



BUNZL DELIVERS

**BUNZL IS A FAST GROWING
AND SUCCESSFUL GROUP WITH
OPERATIONS ACROSS NORTH
AMERICA, EUROPE AND AUSTRALASIA.**

**WE HAVE PARTNERED WITH BOTH
SUPPLIERS AND CUSTOMERS IN
PROVIDING OUTSOURCING SOLUTIONS
AND SERVICE ORIENTED DISTRIBUTION.**

**WE SUPPLY A BROAD RANGE
OF INTERNATIONALLY SOURCED
PRODUCTS THAT ARE ESSENTIAL
FOR OUR CUSTOMERS TO OPERATE
THEIR BUSINESSES.**

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The directors have pleasure in submitting their annual report which includes this Directors' Report and the audited financial statements of the Company and its subsidiary undertakings for the year ended 31 December 2006. The Directors' Report incorporates by reference, to the extent indicated below, certain information included in the Annual Review and Summary Financial Statement and should be read in conjunction with that document.

Principal activity and business review

The principal activity of the Group is the provision of value-added distribution and outsourcing services across North America, Europe and Australasia. Details of the Group's activities, developments and performance for the year and information which fulfils the requirements of the Companies Act 1985 relating to the production of a Business Review are set out in the Chairman's Statement, the Chief Executive's Review, the Financial Review and the Corporate Social Responsibility report on pages 4 to 15 and 18 to 23 of the Annual Review and Summary Financial Statement and in the section below entitled 'Principal risks and uncertainties'. The Company uses a number of key performance indicators to measure progress towards its objectives. These are set out in the form of bar graphs on pages 7, 19 and 23 of the Annual Review and Summary Financial Statement.

Principal risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Company's business, financial condition or results of operations. The Company has specific policies and procedures which are designed to identify, manage and mitigate business risk. The principal risks and uncertainties faced by the Company include the following:

- The majority of the Group's sales are made and income is earned in US dollars and other foreign currencies. As a result movements in exchange rates may have a material translation impact on the Company's reported results. However any significant translation exposure on shareholders' equity is limited by borrowing and/or using forward foreign exchange contracts in those currencies in which the Group has significant net assets. The majority of the Group's transactions are carried out in the functional currency of the Group's operations and so transaction exposures are limited and exchange rate fluctuations have minimal effects on the quality of earnings.
- The Company operates in highly competitive markets and faces competition from international companies as well as local and regional companies in the countries in which it operates. Increased competition and unanticipated actions by competitors or customers could lead to an adverse effect on results and hinder the Company's growth potential. The Company seeks to mitigate against this risk by remaining competitive both in terms of price and product offering and by maintaining high service levels and close contacts with its customers to ensure that their needs and demands are being met satisfactorily.
- A significant portion of the Company's historical growth has been achieved through acquisitions of businesses and the Group's growth strategy includes additional acquisitions. There can be no assurance that the Company will be able to make acquisitions in the future or that any acquisitions made will be successful. However the Company continually reviews acquisition targets and has established processes and procedures with regard to detailed pre-acquisition due diligence and post-acquisition integration. As a result the Company endeavours to ensure that the anticipated benefits of acquisitions can be realised.

- The purchase price and availability of products distributed by the Group can fluctuate from time to time, thereby potentially affecting the results of operations. The Company endeavours, whenever possible, to pass on price increases from its suppliers to its customers and to source its products from a number of different suppliers so that it is not dependent on any one source of supply for any particular product. The Company would also be affected if there was a catastrophic failure of its major distribution facilities or information systems. The Company seeks to mitigate against this risk through the use of multi-site facilities with products stocked in more than one location and the adoption of detailed back up plans which would be implemented in the event of any such failure.
- The international nature of the Company's operations exposes it to potential claims as the Group is subject to a broad range of laws and regulations in each of the jurisdictions in which it operates. In addition the Company faces potential claims from customers in relation to the supply of defective products or breaches of their contractual arrangements. While any litigation has an element of uncertainty, the Company does not presently expect that the outcome of any such claims, either individually or in the aggregate, will have a material adverse effect on the Group's financial condition or results of operations.
- The Company's business is partially dependent on general economic conditions in the US, the UK, France and other important markets. A significant deterioration in these conditions could have an adverse effect on the Company's business and results of operations. However the diversity of the Group's operations, the nature of its customer base and its ability to react to market changes provide considerable protection against this risk. The Company's operations are also subject to a variety of other risks and uncertainties relating to trading in numerous foreign countries, including the imposition of any import or investment restrictions, including tariffs and import quotas or any restrictions on the repatriation of earnings and capital, and changes in tax regulation and international tax treaties. The Company endeavours to monitor such matters and keep them under regular review, amending its business procedures as appropriate to mitigate any such exposures.

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 5.3p was paid in respect of the year and the directors recommend a final dividend of 11.7p per share, making a total for the year of 17.0p (2004: 15.7p). Dividend details are given in Note 18 to the financial statements. Subject to confirmation by the shareholders at the Annual General Meeting on 16 May 2007, the final dividend will be paid on 2 July 2007 to those shareholders on the register at the close of business on 4 May 2007.

Share capital

Details of the Company's share capital are set out in Note 17 to the financial statements.

Purchase of own shares

As at 26 February 2007 the Company had purchased 9,112,910 of its own shares into treasury 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 were subsequently elected at the 2006 Annual General Meeting. Mr D M Williams retired from the Board on 31 January 2006. Biographical details of the current directors are set out on page 17 of the Annual Review and Summary Financial Statement. Mr M J Roney and Mr J F Harris 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 2006. 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 45 to 52.

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 26 February 2007 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
Amvescap PLC	29.01.07	14.44
Baillie Gifford & Co	22.01.07	6.88
Legal & General Group Plc	13.02.07	3.41
Zurich Financial Services	17.07.06	3.08
Lazard Asset Management	05.05.06	3.07
Lloyds TSB Group plc	28.01.05	3.01
Prudential plc	16.02.07	3.00

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 31 (2005: 30).

Donations

During 2006, amongst other worldwide charitable donations, the Group contributed £200,000 to UK charities (2005: £201,000). No contributions were made for political purposes.

Annual General Meeting

The Annual General Meeting will be held at the Chiltern Room, Selfridge Hotel, Orchard Street, London W1H 6JS on Wednesday 16 May 2007 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

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

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

This confirmation is given and should be interpreted in accordance with the provisions of Section 234ZA of the Companies Act 1985.

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
26 February 2007

Pages 1 to 2 inclusive consist of a directors' report that has been drawn up and presented in accordance with and in reliance upon applicable English company law and any liability of the directors in connection with this report shall be subject to the limitations and restrictions provided by such law.

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 ('the Code') have been applied by the Company during the year ended 31 December 2006. The Company confirms it has complied throughout 2006 with the provisions of the Code.

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 Company has a formal performance evaluation process for the Board, its Committees and individual directors overseen by the Chairman, Mr A J Habgood. This includes completion of self-assessment forms by, and individual discussions with, each director. This process was carried out satisfactorily during the year. 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 the directors' remuneration is given in the Directors' Remuneration Report on pages 45 to 52.

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. While neither the Chairman of the Company, Mr A J Habgood, nor the Finance Director, Mr B M May, are members of the Committee, they normally attend meetings of the Committee by invitation. 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 and arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. 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 the objectivity and independence of the external auditors 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 the external auditors' 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. 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. 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 45 to 52. 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. The terms of reference of the Committee are set out on the Company's website.

Meetings attendance

The following table shows the attendance in 2006 of directors at Board meetings and at meetings of the Board Committees of which they are members:

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings	8	3	3	1
A J Habgood	8			1
M J Roney	8			
J F Harris	7	3	3	1
C A Banks	7	3	3	1
U Wolters	8	3	3	
P L Larmon	8			
B M May	8			
P W Johnson	7	2	3	
D M Williams*	1			

*Mr D M Williams retired as a director on 31 January 2006 and attended the only Board meeting held between 1 January 2006 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. Shareholders are given the option to withhold their vote on the proxy form and 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 details of the proxies lodged are also publicly announced and placed on the Company's website. The Board also 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 2006 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;
- continual investment in IT systems to ensure the production of timely and accurate management information relating to the operation of the Group's businesses; and
- 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;
- 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 2006.

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

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2006

	Notes	2006 £m	2005 £m
Continuing operations			
Revenue	3	3,333.2	2,924.4
Operating profit before intangible amortisation	3	226.3	203.4
Intangible amortisation		(19.9)	(15.9)
Operating profit		206.4	187.5
Finance income	5	19.6	22.0
Finance cost	5	(36.3)	(32.8)
Profit before income tax		189.7	176.7
Profit before income tax and intangible amortisation		209.6	192.6
UK income tax		(9.1)	(8.7)
Overseas income tax		(51.2)	(48.0)
Total income tax	6	(60.3)	(56.7)
Profit for the year		129.4	120.0
Discontinued operations			
Profit for the year	7	–	4.2
Total profit for the year		129.4	124.2
Attributable to:			
Equity holders of the Company		129.4	123.6
Minority interests		–	0.6
Total profit for the year		129.4	124.2
Earnings per share attributable to the Company's equity holders			
Basic		37.8p	36.5p
Diluted		37.5p	36.3p
Earnings per share from continuing operations attributable to the Company's equity holders			
Basic	8	37.8p	35.4p
Diluted	8	37.5p	35.2p

The Accounting Policies and Notes on pages 9 to 37 form part of these financial statements.

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

for the year ended 31 December 2006

	Notes	2006 £m	2005 £m
Profit for the year		129.4	124.2
Actuarial gain/(loss) on pension schemes	22	17.4	(27.3)
Deferred tax on actuarial (gain)/loss		(5.5)	8.4
Currency translation differences arising in year*		(7.1)	8.1
(Loss)/gain recognised in cash flow hedge reserve		(0.3)	0.3
Movement from cash flow hedge reserve to income statement		(0.3)	1.3
Net income/(expense) recognised directly in equity		4.2	(9.2)
Total recognised income for the year		133.6	115.0
Attributable to:			
Equity holders of the Company		133.6	114.1
Minority interests		-	0.9
Total recognised income for the year		133.6	115.0

*Currency translation differences for 2006 of £(7.1)m (2005: £8.1m) are net of gains of £17.6m (2005: £(15.7)m) taken to equity as a result of designated effective net investment hedges.

CONSOLIDATED BALANCE SHEET

at 31 December 2006

	Notes	2006 £m	2005 £m
Assets			
Property, plant and equipment	9	74.3	69.8
Intangible assets	10	776.7	695.5
Derivative assets		5.4	4.8
Deferred tax assets	16	4.1	22.2
Total non-current assets		860.5	792.3
Inventories	11	290.8	272.3
Income tax receivable		2.7	2.5
Trade and other receivables	12	521.2	470.7
Derivative assets		0.1	0.9
Cash and deposits	25	49.0	53.7
Total current assets		863.8	800.1
Total assets		1,724.3	1,592.4
Equity			
Share capital	17	112.0	111.4
Share premium	19	119.8	112.8
Merger reserve	19	2.5	2.5
Capital redemption reserve	19	8.6	8.6
Cash flow hedge reserve	19	(0.3)	0.3
Translation reserve	19	1.4	8.5
Retained earnings	19	244.0	216.3
Total equity		488.0	460.4
Liabilities			
Interest bearing loans and borrowings	25	456.9	339.7
Retirement benefit obligations	22	37.5	60.0
Other payables		5.6	1.5
Provisions	15	44.6	38.3
Deferred tax liabilities	16	73.0	79.3
Total non-current liabilities		617.6	518.8
Bank overdrafts	25	23.9	17.0
Interest bearing loans and borrowings	25	4.3	52.5
Income tax payable		58.4	40.8
Trade and other payables	13	524.5	497.6
Derivative liabilities		0.7	–
Provisions	15	6.9	5.3
Total current liabilities		618.7	613.2
Total liabilities		1,236.3	1,132.0
Total equity and liabilities		1,724.3	1,592.4

Approved by the Board of Directors of Bunzl plc on 26 February 2007 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 2006

	Notes	2006 £m	2005 £m
Cash flow from operating activities of continuing operations			
Profit before income tax		189.7	176.7
Adjustments for non-cash items:			
depreciation		14.6	13.6
intangible amortisation		19.9	15.9
share option charge		3.0	3.6
other		1.0	(1.0)
Working capital movement		(20.0)	(11.4)
Finance income		(19.6)	(22.0)
Finance cost		36.3	32.8
Provisions and pensions		(5.7)	(4.5)
Special pension contribution		(5.0)	(3.3)
Cash generated from continuing operations		214.2	200.4
Cash generated from discontinued operations	7	-	2.2
Income tax paid of continuing operations		(40.5)	(56.7)
Income tax paid of discontinued operations	7	-	(2.8)
Cash inflow from operating activities		173.7	143.1
Cash flow from investing activities of continuing operations			
Interest received		8.5	11.8
Purchase of property, plant and equipment		(15.8)	(11.4)
Sale of property, plant and equipment		4.3	0.8
Purchase of businesses		(156.7)	(124.4)
Other investment cash flows		(1.0)	0.7
Cash outflow from investing activities of continuing operations*		(160.7)	(122.5)
Cash outflow from investing activities of discontinued operations	7	-	(12.3)
Cash outflow from investing activities		(160.7)	(134.8)
Cash flow from financing activities of continuing operations			
Interest paid		(24.9)	(20.2)
Dividends paid		(53.3)	(57.8)
Decrease in short term loans		(28.5)	(44.6)
Increase in long term loans		141.4	95.3
Net proceeds from employee shares		5.2	23.9
Purchase of own shares into treasury		(63.1)	-
Cash outflow from financing activities of continuing operations*		(23.2)	(3.4)
Cash outflow from financing activities of discontinued operations	7	-	(35.1)
Cash outflow from financing activities		(23.2)	(38.5)
Exchange (loss)/gain on cash and cash equivalents of continuing operations		(1.4)	2.1
Exchange gain on cash and cash equivalents of discontinued operations	7	-	0.3
Exchange (loss)/gain on cash and cash equivalents		(1.4)	2.4
Decrease in cash and cash equivalents		(11.6)	(27.8)
Cash and cash equivalents at start of year		36.7	64.5
(Decrease)/increase in cash and cash equivalents of continuing operations		(11.6)	19.9
Decrease in cash and cash equivalents of discontinued operations	7	-	(47.7)
Cash and cash equivalents at end of year	25	25.1	36.7

*The cash flow statement for the year ended 31 December 2005 has been re-presented (see Note 1).

1 Basis of preparation

The consolidated financial statements for the year ended 31 December 2006 have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU including interpretations issued by the International Accounting Standards Board ('IASB'). The consolidated financial statements have been prepared under the historical cost convention, with the exception of certain items which are measured at fair value as disclosed in the accounting policies below. The Company has elected to prepare its parent company financial statements in accordance with UK Generally Accepted Accounting Principles ('UK GAAP').

The demerger of Filtrona changed the financing structure of the Group with Filtrona assuming £115.4m of the Group's net debt at demerger on 6 June 2005. This change to the Group's funding structure was previously presented in the 2005 cash flow statement as an inflow within investing activities with a corresponding decrease in loans shown within financing activities. This disclosure was considered helpful as it highlighted the impact of the demerger on the funding structure of the ongoing Bunzl Group. As there was no impact on cash and cash equivalents, the 2005 cash flow statement has been re-presented to exclude this impact of the demerger from both investing and financing activities.

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

2 Accounting policies

a Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group 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 consideration paid plus directly attributable costs 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 and intangible assets, 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 directly in equity. Differences that have arisen since 1 January 2004, the date of transition to IFRS, are presented as a separate component of equity.

(iii) Net investment in foreign operations

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

c Financial instruments

Under International Accounting Standard ('IAS') 39 'Financial Instruments: Recognition and Measurement', financial instruments are initially measured at fair value with subsequent measurement depending upon the classification of the instrument. Other financial assets and liabilities are held at amortised cost, unless they are in a fair value hedging relationship. Derivative financial instruments are used to hedge exposures to foreign exchange and interest rate risks.

(i) Fair value hedge

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

(ii) Cash flow hedge

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

(iii) Hedge of 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.

2 Accounting policies continued

d Property, plant and equipment

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

e Depreciation

Depreciation is provided on a straight line basis to write off cost over the estimated remaining useful asset 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 'First-time Adoption of International Financial Reporting Standards' the Group has chosen to apply IFRS 3 'Business Combinations' from 1 January 2004 and has elected not to restate previous business combinations. For acquisitions that have occurred on or after 1 January 2004, goodwill represents the excess of the consideration paid plus directly attributable costs over the fair value of the identifiable net assets acquired. 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 immediately in the income statement.

(ii) Other intangible assets

Intangible assets acquired in a business combination are recognised on acquisition and recorded at fair value. These principally relate to customer relationships. Amortisation is charged to the income statement on a straight line basis over the estimated useful economic lives (which range from 10 to 19 years). 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 leases, the accounting treatment of the land is considered separately from that of the buildings due to the indefinite life of land.

h Impairment

The carrying amounts of the Group's assets other than inventories 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. Goodwill impairment tests are carried out at each balance sheet date.

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, bank overdrafts and fixed term investments with maturities of three months or less from the date of acquisition.

k Trade and other receivables

Trade and other receivables are stated at nominal amount less any impairment losses. Discounting is applied where it is expected to have a material impact.

l Trade and other payables

Trade and other payables are stated at nominal amount. Discounting is applied where it is expected to have a material impact.

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.

2 Accounting policies continued

n Revenue

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

Revenue is valued at invoiced amount, excluding sales taxes, less estimated provisions for returns and trade discounts where relevant.

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

o Employee benefits

(i) Defined contribution pension schemes

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

(ii) Defined benefit pension schemes

Pension liabilities are recognised in the consolidated balance sheet and represent the difference between the 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/credit and gains and losses on any settlement and curtailments are credited or charged to the income statement. Past service cost is recognised immediately to the extent benefits are already vested or is otherwise amortised on a straight line basis over the average period until the benefits are vested. The unwinding of the discount on scheme liabilities is recognised within finance cost and the expected return on scheme assets generated during the year is included within finance income.

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

p Investment in own shares

The cost of shares held either directly (treasury shares) or indirectly (employee benefit trust shares) is deducted from equity.

q Share based payments

The Group operates equity settled share based compensation plans. The total expected expense based on the fair value of options and other share based incentives at the relevant grant date is calculated using a valuation model and spread over the expected vesting period. The corresponding credit is taken to equity. The amount recognised as an expense is adjusted to reflect the actual number of options and other share based incentives that vest. Details of these plans are outlined in Note 17 and the Directors' Remuneration Report.

r Provisions

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

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

s Net debt

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

t 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 required which often involves 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 is valued at invoiced amount, excluding sales taxes, less estimated provisions for returns and trade 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 on the fair value of the consideration paid. Assets and liabilities are measured at fair value and the purchase price is allocated to assets and liabilities based on these fair values.

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

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

New accounting standards and interpretations

In preparing the consolidated financial statements the Group has adopted the following amendments to IFRS which became effective in 2006:

- IAS 21 'The Effects of Changes in Foreign Exchange Rates'
- IAS 39 'Cash Flow Hedge Accounting for Forecast Intra-Group Transactions'
- IAS 39 'Financial Instruments; Recognition and Measurement – The Fair Value Option'

The adoption of these amendments did not have a significant impact on the financial statements.

The Group has adopted the International Financial Reporting Interpretations Committee ('IFRIC') Interpretation 4 'Determining Whether an Arrangement Contains a Lease' and IFRIC Interpretation 6 'Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment' in the 2006 consolidated financial statements. The adoption of these interpretations did not have a significant impact on the financial statements.

The following new IFRS and interpretation, effective for accounting periods commencing on or after 1 January 2006, have had no impact on the financial statements as they are not relevant to the Group:

- IFRS 6 'Exploration for and Evaluation of Mineral Resources'
- IFRIC 5 'Rights to Interest Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds'

The following new IFRSs, interpretations and amended IAS are not yet effective and consequently have not been early adopted:

- IFRS 7 'Financial Instruments: Disclosures' and the amendment to IAS 1 'Presentation of Financial Statements: Capital Disclosures' (both effective for the 2007 financial year) require additional disclosures for financial instruments;
- IFRS 8 'Operating Segments' (effective for the 2009 financial year) requires that an entity adopt the 'management approach' to reporting financial performance of its operating segments;
- IFRIC Interpretation 7 'Applying the Restatement Approach under IAS 29 'Financial Reporting in Hyperinflationary Economies'', IFRIC 8 'Scope of IFRS 2 'Share-based Payment'', IFRIC Interpretation 9 'Reassessment of Embedded Derivatives' and IFRIC 10 'Interim Financial Reporting and Impairment' are all effective for the 2007 financial year; and
- IFRIC 11 'IFRS 2 – Group and Treasury Share Transactions' and IFRIC 12 'Service Concession Arrangements' are both effective for 2008.

The adoption of these IFRSs, interpretations and amended IAS are not expected to have a significant impact on the consolidated financial statements.

3 Segment analysis

	North America £m	UK & Ireland £m	Continental Europe £m	Australasia £m	Corporate £m	Total £m
Year ended 31 December 2006						
Continuing operations						
Revenue	1,896.8	774.6	544.7	117.1		3,333.2
Operating profit/(loss) before intangible amortisation	131.2	59.7	40.9	9.6	(15.1)	226.3
Intangible amortisation	(4.8)	(0.8)	(13.3)	(1.0)	–	(19.9)
Operating profit/(loss)	126.4	58.9	27.6	8.6	(15.1)	206.4
Finance income						19.6
Finance cost						(36.3)
Profit before income tax						189.7
Profit before income tax and intangible amortisation						209.6
Income tax						(60.3)
Profit for the year						129.4
Capital expenditure	6.6	3.9	4.3	1.0	–	15.8
Depreciation	5.2	5.4	3.3	0.6	0.1	14.6
Year ended 31 December 2005						
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

The directors consider the Group to have only geographical reporting segments which reflect the internal management reporting structure. A business segment analysis has not been presented since although the Group's customers cover a broad range of industries, the directors consider the risks and rewards to be broadly similar across such industries within each geographical region.

The revenue presented above relates to external customers. There are no sales between the geographical segments.

3 Segment analysis continued

	North America £m	UK & Ireland £m	Continental Europe £m	Australasia £m	Unallocated £m	Total £m
At 31 December 2006						
Segmental assets	536.0	554.3	485.5	71.8		1,647.6
Unallocated assets					76.7	76.7
Total assets	536.0	554.3	485.5	71.8	76.7	1,724.3
Segmental liabilities	172.1	202.7	138.5	16.1		529.4
Unallocated liabilities					706.9	706.9
Total liabilities	172.1	202.7	138.5	16.1	706.9	1,236.3

	North America £m	UK & Ireland £m	Continental Europe £m	Australasia £m	Unallocated £m	Total £m
At 31 December 2005*						
Segmental assets	556.5	391.7	483.7	59.3		1,491.2
Unallocated assets					101.2	101.2
Total assets	556.5	391.7	483.7	59.3	101.2	1,592.4
Segmental liabilities	196.9	147.9	131.6	12.6		489.0
Unallocated liabilities					643.0	643.0
Total liabilities	196.9	147.9	131.6	12.6	643.0	1,132.0

*The 2005 analysis has been re-presented to show total assets and total liabilities.

Unallocated assets and liabilities include Corporate assets and liabilities, income tax assets and liabilities, certain borrowings and pension scheme assets and liabilities.

4 Analysis of operating income and expenses

	2006 £m	2005 £m
Continuing operations		
Purchase of goods and changes in inventories	2,517.8	2,193.3
Employee costs (see Note 23)	325.5	296.9
Depreciation and other amounts written off property, plant and equipment and intangible fixed assets	34.5	29.5
Net foreign exchange (gains)/losses	(0.1)	0.2
Other operating expenses	249.1	217.0
Net operating expenses	3,126.8	2,736.9
Rentals payable under operating leases and subleases	59.2	51.7
Lease and sublease income	(2.7)	(1.7)

	2006			2005		
Analysis of auditors' remuneration	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
Continuing operations						
Audit of the Company's financial statements	0.3	–	0.3	0.3	–	0.3
Audit of the Company's subsidiaries pursuant to legislation	0.3	1.1	1.4	0.3	0.9	1.2
Other services supplied pursuant to legislation	0.5	0.4	0.9	0.3	–	0.3
Tax services	0.5	0.4	0.9	0.1	0.5	0.6
Pre-acquisition due diligence	0.2	0.5	0.7	0.3	0.4	0.7
Services related to demerger of Filtrona	–	–	–	4.3	–	4.3
Other	–	–	–	0.1	–	0.1
Total remuneration	1.8	2.4	4.2	5.7	1.8	7.5

Management believes that, given the Group's auditors' detailed knowledge of the Group's operations, its structure and accounting policies and the importance of carrying out tax services and detailed pre-acquisition due diligence, it is appropriate for this work to be principally 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)

	2006 £m	2005 £m
Continuing operations		
Deposits	1.2	1.6
Interest income from foreign exchange contracts	6.2	10.1
Foreign exchange gains	0.4	–
Expected return on pension scheme assets	11.6	10.2
Other finance income	0.2	0.1
Finance income	19.6	22.0
Bank loans and overdrafts	(22.4)	(20.4)
Interest expense from foreign exchange contracts	(0.3)	(0.3)
Interest charge on pension scheme liabilities	(12.0)	(10.3)
Other finance expense	(1.6)	(1.8)
Finance cost	(36.3)	(32.8)

6 Income tax

A tax charge of 32.0% (2005: 32.0%) has been provided on the profit before tax and intangible amortisation. Including the impact of intangible amortisation of £19.9m (2005: £15.9m) and the related deferred tax of £6.7m (2005: £4.9m), the overall rate is 31.8% (2005: 32.1%).

	2006	2005
	£m	£m
Current tax on profit from continuing operations		
current year	127.0	67.3
prior years	(7.5)	(4.0)
double tax relief	(56.9)	(4.3)
	62.6	59.0
Deferred tax on profit from continuing operations – current year	(2.3)	(2.3)
Income tax on profit from continuing operations	60.3	56.7

Current tax on profit from discontinued operations		
current year	–	7.2
prior years	–	(4.4)
	–	2.8
Deferred tax on profit from discontinued operations – current year	–	(0.3)
Income tax on profit from discontinued operations	–	2.5

	2006	2005
	£m	£m
Tax charged/(credited) to equity		
Current tax charge/(credit) on share option charge and exchange movements offset in reserves	0.6	(5.5)
Deferred tax charge/(credit) on share option charge and pension scheme liabilities	6.2	(10.0)

Factors affecting tax charge for the year

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

	2006	2005
	£m	£m
Profit before income tax	189.7	176.7
Tax charge at weighted average rate (2006: 32.3%; 2005: 32.6%)	61.3	57.6
Effects of:		
overseas state and local taxes	2.3	2.2
adjustment to tax charge in respect of prior years	(7.5)	(4.2)
non-deductible/non-taxable items	4.3	1.8
utilisation of tax losses	(0.1)	(0.3)
other items	–	(0.4)
Income tax on profit from continuing operations	60.3	56.7

	2006	2005
	£m	£m
Deferred tax in the income statement		
Accelerated capital allowances	(0.3)	(0.1)
Pension liabilities	2.9	3.3
Intangible assets	(6.7)	(4.9)
Revalued properties	–	(0.1)
Other	1.8	(0.5)
Deferred tax on profit from continuing operations	(2.3)	(2.3)

7 Discontinued operations

Following the demerger of Filtrona on 6 June 2005, this business has been presented within 'discontinued operations' in accordance with IFRS 5.

	2005*
	£m
Income statement	
Revenue	209.9
Operating profit before intangible amortisation and demerger costs	25.8
Intangible amortisation	(0.4)
Demerger costs	(17.3)
Operating profit	8.1
Finance income	3.4
Finance cost	(4.8)
Profit before income tax	6.7
Income tax	(2.5)
Profit for the year	4.2

*Represents the five months trading in 2005 under the Company's ownership.

Profit from discontinued operations for the period to 6 June 2005 of £4.2m comprised North America £8.2m, UK & Ireland £2.2m, Continental Europe £4.1m and rest of the world £4.9m less £15.2m (net of tax) of demerger costs.

	2005
	£m
Cash flow statement	
Profit before income tax	6.7
Adjustments for non-cash items:	
depreciation	8.9
intangible amortisation	0.4
share option charge	0.5
other	(0.5)
Working capital movement	(11.7)
Finance income	(3.4)
Finance cost	4.8
Special pension contribution	(1.5)
Other cash movements	(2.0)
Cash generated from operating activities	2.2
Income tax paid	(2.8)
Net cash outflow from operating activities	(0.6)
Net cash outflow from investing activities	(12.3)
Net cash outflow from financing activities	(35.1)
Exchange gain on cash and cash equivalents	0.3
Net decrease in cash and cash equivalents	(47.7)

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

	2006	2005
	£m	£m
Continuing operations		
Profit for the year attributable to the Company	129.4	120.0
Adjustment	13.2	11.0
Adjusted profit	142.6	131.0
Discontinued operations		
Profit for the year attributable to discontinued operations (net of minority interests)	–	3.6
Basic weighted average ordinary shares in issue (million)	342.1	338.8
Dilutive effect of employee share plans (million)	2.6	1.7
Diluted weighted average ordinary shares (million)	344.7	340.5
Continuing operations		
Basic earnings per share	37.8p	35.4p
Adjustment	3.9p	3.3p
Adjusted earnings per share*	41.7p	38.7p
Diluted basic earnings per share	37.5p	35.2p
Discontinued operations		
Basic earnings per share	–	1.1p
Diluted basic earnings per share	–	1.1p

*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

2006	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
Cost				
Beginning of year	48.9	48.3	51.6	148.8
Acquisitions	3.1	4.6	2.3	10.0
Additions	1.1	6.8	7.9	15.8
Disposals	(3.1)	(4.0)	(3.0)	(10.1)
Currency translation	(4.5)	(2.4)	(3.1)	(10.0)
End of year	45.5	53.3	55.7	154.5
Depreciation				
Beginning of year	12.1	29.1	37.8	79.0
Charge in year	2.1	6.7	5.8	14.6
Disposals	(0.4)	(3.8)	(2.7)	(6.9)
Currency translation	(1.1)	(2.3)	(3.1)	(6.5)
End of year	12.7	29.7	37.8	80.2
Net book value at 31 December 2006	32.8	23.6	17.9	74.3

9 Property, plant and equipment continued

2005	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	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	(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	(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

The net book value of property, plant and equipment includes assets held under finance leases and hire purchase contracts totalling £6.9m (2005: £5.9m). Accumulated depreciation of these assets was £1.5m (2005: £0.9m). Future capital expenditure at 31 December 2006 consisted of commitments not provided for of £1.4m (2005: £0.8m).

10 Intangible assets

	2006 £m	2005 £m
Goodwill		
Net book value		
Beginning of year	421.1	407.8
Acquisitions	94.6	41.8
Demerger	–	(37.2)
Currency translation	(17.9)	8.7
End of year	497.8	421.1
Customer relationships		
Cost		
Beginning of year	298.1	236.9
Acquisitions	37.4	82.8
Demerger	–	(21.1)
Currency translation	(13.9)	(0.5)
End of year	321.6	298.1
Amortisation		
Beginning of year	23.7	8.6
Charge in year	19.9	16.3
Demerger	–	(0.9)
Currency translation	(0.9)	(0.3)
End of year	42.7	23.7
Net book value at 31 December	278.9	274.4
Total net book value of intangible assets at 31 December	776.7	695.5

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

10 Intangible assets continued

Impairment tests

The carrying amount of goodwill is allocated across cash generating units ('CGUs'). Each CGU represents a business acquired by the Group.

At 31 December 2006 only one CGU, Groupe Pierre Le Goff ('GPLG'), carried a significant amount of goodwill in comparison with the total value of the Group's goodwill. The carrying value of goodwill in respect of GPLG at 31 December 2006 was £94.6m (2005: £94.9m). At 31 December 2006 the aggregate amount attributable to the Group's CGUs excluding GPLG was £403.2m (2005: £326.2m).

Given the similar nature of the activities of each CGU, a consistent methodology is applied across the Group in assessing CGU recoverable amounts. The Group's methodology is to assess the recoverable amount by calculating value in use. Value in use is the present value of the cash flows expected to be generated by the CGU over a projection period together with a terminal value. The projection period is the time period over which future cash flows are predicted. The Group's methodology is to use a projection period of five years. Cash flow expectations exclude any future cash flows that may arise from restructuring or other enhancements to the cash generating activities of the CGU and reflect management's expectations of the range of economic conditions that may exist over the projection period.

The value in use calculations are principally sensitive to revenue growth, future margins, any significant changes to the customer base and the discount rate used in the present value calculation. The information used for valuation purposes takes into consideration past experience with regard to customer attrition rates and additions to the customer base, the ability to introduce price increases and new products and experience in controlling the underlying cost base. This provides a long term growth rate consistent with past experience within the geographic segments in which the Group operates, together with management's assessment of future operating performance and market share movements. Growth rates used were either 2.5% or 2.6%. A discount rate of 7.7% has been applied to the value in use calculations representing a pre tax rate reflecting market assessments of the time value of money at the balance sheet date.

The key assumption on which value in use calculations are dependent is the underlying customer base. Based on past experience management considers that it is reasonable to assume that there will not be a major deterioration in the customer base over the projection period which will significantly impact the future cash flows. Should such a change occur, this would represent a triggering event to indicate that an impairment review may be necessary. In accordance with IAS 36 'Impairment of Assets', a full impairment review would then be undertaken on the relevant CGU. Any such changes are monitored through normal monthly procedures.

11 Inventories

	2006 £m	2005 £m
Finished goods and goods for resale	290.8	272.3

£2.3m was written off inventory during the year (2005: £7.4m) due to obsolescence or damage. The inventory provision at 31 December 2006 was £34.6m (2005: £21.7m).

12 Trade and other receivables

	2006 £m	2005 £m
Trade receivables	415.6	370.4
Other receivables	76.8	77.4
Prepayments and accrued income	28.8	22.9
	521.2	470.7

£2.1m was written off trade receivables in respect of doubtful trade receivables during the year (2005: £3.2m). The provision for doubtful trade receivables at 31 December 2006 was £17.8m (2005: £13.7m).

13 Trade and other payables – current

	2006 £m	2005 £m
Trade payables	369.5	341.4
Dividends	17.6	16.5
Other tax and social security contributions	9.8	11.1
Other payables	33.5	39.6
Accruals and deferred income	94.1	89.0
	524.5	497.6

14 Financial instruments

Treasury policies and controls

The Group has a centralised treasury department to control external borrowings and manage foreign currency, liquidity and interest rate risks. Treasury policies are approved by the Board and cover the nature of the exposure to be hedged, the types of financial instruments that may be employed and the criteria for investing and borrowing cash. The Group uses derivatives to manage its foreign currency and interest rate risks arising from underlying business activities. No transactions of a speculative nature are undertaken. The treasury department is subject to periodic independent review by the internal audit department. Underlying policy assumptions and activities are reviewed by the executive directors. Controls over exposure changes and transaction authenticity are in place and dealings are restricted to those banks with the relevant combination of geographic presence and suitable credit rating. The Group continually monitors the credit ratings of its counterparties and the credit exposure to each counterparty.

Foreign currency risk

The majority of the Group's net assets are in currencies other than sterling. The Group's policy is to limit the translation exposure and resulting impact on shareholders' equity by borrowing and/or using forward foreign exchange contracts to hedge the translation exposure in those countries in which the Group has significant net assets. At 31 December 2006 there were no material currency exposures after accounting for the effect of the hedging transactions. Throughout the year the Group's borrowings were primarily held in sterling and US dollars. The Group does not hedge the impact of exchange rate movements arising on consolidation on the translation of the income statement from the respective functional currencies into sterling.

The majority of the Group's transactions are carried out in the respective functional currencies of the Group's operations and so transaction exposures are limited. However where they do occur the Group's policy is to hedge significant exposures for a period of up to one year as soon as they are committed using forward foreign exchange contracts.

Credit risk

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

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

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

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

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group is funded by multi-currency credit facilities from the Group's bankers and US dollar bonds. During the year a US dollar bond of \$385.0m was issued in five tranches with maturities ranging from 2009 to 2018. At 31 December 2006 the total US dollar bonds outstanding were \$535.0m with maturities ranging from 2008 to 2018. The bank facilities have tenures ranging from one to six years and mature between 2007 and 2011. At 31 December 2006 the available bank facilities totalled £665.0m of which £175.5m was drawn down. In addition the Group maintains overdraft and uncommitted facilities to provide short term flexibility.

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

	2006 £m	2005 £m
Within one year	28.2	69.5
After one year but within two years	67.7	1.0
After two years but within three years	26.9	60.7
After three years but within four years	161.7	–
After four years but within five years	42.5	246.6
After five years	158.1	31.4
	485.1	409.2

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 2006 and at 31 December 2005 there were no loans secured by either fixed or floating charges on assets of the relevant companies.

14 Financial instruments continued

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

	2006	2005
	£m	£m
Expiring within one year	21.0	29.7
Expiring after one year but within two years	16.2	–
Expiring after two years	452.3	411.5
	489.5	441.2

The US dollar bonds comprise the following tranches:

	Maturity date	Fixed interest rate	Floating interest margin over US dollar LIBOR	£m
US dollar bond issued in 2001				
Tranche 1	2008	6.66%	–	52.3
Tranche 2	2011	7.10%	–	27.0
US dollar bond issued in 2006				
Tranche 1	2009	–	0.18%	25.5
Tranche 2	2011	5.54%	–	15.4
Tranche 3	2013	5.64%	–	70.3
Tranche 4	2016	5.68%	–	61.9
Tranche 5	2018	5.78%	–	26.0
				278.4

Interest rate risk

The Group's strategy is to ensure with a reasonable amount of certainty that the overall Group interest charge is protected against material adverse movements in interest rates. The US dollar bonds have been swapped to floating rates using interest rate swaps for which fair value hedge accounting is applied. Interest rate caps are in place to reduce the Group's floating rate exposure to movements in LIBOR.

The interest rate swaps have a notional principal of £247.4m outstanding at 31 December 2006 (2005: £101.7m). The floating interest rate is based on US dollar LIBOR repricing every three months.

Financial liabilities with a notional principal of £156.5m were capped at 31 December 2006 (2005: £211.1m). The interest rate is based on US dollar and euro LIBOR repricing every three months. Hedge accounting is not applied to interest rate caps under IAS 39.

Hedge of net investment in foreign entity

The Group has US dollar denominated borrowings and foreign currency forward contracts. Some of these have been designated as hedges of its net investments in its foreign subsidiaries.

	Book value 2006	Fair value 2006	Book value 2005	Fair value 2005
	£m	£m	£m	£m
Fair value of financial assets and liabilities				
Primary financial instruments, (asset)/liability:				
US dollar bonds	278.4	278.4	136.0	136.7
Loans	175.5	175.5	246.0	246.0
Overdrafts	23.9	23.9	17.0	17.0
Cash and deposits	(49.0)	(49.0)	(53.7)	(53.7)
Interest rate swaps	(5.4)	(5.4)	(5.2)	(5.2)
Interest rate caps	(0.1)	(0.1)	(0.2)	(0.2)
Foreign exchange contracts – cash flow hedge	0.7	0.7	(0.3)	(0.3)
Foreign exchange contracts – net investment hedge	2.0	2.0	5.9	5.9
Finance lease creditors	1.6	1.6	1.4	1.4

Fair values have been calculated by discounting cash flows at the prevailing interest rates.

14 Financial instruments continued

Currency profile of financial assets and liabilities

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

Currency	Floating rate 2006 £m	Derivative asset 2006 £m	Monetary working capital* 2006 £m	Total 2006 £m	Floating rate 2005 £m	Derivative asset 2005 £m	Monetary working capital* 2005 £m	Total 2005 £m
Sterling	13.2	–	163.3	176.5	15.1	–	117.0	132.1
US dollar	18.6	5.4	159.3	183.3	18.7	5.3	180.6	204.6
Euro	10.9	0.1	113.5	124.5	10.1	0.1	104.2	114.4
Other	6.3	–	59.0	65.3	9.8	–	48.7	58.5
	49.0	5.5	495.1	549.6	53.7	5.4	450.5	509.6

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

Currency	Floating rate 2006 £m	Fixed rate 2006 £m	Impact of foreign exchange swaps 2006 £m	Monetary working capital* 2006 £m	Total 2006 £m	Floating rate 2005 £m	Fixed rate 2005 £m	Impact of foreign exchange swaps 2005 £m	Monetary working capital* 2005 £m	Total 2005 £m
Sterling	186.7	–	(358.1)	210.0	38.6	262.2	–	(524.4)	160.9	(101.3)
US dollar	290.9	–	(13.6)	141.3	418.6	106.5	29.1	144.8	166.5	446.9
Euro	2.6	–	279.5	99.6	381.7	2.6	–	284.3	81.8	368.7
Other	2.9	–	94.2	41.4	138.5	2.9	–	101.2	47.8	151.9
	483.1	–	2.0	492.3	977.4	374.2	29.1	5.9	457.0	866.2

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

15 Provisions

	2006 £m	2005 £m
Current	6.9	5.3
Non-current	44.6	38.3
	51.5	43.6

Movements	Legal and Properties environmental			Legal and Properties environmental		
	2006 £m	2006 £m	Total 2006 £m	2005 £m	2005 £m	Total 2005 £m
Beginning of year	16.3	27.3	43.6	14.8	22.6	37.4
Charge/transfer	6.4	1.6	8.0	6.7	–	6.7
Acquisitions	3.8	5.9	9.7	0.2	11.2	11.4
Demerger	–	–	–	(0.1)	(4.5)	(4.6)
Utilised	(2.9)	(5.9)	(8.8)	(5.6)	(1.4)	(7.0)
Currency translation	(0.3)	(0.7)	(1.0)	0.3	(0.6)	(0.3)
End of year	23.3	28.2	51.5	16.3	27.3	43.6

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

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

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

16 Deferred tax

	2006			2005		
	Asset £m	Liability £m	Net £m	Asset £m	Liability £m	Net £m
Accelerated capital allowances	1.7	(2.3)	(0.6)	1.2	(3.5)	(2.3)
Pension liabilities	12.1	–	12.1	18.7	–	18.7
Intangible assets	–	(90.3)	(90.3)	–	(82.4)	(82.4)
Revalued properties	–	(2.4)	(2.4)	–	(2.8)	(2.8)
Share based payments	5.3	–	5.3	5.5	–	5.5
Provisions	11.7	–	11.7	14.1	–	14.1
Other	3.2	(7.9)	(4.7)	1.8	(9.7)	(7.9)
Deferred tax asset/(liability)	34.0	(102.9)	(68.9)	41.3	(98.4)	(57.1)
Set-off of tax	(29.9)	29.9	–	(19.1)	19.1	–
Net deferred tax asset/(liability)	4.1	(73.0)	(68.9)	22.2	(79.3)	(57.1)

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

No deferred tax has been recognised on the unremitted earnings of overseas subsidiary undertakings as the parent company ultimately controls the dividend policy of its subsidiaries and, as such, is able to control the timing of the reversal of any associated temporary differences. The Company has determined that either the overseas profits will not be distributed in the foreseeable future or, where there are plans to remit overseas earnings of subsidiaries, it is not expected that such distributions will give rise to a tax liability.

Deferred tax assets in respect of temporary differences have only been recognised in respect of tax losses and other temporary differences where it is probable that these assets will be realised.

No deferred tax has been recognised in respect of unutilised capital losses of £95.8m (2005: £100.4m) as it is not considered probable that there will be suitable future taxable profits against which they can be set.

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

	2006 £m	2005 £m
Beginning of year	57.1	65.0
Acquisitions	11.8	12.7
Credit to income statement	(2.3)	(2.6)
Charge/(credit) to equity	6.2	(10.0)
Demerger	–	(8.7)
Currency translation	(4.7)	0.7
Other	0.8	–
End of year	68.9	57.1

17 Share capital and share based payments

	2006 £m	2005 £m
Authorised: 529 million ordinary shares of 32½p each (2005: 529 million ordinary shares of 32½p each)	170.0	170.0
Issued and fully paid ordinary shares of 32½p each	112.0	111.4

Number of ordinary shares in issue and fully paid

Beginning of year	346,584,130	349,966,186
Issued on option exercises	1,900,699	6,263,300
Issued on acquisition of Sanicare Pty Ltd	–	492,966
Cancellation of own shares	–	(10,138,322)
End of year	348,484,829	346,584,130

17 Share capital and share based payments continued

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

Sharesave Scheme (2001) ('Sharesave Scheme')

The Sharesave Scheme, approved by shareholders at the 2001 Annual General Meeting, is approved by HM Revenue & Customs in the UK and is open to all UK employees, including the UK based executive directors, who have completed at least three months of continuous service. It is linked to a contract for monthly savings of up to £250 per month over a period of either three or five years. Under the Sharesave Scheme options are granted to participating employees at a discount of up to 20% of the market price prevailing on the day immediately preceding the date of invitation to apply for the option. Options are normally exercisable either three or five years after they have been granted.

Sharesave Scheme (1991) ('1991 Sharesave Scheme')

The 1991 Sharesave Scheme was approved by shareholders at the 1991 Annual General Meeting and operated on a similar basis to the Sharesave Scheme as summarised above. The 1991 Sharesave Scheme has now expired and all outstanding options were exercised during 2006.

International Sharesave Plan

The International Sharesave Plan was introduced following the approval of the Sharesave Scheme by shareholders. It operates on a similar basis to the Sharesave Scheme save that it is linked to a contract for monthly savings of up to €370 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% of the market price prevailing five days before the date of invitation to apply for the option.

Irish Sharesave Plan

The Irish Sharesave Plan was also introduced following the approval of the Sharesave Scheme by shareholders. It is approved by the Irish Revenue Commissioners and operates on a similar basis to the Sharesave Scheme as described above except that it is linked to a contract for monthly savings of up to €320 per month over a period of three years and options are granted to participating employees at a discount of up to 20% of 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 nil consideration. A performance share award will normally vest (i.e. become exercisable) on the third anniversary of its grant to the extent that the applicable performance condition has been satisfied. The extent to which performance share awards granted to date will 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.

Further details of the share schemes and plans operated by the Company are set out in the Directors' Remuneration Report.

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

	2006	2005
Grant date	6.03.06–4.10.06	1.03.05–1.11.05
Share price at grant date (£)	6.56–6.87	5.00–5.69
Exercise price (£)	nil–6.83	nil–5.69
Options granted during the year (shares)	4,021,596	4,301,156
Vesting period (years)	3–5	3–5
Expected volatility (%)	17–23	22–24
Option life (years)	3–10	3–10
Expected life (years)	3.0–5.5	3.0–3.9
Risk free rate of return (%)	4.3–4.9	4.1–4.7
Expected dividends expressed as a dividend yield (%)	2.3–2.5	2.6–3.0
Fair value per option (£)	0.61–2.50	0.72–1.95

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 £6.64 (2005: £5.35). The total charge for the year for continuing operations relating to employee share based payments was £3.0m (2005: £3.6m), all of which related to equity settled share based payments. After deferred tax the total charge for continuing operations was £5.1m (2005: £1.7m).

17 Share capital and share based payments continued

Details of share options which have been granted and exercised and those which have lapsed during 2006 and those outstanding at 31 December 2006, in each case in respect of options and awards over both new issue and market purchase shares, under the Sharesave Scheme (1991), Sharesave Scheme (2001), International Sharesave Plan, Irish 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	Grants/awards		Exercises		Lapses*		Options	Options
	outstanding at 1.1.06	2006		2006		2006		outstanding at 31.12.06	available to exercise at 31.12.06
	Number	Number	Price (p)	Number	Price (p)	Number	Number	Price (p)	Number
Sharesave Scheme (1991)	66,106	–	–	37,734	365	28,372	–	–	–
Sharesave Scheme (2001)	1,496,094	548,387	512-522	431,734	296-512	183,212	1,429,535	296-522	25,540
International Sharesave Plan	69,109	76,373	512	14,448	296	5,141	125,893	361-512	–
Irish Sharesave Plan	–	32,828	512	–	–	–	32,828	512	–
1994 Scheme	7,452,503	–	–	3,091,870	229-482	215,000	4,145,633	229-482	3,495,633
LTIP Part A	5,175,720	2,799,483	648.5-682.5	189,497	428.75-568	171,688	7,614,018	428.75-682.5	–
LTIP Part B	1,494,458	564,525	nil	–	–	123,300	1,935,683	nil	–
	15,753,990	4,021,596		3,765,283		726,713	15,283,590		3,521,173

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

	Weighted average fair value of options granted (£)	Weighted average remaining contractual life (years)
Sharesave Scheme (2001)	0.65	3.11
International Sharesave Plan	0.78	2.25
Irish Sharesave Plan	0.79	2.25
LTIP Part A	0.86	2.60
LTIP Part B	2.47	2.50

The outstanding options and awards are exercisable at various dates up to September 2016.

18 Dividends

	Per share		2006 £m	Total 2005 £m
	2006	2005		
2004 final		9.15p		39.3
2005 interim		4.9p		16.5
2005 final	10.8p		36.5	
2006 interim	5.3p		17.6	
Total	16.1p	14.05p	54.1	55.8

The 2006 final dividend of 11.7p per share will be paid on 2 July 2007 to shareholders on the register on 4 May 2007.

Total dividends for the year to which they relate are:

	Per share	
	2006	2005
Interim	5.3p	4.9p
Final	11.7p	10.8p
Total	17.0p	15.7p

19 Movement in reserves

	Share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Cash flow hedge reserve £m	Translation reserve £m	Retained earnings		Total equity £m
							Own shares £m	Earnings £m	
At 1 January 2006	111.4	112.8	2.5	8.6	0.3	8.5	(40.6)	256.9	460.4
Actuarial gain on pension schemes								17.4	17.4
Deferred tax on actuarial gain								(5.5)	(5.5)
Currency translation differences							(7.1)		(7.1)
Loss recognised in cash flow hedge reserve					(0.3)				(0.3)
Movement from cash flow hedge reserve to income statement					(0.3)				(0.3)
Net profit for the year								129.4	129.4
Total recognised income and expense for the year					(0.6)	(7.1)		141.3	133.6
2005 final dividend								(36.5)	(36.5)
2006 interim dividend								(17.6)	(17.6)
Issue of share capital	0.6	7.0							7.6
Employee trust shares								(1.5)	(1.5)
Share based payments								5.1	5.1
Purchase of shares into treasury								(63.1)	(63.1)
At 31 December 2006	112.0	119.8	2.5	8.6	(0.3)	1.4	(105.2)	349.2	488.0

	Share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Cash flow hedge reserve £m	Translation reserve £m	Retained earnings		Total equity £m	Minority interests £m	Total equity including minority interests £m
							Own shares £m	Earnings £m			
At 1 January 2005	112.5	88.3	–	5.3		0.7	(94.8)	372.9	484.9	3.9	488.8
Adoption of IAS 32 and 39 cash flow hedge reserve					(1.3)				(1.3)		(1.3)
At 1 January 2005	112.5	88.3	–	5.3	(1.3)	0.7	(94.8)	372.9	483.6	3.9	487.5
Actuarial loss on pension schemes								(27.3)	(27.3)		(27.3)
Deferred tax on actuarial loss								8.4	8.4		8.4
Currency translation differences						7.8			7.8	0.3	8.1
Gain recognised in cash flow hedge reserve					0.3				0.3		0.3
Movement from cash flow hedge reserve to income statement					1.3				1.3		1.3
Net profit for the year								123.6	123.6	0.6	124.2
Total recognised income and expense 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		24.5	2.5						29.2		29.2
Cancellation of own shares	(3.3)			3.3			55.3	(55.3)	–		–
Employee trust shares							(1.1)		(1.1)		(1.1)
Share based payments								8.0	8.0		8.0
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	(40.6)	256.9	460.4	–	460.4

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 17 and the Directors' Remuneration Report. The assets, liabilities and expenditure of the trust have been incorporated in the Group's financial statements. Finance costs and administrative charges are included in the income statement on an accruals basis. At 31 December 2006 the trust held 8,119,432 (2005: 8,121,342) shares, upon which dividends have been waived, with an aggregate nominal value of £2.6m (2005: £2.6m) and market value of £51.0m (2005: £51.8m). During 2006, 9,112,910 ordinary shares with a nominal value of £2.9m were purchased into treasury at a cost of £63.1m. This represents 2.6% of the number of ordinary shares in issue at the beginning of 2006.

20 Contingent liabilities

	2006	2005
	£m	£m
Bank guarantees	0.4	0.2
Other items	0.5	0.7
	0.9	0.9

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

	31.12.06	1.1.06
The interests of the directors in the share capital of the Company according to the register of directors' interests were:		
A J Habgood	110,125	123,577
M J Roney	13,888	13,888
J F Harris	5,144	2,625
C A Banks	7,500	3,888
U Wolters	5,000	5,000
P L Larmon	22,363	11,835
B M May	10,570	2,711
P W Johnson	3,000	–
	177,590	163,524

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. Since 31 December 2006 Mr P L Larmon and Mr B M May have acquired interests in 148 and 87 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 2 January 2007 and Mr P L Larmon has acquired an interest in 295 ordinary shares (in the form of 59 American Depositary 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 have taken place between 31 December 2006 and 26 February 2007.

22 Pensions

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 UK defined benefit schemes in April 2006 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. Scheme assets for the purpose of IAS 19 are stated at their bid value.

The amounts included in the financial statements in respect of the total operations of the Group are as follows:

	2006	2005
	£m	£m
Amounts included in net operating expenses		
Defined contribution schemes	6.2	7.0
Defined benefit schemes		
current service cost	5.2	6.2
past service credit	(3.3)	–
Total operating charge	8.1	13.2
Amounts included in finance (income)/cost		
Expected return on scheme assets	(11.6)	(13.5)
Interest charge on scheme liabilities	12.0	13.5
Net financial cost	0.4	–
Total charge	8.5	13.2

22 Pensions continued

	2006	2005
	£m	£m
Amounts recognised in the statement of recognised income and expense – total operations		
Actual return less expected return on scheme assets	7.3	15.8
Experience gain on scheme liabilities	7.5	0.4
Impact of changes in assumptions relating to the present value of scheme liabilities	2.6	(43.5)
Actuarial gain/(loss) recognised in the statement of recognised income and expense	17.4	(27.3)

The cumulative amount of actuarial losses arising since 1 January 2004 recognised in the statement of recognised income and expense at 31 December 2006 was £23.2m (2005: £40.6m).

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

	2006	2005
Europe		
Longevity at age 65 for current pensioners (years)	20.1	18.5
Longevity at age 65 for future pensioners (years)	21.3	20.0
US		
Longevity at age 65 for current and future pensioners (years)	18.9	18.1

	Europe			US		
	2006	2005	2004	2006	2005	2004
Rate of increase in salaries	4.0%	3.75%	3.75%	4.0%	4.0%	4.0%
Rate of increase in pensions	3.0%	2.75%	2.75%	–	–	–
Discount rate	5.2%	4.8%	5.3%	6.0%	5.75%	6.0%
Inflation rate	3.0%	2.75%	2.75%	3.0%	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 scheme assets, which are not intended to be realised in the short term and may be subject to significant change before being realised, and the present value of pension obligations, which are derived from cash flow projections over long periods and are therefore inherently uncertain, are:

	Europe 2006	US 2006	Total 2006
	Long term* rate of return	Value £m	Long term rate of return
		Value £m	
Equities	7.1%	105.1	9.7%
Bonds	4.8%	51.1	5.7%
Other	4.3%	0.2	4.5%
Blended rate of return on scheme assets	6.4%		8.5%
Total market value		156.4	
Present value of funded obligations		(176.2)	
Present value of unfunded obligations		(3.2)	
Present value of funded and unfunded obligations		(179.4)	
Deficit		(23.0)	
Deferred tax		7.0	
Net deficit		(16.0)	
Experience adjustments arising on scheme liabilities		7.4	
			0.1
			7.5

*Long term rate of return is based on the weighted average across all European defined benefit pension schemes.

There have been no experience adjustments arising on scheme assets for any of the years presented.

22 Pensions continued

	Europe 2005		US 2005		Total 2005
	Long term* rate of return	Value £m	Long term rate of return	Value £m	Value £m
Equities	6.6%	91.3	9.7%	29.7	121.0
Bonds	4.4%	44.9	5.7%	12.0	56.9
Other	4.1%	0.8	4.5%	0.3	1.1
Blended rate of return on scheme 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 tax		14.4		4.3	18.7
Net deficit		(33.4)		(7.9)	(41.3)
Experience adjustments arising on scheme liabilities		(0.1)		0.5	0.4

	Europe 2004		US 2004		Total 2004
	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 scheme 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 tax		17.2		4.3	21.5
Net deficit		(41.0)		(8.0)	(49.0)
Experience adjustments arising on scheme liabilities		(2.6)		(1.0)	(3.6)

*Long term rate of return is based on the weighted average across all European defined benefit pension schemes.

22 Pensions continued

	2006 £m	2005 £m
Movement in deficit during the year		
Beginning of year	(60.0)	(70.5)
Current service cost	(5.2)	(6.2)
Past service credit	3.3	–
Contributions	13.1	11.6
Demerger	–	32.4
Net financial cost	(0.4)	–
Actuarial gain/(loss)	17.4	(27.3)
Transfer	(8.0)	–
Currency translation	2.3	–
End of year	(37.5)	(60.0)
Changes in the present value of defined benefit obligations	£m	£m
Beginning of year	239.0	328.5
Current service cost	5.2	6.2
Past service credit	(3.3)	–
Interest charge on scheme liabilities	12.0	13.5
Contributions by employees	1.1	1.5
Actuarial (gain)/loss	(10.1)	43.1
Benefits paid	(6.1)	(5.7)
Transfer	8.0	–
Demerger	–	(153.7)
Currency translation	(7.9)	5.6
End of year	237.9	239.0
Changes in the fair value of scheme assets	£m	£m
Beginning of year	179.0	258.0
Expected return on scheme assets	11.6	13.5
Actuarial gain	7.3	15.8
Contributions by employer	13.1	11.6
Contributions by employees	1.1	1.5
Benefits paid	(6.1)	(5.7)
Demerger	–	(121.3)
Currency translation	(5.6)	5.6
End of year	200.4	179.0

The calculation of expected return on scheme assets is determined with reference to market expectations in conjunction with the relevant scheme's actuaries.

The actual return on scheme assets was £18.9m (2005: £29.3m).

The Group expects to pay £17.2m in contributions to the defined benefit pension schemes in 2007.

23 Directors and employees

Continuing operations	2006	2005
Average number of persons employed by the Group during the year:		
North America	3,458	3,058
UK & Ireland	4,214	3,819
Continental Europe	2,838	2,567
Australasia	471	402
	10,981	9,846
Corporate	53	61
	11,034	9,907
Discontinued operations	–	2,413
Total operations	11,034	12,320

	Continuing operations	Discontinued operations	Total operations	Continuing operations	Discontinued operations	Total operations
	2006	2006	2006	2005	2005	2005
Employee costs	£m	£m	£m	£m	£m	£m
Wages and salaries	282.4	–	282.4	253.1	45.3	298.4
Social security costs	32.0	–	32.0	29.2	5.6	34.8
Share based payments	3.0	–	3.0	3.6	0.5	4.1
Pension costs	8.1	–	8.1	11.0	2.2	13.2
	325.5	–	325.5	296.9	53.6	350.5

Employee costs for 2005 have been re-presented to show the split between continuing and discontinued operations in order to provide a more detailed analysis and to aid comparability.

	Continuing operations	Discontinued operations	Total operations	Continuing operations	Discontinued operations	Total operations
	2006	2006	2006	2005	2005	2005
Key management remuneration	£m	£m	£m	£m	£m	£m
Salaries and short term employee benefits	4.5	–	4.5	5.0	0.2	5.2
Share based payments	1.1	–	1.1	1.7	–	1.7
Post-employment benefits	0.6	–	0.6	0.8	–	0.8
	6.2	–	6.2	7.5	0.2	7.7

The Group considers key management personnel as defined in IAS 24 'Related Party Disclosures' to be the directors of the Company and those members of the Executive Committee and the Managing Directors of the major geographic 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.

Directors' emoluments – total operations	2006	2005
	£m	£m
Non-executive directors	0.6	0.3
Executive directors:		
remuneration excluding performance related elements	2.2	3.1
annual cash bonus	0.5	1.0
	3.3	4.4

The emoluments of the Chairman are included in non-executive directors for 2006 and in executive directors for 2005. More detailed information concerning directors' emoluments and long term incentives is set out in the Directors' Remuneration Report. The aggregate amount of gains made by directors on the exercise of share options during the year was £3.1m (2005: £3.9m). The aggregate market value of performance share awards exercised by directors under long term incentive schemes during the year was £nil (2005: £0.7m).

24 Lease commitments

Operating leases

The Group leases certain fixed assets under non-cancellable operating lease agreements. These leases have varying terms and renewal rights.

	Land & buildings 2006 £m	Other 2006 £m	Land & buildings 2005 £m	Other 2005 £m
At 31 December commitments under non-cancellable operating leases were:				
within one year	22.8	9.1	19.3	8.1
between one and five years	74.8	20.0	60.6	12.6
after five years	80.7	1.0	43.5	0.3
	178.3	30.1	123.4	21.0
Total of future minimum sublease income under non-cancellable subleases	(7.8)	–	(7.6)	–

Finance leases

The Group leases certain fixed assets under non-cancellable finance lease agreements. These leases have varying terms and renewal rights.

	Minimum lease payments 2006 £m	Future interest charges 2006 £m	Present value 2006 £m	Minimum lease payments 2005 £m	Future interest charges 2005 £m	Present value 2005 £m
At 31 December finance lease liabilities were:						
within one year	0.7	0.1	0.6	0.5	0.1	0.4
between one and five years	0.9	0.1	0.8	0.8	0.1	0.7
after five years	–	–	–	0.1	–	0.1
	1.6	0.2	1.4	1.4	0.2	1.2

25 Cash and cash equivalents and net debt

	2006 £m	2005 £m
Cash at bank and in hand	45.2	48.4
Short term deposits repayable in less than three months	3.8	5.3
Cash and deposits	49.0	53.7
Bank overdrafts	(23.9)	(17.0)
Cash and cash equivalents	25.1	36.7
Interest bearing loans and borrowings		
Current liabilities	(4.3)	(52.5)
Non-current liabilities	(456.9)	(339.7)
Derivative asset – fair value of interest rate swaps hedging fixed interest rate borrowings	5.4	5.2
Net debt	(430.7)	(350.3)

Net debt includes the fair value of interest rate swaps hedging fixed interest rate borrowings. Net debt at 31 December 2005 has been re-presented on a consistent basis.

26 Acquisitions

2006 acquisitions

The principal acquisitions made during the year ended 31 December 2006 were Master Craft, Midshires, Picardie Hygiene, Allcare, Southern Syringe Services, Morgan Scott, United American Sales, Cole Harford and Keenpac.

Master Craft, a company serving the redistribution and foodservice sectors in California, Oregon and Washington, was purchased on 25 January. Midshires, principally engaged in the operation and sale of vending machines and associated services throughout Central England, was acquired on 31 January. Picardie Hygiene, a distributor of cleaning and hygiene products in northeast France, was acquired on 16 March. Allcare, principally engaged in the distribution of personal protection equipment and disposable products to food processors in Australia, was acquired on 6 April. Southern Syringe Services, a company involved in the sale and distribution throughout the UK of healthcare related consumables to a variety of end users including the NHS, private hospitals and nursing homes, was acquired on 4 July. Morgan Scott, a distributor of jan/san and foodservice disposable products in eastern Canada, was acquired on 28 July. United American Sales, a business which supplies personal protection equipment through redistributors to the industrial and construction markets, was acquired on 16 August. Cole Harford, principally engaged in the supply of foodservice and jan/san disposable products through redistributors, was acquired on 29 September. Keenpac, a company involved in the sale and distribution of quality retail packaging principally in the UK and the US but also in France, Italy, Switzerland, Hong Kong and Australia, was acquired on 8 December.

During the period between 31 December 2006 and 26 February 2007, two further acquisitions have taken place. Tec Products, a business principally engaged in the supply of jan/san and associated products through redistributors, was acquired on 19 January 2007. Revenue for the year ended 31 December 2006 is estimated to have been \$14m. Westgate, a supplier of personal protection equipment through redistributors in the eastern US and Canada, was acquired on 25 January 2007. Revenue for the year ended 31 December 2006 is estimated to have been \$18m. Acquisition accounting for Tec Products and Westgate was not finalised prior to approval of these financial statements due to the short timeframe involved.

Acquisitions have been accounted for under the purchase method of accounting and contributed £151.1m to revenue, £4.2m to operating profit before intangible amortisation and £3.0m to operating profit after intangible amortisation in 2006. All 2006 acquisitions, together with the two 2007 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. Part of the Group's strategy is to grow through acquisition. In connection with this the Group has developed a process to assist with the identification of the fair values of the assets acquired and liabilities assumed, including the separate identification of intangible assets in accordance with IFRS 3. This formal process is applied to each acquisition and involves an assessment of the assets acquired and liabilities assumed with assistance provided by external valuation specialists where appropriate. Until this assessment is complete, the allocation period remains open up to a maximum of 12 months from the relevant acquisition date. At the end of the year, the allocation period for the acquisitions completed during 2006 remained open for all acquisitions and accordingly the fair values presented are provisional.

Adjustments are made to the assets acquired and liabilities assumed during the allocation period to the extent that further information and knowledge comes to light that more accurately reflects conditions at the acquisition date. To date the adjustments made have impacted assets acquired to reflect more accurately the estimated realisable or settlement value. Similarly adjustments have been made to acquired liabilities to record onerous commitments or other commitments existing at the acquisition date but not recognised by the acquiree. Adjustments have also been made to reflect the associated tax effects. The net impact on acquired net assets reported in 2005 from these adjustments was £1.3m. The balance sheet at 31 December 2005 has not been restated for these adjustments as they are not considered material.

26 Acquisitions continued

The consideration 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 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	
2006				
A summary of the effect of acquisitions is detailed below:				
Intangible assets		37.4		37.4
Property, plant and equipment	12.4	(1.9)	(0.5)	10.0
Inventories	42.2	(0.4)	(1.6)	40.2
Trade and other receivables	60.2	1.5	(1.9)	59.8
Trade and other payables	(57.2)	(2.4)	(1.9)	(61.5)
Net bank overdrafts	(12.9)			(12.9)
Provisions for liabilities and charges		(8.2)	(1.5)	(9.7)
Deferred tax	(0.2)	(11.6)		(11.8)
Tax	0.1	2.7		2.8
	44.6	17.1	(7.4)	54.3
Goodwill				94.6
Consideration				148.9
Satisfied by:				
cash consideration				143.8
deferred consideration				2.1
loan notes issued				3.0
				148.9
The net cash outflow in the year in respect of acquisitions comprised:				
Cash consideration				143.8
Net bank overdrafts acquired				12.9
Net cash outflow in respect of acquisitions				156.7

Acquisitions made during 2006 contributed £151.1m to the Group's revenue, £4.2m to the Group's operating profit before intangible amortisation and £3.0m to the Group's operating profit after intangible amortisation.

The estimated contributions of acquired businesses to the results of the Group, as if the acquisitions had been made at the beginning of the year, are as follows:

	2006 £m
Revenue	386.0
Operating profit before intangible amortisation	11.4
Operating profit after intangible amortisation	8.4

26 Acquisitions continued

2005 acquisitions

The principal acquisitions made during the year ended 31 December 2005 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.

	Book value at acquisition £m	Provisional fair value adjustments		Fair value of assets acquired £m
		Revaluation £m	Consistency of accounting policy £m	
2005				
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 tax	0.6	(14.0)	0.7	(12.7)
Tax	(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.

Acquisitions made during 2005 contributed £116.1m to the Group's revenue, £4.4m to the Group's operating profit before intangible amortisation and £2.3m to the Group's operating profit after intangible amortisation.

The estimated contributions of acquired businesses to the results of the Group, as if the acquisitions had been made at the beginning of the year, are as follows:

	2005 £m
Revenue	270.0
Operating profit before intangible amortisation	5.7
Operating profit after intangible amortisation	1.9

27 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 with these related parties are disclosed in the Directors' Remuneration Report, Note 23 and Note 22 respectively. All transactions with subsidiaries are eliminated on consolidation.

28 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 UK Ltd	
Bunzl USA Holdings Corporation	USA

The companies named above are the principal subsidiary undertakings of Bunzl plc at 31 December 2006 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 in the Chief Executive's Review in the Annual Review and Summary Financial Statement.

*Direct subsidiary undertaking of Bunzl plc.

COMPANY BALANCE SHEET

at 31 December 2006

	Notes	2006 £m	2005 £m
Fixed assets			
Tangible fixed assets	3	1.0	1.0
Investments	4	435.1	200.4
		436.1	201.4
Current assets			
Debtors	5	108.2	437.0
Cash at bank and in hand		0.1	0.1
		108.3	437.1
Current liabilities			
Creditors: amounts falling due within one year	6	(164.9)	(142.0)
Net current (liabilities)/assets		(56.6)	295.1
Total assets less current liabilities		379.5	496.5
Provisions for liabilities	7	(6.3)	(3.5)
Net assets		373.2	493.0
Capital and reserves			
Called up share capital	8	112.0	111.4
Share premium account	9	119.8	112.8
Other reserves	9	2.5	2.5
Capital redemption reserve	9	8.6	8.6
Profit and loss account	9	130.3	257.7
Shareholders' funds		373.2	493.0

Approved by the Board of Directors of Bunzl plc on 26 February 2007 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 39 to 42 form part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 Basis of preparation

The financial statements of Bunzl plc ('the Company') have been prepared under the historical cost convention and have been prepared in accordance with the Companies Act 1985 and applicable UK accounting standards.

Under Section 230(4) of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account. 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 consolidated financial statements of the Group.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company financial statements.

2 Accounting policies

a Investments in subsidiary undertakings

Investments in subsidiary undertakings are held at cost less any provision for impairment.

b Investment in own shares

The cost of shares held either directly (treasury shares) or indirectly (employee benefit trust) 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 at the relevant grant date is calculated using a valuation model and spread over the expected vesting period. The corresponding credit is taken to equity. The amount recognised as an expense is adjusted to reflect the actual number of options and other share based incentives that vest.

d Tangible fixed assets

Until 31 December 1999 land and buildings were revalued periodically. As permitted under FRS 15 'Tangible Fixed Assets', 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

Depreciation is 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 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 instalments 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 Tax

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

h Pensions

As the Company is unable to identify its share of scheme assets and liabilities on a consistent and reasonable basis, the Company treats contributions to defined benefit schemes as if they were contributions to a defined contribution scheme in accordance with the exemptions permitted by FRS 17 'Retirement Benefits'. Details of the relevant schemes are disclosed in Note 22 of the consolidated financial statements.

i Financial guarantee contracts

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

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 and end of year	0.6	0.2	0.4	1.5	2.7
Depreciation					
Beginning and end of year		–	0.3	1.4	1.7
Net book value at 31 December 2006	0.6	0.2	0.1	0.1	1.0
Net book value at 31 December 2005	0.6	0.2	0.1	0.1	1.0

4 Investments held as fixed assets

	Investments in subsidiary undertakings £m
Cost	
Beginning of year	241.7
Additions	239.0
End of year	480.7
Impairment provisions	
Beginning of year	41.3
Charge	4.3
End of year	45.6
Net book value at 31 December 2006	435.1
Net book value at 31 December 2005	200.4

The principal companies in which the Company's interest at 31 December 2006 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 UK Ltd	England
Bunzl USA Holdings Corporation	USA

5 Debtors

	2006 £m	2005 £m
Amounts owed by subsidiary undertakings	94.6	428.2
Other debtors	10.8	7.9
Corporation tax	2.3	0.2
Prepayments and accrued income	0.5	0.7
	108.2	437.0

6 Creditors: amounts falling due within one year

	2006 £m	2005 £m
Loans	0.1	0.9
Overdrafts	–	0.1
Trade creditors	1.4	0.1
Amounts owed to subsidiary undertakings	138.1	116.6
Dividends	17.6	16.5
Corporation tax	–	0.4
Other tax and social security contributions	–	0.4
Accruals and deferred income	7.7	7.0
	164.9	142.0

7 Provisions for liabilities

Movements	2006 £m	2005 £m
Beginning of year	3.5	3.5
Charge	3.3	–
Utilised	(0.5)	–
End of year	6.3	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 relevant period of the lease agreements, up to the earliest possible termination date, which typically extend from one to 10 years.

8 Share capital

	2006 £m	2005 £m
Authorised: 529 million ordinary shares of 32½p each (2005: 529 million ordinary shares of 32½p each)	170.0	170.0
Issued and fully paid ordinary shares of 32½p each	112.0	111.4
Number of ordinary shares in issue and fully paid		
Beginning of year	346,584,130	349,966,186
Issued on option exercises	1,900,699	6,263,300
Issued on acquisition of Sanicare Pty Ltd	–	492,966
Cancellation of own shares	–	(10,138,322)
End of year	348,484,829	346,584,130

9 Share premium and reserves

	Share premium account £m	Other reserves £m	Capital redemption reserve £m	Profit and loss account	
				Own shares £m	Retained earnings £m
At 1 January 2006	112.8	2.5	8.6	(40.2)	297.9
Issue of share capital	7.0				
Purchase of shares into treasury				(63.1)	
Employee trust shares				(1.0)	
Share based payments					0.8
Loss for the year					(10.0)
2005 final dividend					(36.5)
2006 interim dividend					(17.6)
At 31 December 2006	119.8	2.5	8.6	(104.3)	234.6

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

9 Share premium and reserves continued

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 loss attributable to shareholders included in the accounts of the Company is £10.0m (2005: profit of £0.6m).

Included within own shares are ordinary shares of the Company held by the Group in an employee benefit trust. The principal purpose of this trust is to hold shares in the Company for subsequent transfer to certain senior employees and executive directors relating to options granted and awards made in respect of market purchase shares under the Long Term Incentive Plan, the Deferred Annual Share Bonus Scheme and the 1994 Executive Share Option Scheme. Details of such plans and schemes are set out in Note 17 of the consolidated financial statements and the Directors' Remuneration Report. The assets, liabilities and expenditure of the trust have been incorporated in the Group's consolidated financial statements. At 31 December 2006 the trust held 8,119,432 (2005: 8,121,342) shares, upon which dividends have been waived, with an aggregate nominal value of £2.6m (2005: £2.6m) and market value of £51.0m (2005: £51.8m). During 2006, 9,112,910 ordinary shares with a nominal value of £2.9m were purchased into treasury at a cost of £63.1m. This represents 2.6% of the number of ordinary shares in issue at the beginning of 2006.

10 Reconciliation of movement in shareholders' funds

	2006 £m	2005 £m
(Loss)/profit for the year	(10.0)	0.6
Dividends	(54.1)	(55.8)
	(64.1)	(55.2)
Issue of share capital	7.6	29.2
Purchase of shares into treasury	(63.1)	–
Employee trust shares	(1.0)	(1.2)
Demerger	–	(141.6)
Share based payments	0.8	1.0
Net reduction to shareholders' funds	(119.8)	(167.8)
Opening shareholders' funds	493.0	660.8
Closing shareholders' funds	373.2	493.0

The Company has no recognised gains or losses in the year ended 31 December 2006 or the year ended 31 December 2005 other than its (loss)/profit for the relevant year.

11 Contingent liabilities

Borrowings by subsidiary undertakings totalling £448.5m (2005: £376.8m) which are included in the Group's borrowings have been guaranteed by the Company. 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.

12 Directors' remuneration

The remuneration of the directors of the Company is disclosed in the Directors' Remuneration Report.

13 Employee numbers and costs

The average number of persons employed by the Company (including directors) during the year was 44 (2005: 44).

The aggregate employee costs relating to these persons were:

	2006 £m	2005 £m
Wages and salaries	6.5	5.6
Share based payments	0.8	1.0
Social security costs	0.7	0.7
Pension costs	0.6	0.4
	8.6	7.7

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 and applicable law.

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 and for the maintenance and integrity of the corporate and financial information included on the Company's website. As explained in the Directors' Report, certain information included in the separate Annual Review and Summary Financial Statement is incorporated by reference into the Directors' Report.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We have audited the Group and parent company financial statements (the 'financial statements') of Bunzl plc for the year ended 31 December 2006 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Recognised Income and Expense 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 Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) 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 Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. As described in the Directors' Report, the information provided therein includes the specific information presented in the separate Annual Review and Summary Financial Statement that is cross referred from the Principal activity and business review section of the Directors' Report.

In addition we report to you if, in our opinion, 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 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 the other information contained in the Annual Report 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 any 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 IFRSs as adopted by the EU, of the state of the Group's affairs at 31 December 2006 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 at 31 December 2006;
- 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; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

Chartered Accountants
Registered Auditor
London
26 February 2007

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 page 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 2006 and the details of the directors' interests in the Company's ordinary shares disclosed on pages 45 to 52 have been audited by the Company's independent external auditor.

Remuneration policy

The Company's current remuneration policy for 2006 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 PricewaterhouseCoopers LLP 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. In addition PricewaterhouseCoopers LLP provides the Company with some accounting, tax and pre-acquisition due diligence services. 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 PricewaterhouseCoopers LLP. 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 PricewaterhouseCoopers LLP to provide an overall assessed market position as at 1 January of the year of the review. Neither Monks PricewaterhouseCoopers LLP 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, including that related to environmental, social and governance issues, 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 2006 the target for the annual bonus for Mr M J Roney and Mr B M May 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 2006, 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 52.5% of annual base pay and the other half (the total aggregate amount is capped at 105% of base pay) is deferred under the rules of the DASBS, details of which are set out below.

DIRECTORS' REMUNERATION REPORT CONTINUED

Mr P L Larmon's bonus plan for 2006 was partly based on the profit and capital employed in the business for which he was directly responsible. In addition a portion of his bonus was based on Group performance. Part 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.

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 under the DASBS held by the executive directors and by Mr A J Habgood relating to his previous service as an executive director. Mr A J Habgood is not eligible to receive further awards under the DASBS.

	Shares held at 1 January 2006	Shares awarded during 2006 or prior to date ceased to be a director	Shares transferred during 2006 or prior to date ceased to be a director	Shares held at 31 December 2006 or date ceased to be a director
Current directors				
A J Habgood	191,365	66,686	(59,703)	198,348
M J Roney	–	8,637	–	8,637
P L Larmon	27,586	30,990	(3,374)	55,202
B M May	33,179	12,503	(13,005)	32,677
Former director				
D M Williams	102,057	–	–	102,057

Notes

- All awards of shares are made in respect of bonus performance in the previous year.
- The market values of the shares at the date of transfer in 2006, in each case which related to awards made in 2003, were as follows:
Mr A J Habgood £391,991, Mr P L Larmon £22,152 and Mr B M May £85,386.
- All awards held by Mr D M Williams on 31 January 2006, the date he ceased to be a director, remained outstanding to be transferred to him in accordance with the rules of the DASBS during various periods up to 1 March 2009.

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 2006 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 granted 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 performance condition has been satisfied in relation to the options granted in 2004 under Part A of the LTIP. 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.

The table below shows the number of share options under the executive share options schemes held by the executive directors and by Mr A J Habgood relating to his previous service as an executive director. Mr A J Habgood is not eligible to receive further grants of executive share options.

	Exercise price (p)	Options exercisable between	Options at 31 December 2006 or date ceased to be a director	Options at 1 January 2006
Current directors				
A J Habgood	455.5	27.02.04 – 26.02.11	–	135,000
	450	29.08.04 – 28.08.11	–	145,000
	482	28.02.05 – 27.02.12	–	155,000
	461	29.08.05 – 28.08.12	–	190,000
	372.25	25.02.06 – 24.02.13	–	305,000
	446.25	27.08.06 – 26.08.13	–	305,000
	451.5	03.03.07 – 02.03.14	305,000	305,000
	500.25	01.03.08 – 28.02.15	152,500	152,500
	568	09.09.08 – 08.09.15	143,029	143,029
	565	01.11.08 – 31.10.15	180,530	180,530
	648.5	06.03.09 – 05.03.16	78,643	–
M J Roney	652.5	31.08.09 – 30.08.16	78,500	–
	328	01.09.02 – 31.08.09	–	15,000
P L Larmon	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
	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	53,200
	568	09.09.08 – 08.09.15	48,411	48,411
	648.5	06.03.09 – 05.03.16	38,458	–
B M May	652.5	31.08.09 – 30.08.16	43,000	–
	384	30.08.03 – 29.08.10	20,000	20,000
	450	29.08.04 – 28.08.11	35,000	35,000
	461	29.08.05 – 28.08.12	40,000	40,000
	372.25	25.02.06 – 24.02.13	20,000	20,000
	446.25	27.08.06 – 26.08.13	20,000	20,000
	451.5	03.03.07 – 02.03.14	20,000	20,000
	500.25	01.03.08 – 28.02.15	10,000	10,000
	568	09.09.08 – 08.09.15	20,000	20,000
	648.5	06.03.09 – 05.03.16	32,382	–
	652.5	31.08.09 – 30.08.16	32,500	–
Former director				
D M Williams	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	62,500	62,500

DIRECTORS' REMUNERATION REPORT CONTINUED

Notes

- a) The following executive share options were exercised during 2006 by:
- (i) Mr A J Habgood on 2 March 2006 in respect of 135,000 ordinary shares at an exercise price of 455.5p, 145,000 ordinary shares at an exercise price of 450p, 155,000 ordinary shares at an exercise price of 482p, 190,000 ordinary shares at an exercise price of 461p and 305,000 ordinary shares at an exercise price of 372.25p (market price 669p) and on 9 October 2006 in respect of 305,000 ordinary shares at an exercise price of 446.25p (market price 685p); and
 - (ii) Mr P L Larmon on 28 February 2006 in respect of 15,000 ordinary shares at an exercise price of 328p (market price 636p) and on 20 March 2006 in respect of 30,000 ordinary shares at an exercise price of 372.25p (market price 687p).
- 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 29 December 2006 was 628.5p and the range during 2006 was 578p to 710p.
- 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%. This performance condition has been satisfied in relation to all options granted under the 1994 Scheme.
- e) All share options granted prior to 25 May 2004 are under the 1994 Scheme. Options granted since then have been made under the LTIP.
- f) The grant to Mr B M May of 20,000 options at an exercise price of 372.25p will be settled in cash.
- g) All share options held by Mr D M Williams on 31 January 2006, the date he ceased to be a director, remained outstanding to become exercisable according to the rules of the relevant scheme during various periods up to 31 August 2008, subject to the satisfaction of the relevant performance conditions.

The UK based executive directors may also participate in a Sharesave Scheme which was approved by shareholders in 2001, is approved by HM Revenue & Customs and is open to all UK employees who have completed at least three months of continuous service. It is linked to a contract for monthly savings of up to £250 per month over a period of either three or five years. Under the Sharesave Scheme options are granted to participating employees at a discount of up to 20% of the market price prevailing on the day immediately preceding the date of invitation to apply for the option. Options are normally exercisable either three or five years after they have been granted. The following table sets out the number of share options under the Sharesave Scheme held by the UK based executive directors and the remaining number of options held by Mr A J Habgood on 1 January 2006 relating to his previous service as an executive director. Mr A J Habgood no longer holds options nor is he eligible to participate in further grants under the Sharesave Scheme.

	Exercise price (p)	Options exercisable between	Options at 31 December 2006 or date ceased to be a director	Options at 1 January 2006
Current directors				
A J Habgood	296	01.05.06 – 31.10.06	–	3,192
M J Roney	522	01.11.11 – 30.04.12	3,136	–
B M May	296	01.05.08 – 31.10.08	1,109	1,109
	358	24.09.08 – 23.03.09	3,541	3,541
Former director				
D M Williams	358	01.11.06 – 30.04.07	2,576	2,576

Notes

- a) Mr A J Habgood exercised 3,192 options under the Sharesave Scheme (2001) on 2 May 2006 at an exercise price of 296p (market price 686.5p).
- b) The share options held by Mr D M Williams on 31 January 2006, the date he ceased to be a director, remained outstanding and became exercisable according to the rules of the scheme during the period up to 31 July 2006.

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 and the Irish Sharesave Plan in 2006. These operate on a similar basis to the Sharesave Scheme except that options are normally exercisable three years after they have been granted. None of the executive directors are eligible to participate in these Plans.

Part B of the LTIP allows the Board to award performance shares which is a conditional right to receive shares in the Company for nil 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 45. The companies currently within the Peer Group for any awards to be made in 2007 are:

BOC Group	Imperial Tobacco Group	Rexam
Burberry	Inchcape	RHM
Cable & Wireless	Invensys	Rolls-Royce Group
Cairn Energy	Johnson Matthey	Ryanair Holdings
Cobham	Kesa Electricals	Sage Group
Compass Group	LogicaCMG	Signet Group
EMI Group	Lonmin	Smith & Nephew
GKN	Partygaming	Tate & Lyle
Group 4 Securicor	Pearson	Taylor Woodrow
Hanson	Rentokil Initial	Tomkins
IMI	Reuters	United Business Media
Imperial Chemical Industries		

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	Nil
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 under the LTIP, all for nil consideration, allocated to the executive directors and to Mr A J Habgood relating to his previous service as an executive director. Mr A J Habgood is not eligible to receive further awards of performance shares.

	Awards (shares) held at 1 January 2006	Conditional shares awarded during 2006	Awards (shares) vested during 2006	Awards (shares) held at 31 December 2006 or date ceased to be a director
Current directors				
A J Habgood	450,397	–	–	450,397
M J Roney	120,353	99,816	–	220,169
P L Larmon	136,208	58,633	–	194,841
B M May	37,500	46,076	–	83,576
Former director				
D M Williams	140,625	–	–	140,625

Notes

- Performance share awards were made on 4 April 2006 to Mr M J Roney of 49,816 shares, Mr P L Larmon of 27,633 shares and Mr B M May of 23,076 shares at a value of 683p per share and on 4 October 2006 to Mr M J Roney of 50,000 shares, Mr P L Larmon of 31,000 shares and Mr B M May of 23,000 shares at a value of 686p per share.
- In addition to the performance share awards under the LTIP to Mr M J Roney 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.
- All awards held by Mr D M Williams on 31 January 2006, the date he ceased to be a director, remained outstanding and will become exercisable according to the rules of the LTIP during various periods up to 31 August 2008, subject to the satisfaction of the relevant performance conditions.

DIRECTORS' REMUNERATION REPORT CONTINUED

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 M J Roney, Mr P L Larmon and Mr B M May are deemed by virtue of the Companies Act 1985 to be interested in all the shares held by the Trust, which at 31 December 2006 amounted to 8,119,432 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 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 25 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 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 HM Revenue & Customs 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, which has been maintained by the Company notwithstanding the changes introduced to the legislation with effect from April 2006, the amount of direct contribution by the Company to defined benefit pension schemes for the UK executive director who is a member of BSPS is limited. Arrangements have therefore been made to provide that executive director with an allowance of 30% of base salary above the cap which permits him to make provision, of his choice, in respect of that part of his 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 (including for this purpose Mr M J Roney) 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 of four times base salary.

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.

Directors' service contracts and terms of appointment

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 reduced 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 there is no predetermined compensation for termination of these contracts. 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
M J Roney	1 September 2005
P L Larmon	1 January 2005
B M May	9 December 2005

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. His service contract was dated 16 January 1996.

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. Currently none of the executive directors hold any such appointments.

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, or a cash allowance in lieu thereof, in line with prevailing Group policies and, in the case of Mr M J Roney and Mr B M May, 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 on appointment Mr M J Roney received a relocation package consisting of reimbursement of travel costs, temporary accommodation, legal and professional fees for securing accommodation and tax advice and a disturbance allowance.

The Chairman and the non-executive directors are paid annual fees for their services. In addition, where relevant, the non-executive directors are paid a fee for chairing the Audit and Remuneration Committees of the Board. Neither the Chairman nor the non-executive directors have service contracts and they are not eligible for pension scheme membership and do not participate in any of the Group's bonus, share option or long term incentive plans (save in respect of the Chairman's accrued entitlements relating to his previous service as an executive director). The Chairman receives certain benefits which include the provision of a company car and payment of its operating expenses, private medical plan coverage under the Company's prevailing UK healthcare plan and life assurance cover of four times his annual fee. Both the Chairman's and the non-executive directors' fees are reviewed annually, based on external market survey data. The fee for the Chairman is determined by the Remuneration Committee and the fees for the non-executive directors are determined by the Board.

Directors' remuneration

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

	Salary/fees 2006 £000	Annual cash bonus 2006 £000	Pension allowance 2006 £000	Benefits 2006 £000	Total 2006 £000	Total 2005 £000
Chairman						
A J Habgood	350.0	–	–	15.6	365.6	1,593.5
Executive						
M J Roney	680.0	245.5	204.0	292.2	1,421.7	318.1
P L Larmon	423.9	165.0	–	58.8	647.7	629.5
B M May	375.0	135.4	80.1	15.4	605.9	–
Non-executive						
J F Harris	74.9	–	–	–	74.9	70.0
C A Banks	59.3	–	–	–	59.3	54.8
U Wolters	50.3	–	–	–	50.3	45.5
P Johnson	50.3	–	–	–	50.3	–
Former executive director						
D M Williams	41.9	–	9.7	1.9	53.5	814.2
	2,105.6	545.9	293.8	383.9	3,329.2	3,525.6

Notes

- The remuneration for 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: \$1.84 in respect of 2006 and £1: \$1.81 in respect of 2005.
- The remuneration received by Mr M J Roney in 2005 relates to a part year as an executive director and part as a non-executive director. The benefits received by Mr M J Roney in 2006 include £273,074 of one-off relocation related expenses.
- 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 46 and is not included in the table above. Shares relating to the 2005 bonus were allocated in 2006 as shown in the table on page 46 and for the 2006 bonus will be allocated in 2007.
- Mr M J Roney is not a member of the Company pension schemes and therefore he received a pension allowance of 30% of base salary as shown in the above table. 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 the SERA for Mr P L Larmon which in 2006 amounted to £49,057 (2005: £44,975).
- The remuneration of Mr D M Williams for 2006 relates to the period from 1 January 2006 until 31 January 2006 when his service contract terminated upon reaching his normal retirement age. No termination payments were made.

DIRECTORS' REMUNERATION REPORT CONTINUED

	Accrued benefits at 31.12.05 £	Accrued benefits at 31.12.06 or date of termination whichever is the earlier £	Transfer value of accrued benefits at 31.12.05 £	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 31.12.06 or date of termination whichever is the earlier £
P L Larmon*	15,190	13,330	72,541	(3,320)	69,221
B M May	23,583	26,851	257,035	(462)	266,280
D M Williams	45,144	43,041	969,787	(134,304)	836,275

*Excluding SERA entitlements.

Notes

- Of the additional benefits accrued since 1 January 2006, the increases attributable to factors other than inflation were £2,420 for Mr B M May and £nil for Mr D M Williams and Mr P L Larmon.
- Pension accruals shown are the amounts accrued based on service with Bunzl plc or its subsidiaries. Mr D M Williams left the service of Bunzl plc when he retired on 31 January 2006. His retirement pension is lower than his disclosed accrued pension at the start of the year as a result of the provision of incomplete and inaccurate retained pension benefit information from his previous employers. Due to HM Revenue & Customs regulations, the pension payable from BSPS was restricted by the level of these retained benefits.
- 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 B M May and Mr D M Williams, 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 2006 of £5,435 (2005: £5,525).
- 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 2006 such contributions for Mr P L Larmon amounted to £5,380 (2005: £5,097).

On behalf of the Board

C A Banks

Chairman of the Remuneration Committee

26 February 2007

FIVE YEAR REVIEW

IFRS

	2006 £m	2005 £m	2004 £m
Continuing operations			
Revenue	3,333.2	2,924.4	2,438.5
Operating profit before intangible amortisation	226.3	203.4	168.9
Intangible amortisation	(19.9)	(15.9)	(7.8)
Operating profit	206.4	187.5	161.1
Finance income	19.6	22.0	17.0
Finance cost	(36.3)	(32.8)	(19.9)
Profit before income tax	189.7	176.7	158.2
Profit before income tax and intangible amortisation	209.6	192.6	166.0
Income tax	(60.3)	(56.7)	(52.5)
Profit for the year	129.4	120.0	105.7
Discontinued operations			
Profit for the year	–	4.2	35.7
Total profit for the year	129.4	124.2	141.4
Attributable to:			
Equity holders of the Company	129.4	123.6	140.2
Minority interests	–	0.6	1.2
Total profit for the year	129.4	124.2	141.4
Basic earnings per share	37.8p	35.4p	30.7p
Adjusted earnings per share	41.7p	38.7p	32.1p

UK GAAP

	2004 £m	2003 £m	2002 £m
Sales			
Continuing operations	2,438.5	2,275.6	2,231.2
Discontinued operations	477.5	452.6	604.1
Total sales	2,916.0	2,728.2	2,835.3
Operating profit			
Continuing operations	149.6	143.5	139.3
Discontinued operations	56.1	52.9	57.1
Total operating profit	205.7	196.4	196.4
Profit on sale of discontinued operations	–	–	4.1
Profit on ordinary activities before interest	205.7	196.4	200.5
Net interest payable	(4.8)	(1.8)	(5.2)
Profit on ordinary activities before tax	200.9	194.6	195.3
Profit before tax, goodwill amortisation and exceptional items	226.0	212.3	207.3
Tax on profit on ordinary activities	(72.3)	(69.0)	(70.0)
Profit on ordinary activities after tax	128.6	125.6	125.3
Profit for the year	127.4	124.6	124.8
Basic earnings per share	28.7p	27.4p	27.1p
Adjusted earnings per share	34.4p	31.3p	29.7p

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