | 82.9 | 57.5 | 78.4 |
| Short term deposits repayable on demand | 7.9 | 18.1 | 8.8 |
| Overdrafts | (42.6) | (31.5) | (43.2) |
| Cash | 48.2 | 44.1 | 44.0 |
| Short term deposits not repayable on demand | 13.0 | 1.6 | 20.5 |
| Cash and cash equivalents | 61.2 | 45.7 | 64.5 |
| Current liabilities – interest bearing loans and borrowings | (59.0) | (46.4) | (179.5) |
| Non-current liabilities – interest bearing loans and borrowings | (287.8) | (305.0) | (290.2) |
| Net debt | (285.6) | (305.7) | (405.2) |

10. Reconciliation of UK GAAP profit to IFRS profit for the six months to 30 June 2004

| | Continuing operations £m | Discontinued operations £m | Total £m |
|--|-----------------------------|-------------------------------|-------------|
| Profit for the period under UK GAAP | 39.9 | 18.8 | 58.7 |
| Non-amortisation of goodwill* | 7.0 | 1.1 | 8.1 |
| Deferred tax on previously revalued land and buildings | – | 0.5 | 0.5 |
| Release of deferred tax recognised on intangibles | 0.5 | – | 0.5 |
| Share based payments (net of taxation) | (1.0) | (0.5) | (1.5) |
| Impairment of previously revalued land and buildings | – | (1.3) | (1.3) |
| Profit for the period under IFRS | 46.4 | 18.6 | 65.0 |

11. Reconciliation of UK GAAP equity to IFRS equity

| | Share capital £m | Share premium £m | Capital redemption reserve £m | Translation reserve £m | Retained earnings £m | Minority interest £m | Total equity £m |
|--|---------------------|---------------------|----------------------------------|---------------------------|-------------------------|-------------------------|--------------------|
| As at 30 June 2004 under UK GAAP | 112.3 | 86.6 | 5.3 | | 267.5 | 3.3 | 475.0 |
| IFRS adjustments | | | | | | | |
| non-amortisation of goodwill* | | | | | 8.1 | | 8.1 |
| pension asset revaluation | | | | | (0.6) | | (0.6) |
| deferred tax liabilities on property revaluations | | | | | (1.3) | | (1.3) |
| deferred tax asset on share options | | | | | 2.2 | | 2.2 |
| deferred tax liabilities on business combination intangibles | | | | | 0.5 | | 0.5 |
| undeclared dividends | | | | | 18.8 | 0.1 | 18.9 |
| reclassification of opening translation reserve | | | | (1.2) | 1.2 | | – |
| As at 30 June 2004 under IFRS | 112.3 | 86.6 | 5.3 | (1.2) | 296.4 | 3.4 | 502.8 |
| As at 31 December 2004 under UK GAAP | 112.5 | 88.3 | 5.3 | | 222.0 | 3.7 | 431.8 |
| IFRS adjustments | | | | | | | |
| non-amortisation of goodwill* | | | | | 15.8 | | 15.8 |
| timing of fair value adjustment | | | | | (2.2) | | (2.2) |
| pension asset revaluation | | | | | (0.7) | | (0.7) |
| deferred tax liabilities on property revaluations | | | | | (1.3) | | (1.3) |
| deferred tax asset on share options | | | | | 1.9 | | 1.9 |
| deferred tax liabilities on business combination intangibles | | | | | 2.3 | | 2.3 |
| undeclared dividends | | | | | 39.7 | 0.2 | 39.9 |
| reclassification of opening translation reserve | | | | 0.7 | (0.7) | | – |
| As at 31 December 2004 under IFRS | 112.5 | 88.3 | 5.3 | 0.7 | 276.8 | 3.9 | 487.5 |

*The above reconciliations reflect an adjustment for IAS 38 'Intangible Assets' from the press release issued on 29 April 2005. The tax amortisation benefit included in the fair value of intangible assets recognised as part of the business combination has been presented within intangible assets rather than goodwill and is now amortised through the income statement. Accordingly a further £0.6m and £2.5m have been charged to the income statement for the six months to 30 June 2004 and the year to 31 December 2004 respectively.

Independent review report

by KPMG Audit Plc to Bunzl plc

Introduction

We have been engaged by the Company to review the financial information set out on pages 4 to 15 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Listing Rules of the Financial Services Authority. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual financial statements except where any changes, and the reasons for them, are disclosed.

As disclosed in note 1 to the financial information, the next annual financial statements of the Group will be prepared in accordance with IFRS adopted for use in the European Union.

The accounting policies that have been adopted in preparing the financial information are consistent with those that the directors currently intend to use in the next annual financial statements. There is,

however, a possibility that the directors may determine that some changes to these policies are necessary when preparing the full annual financial statements for the first time in accordance with those IFRS adopted for use by the European Union. This is because, as disclosed in note 1, the directors have anticipated that certain standards, which have yet to be formally adopted for use in the European Union, will be so adopted in time to be applicable to the next annual financial statements.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2005.

KPMG Audit Plc
Chartered Accountants
London
30 August 2005

Bunzl plc
110 Park Street
London W1K 6NX
T 020 7495 4950
F 020 7495 4953
W www.bunzl.com