



# DELIVERING FOR OUR CUSTOMERS

DIRECTORS' REPORT AND ACCOUNTS 2007



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BUNZL IS A FAST GROWING AND  
SUCCESSFUL GROUP WITH OPERATIONS  
ACROSS THE AMERICAS, 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.

# DIRECTORS' REPORT

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 2007. 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 providing value-added distribution and outsourcing services in the Americas, 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 17 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 6, 7, 17 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 effect 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. Whilst 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; and
- 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 regulations 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.

Note 13 to the consolidated financial statements includes information relating to the Company's risk management policies so far as they relate to financial instruments.

## 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 5.8p was paid in respect of the year and the directors recommend a final dividend of 12.9p per share, making a total for the year of 18.7p (2006: 17.0p). Dividend details are given in Note 17 to the consolidated financial statements. Subject to confirmation by the shareholders at the Annual General Meeting on 14 May 2008, the final dividend will be paid on 3 July 2008 to those shareholders on the register at the close of business on 9 May 2008.

### Share capital

The Company has a single class of share capital which is divided into ordinary shares of 32½p each which rank pari passu in respect of participation and voting rights. The shares are in registered form, are fully paid up and are quoted on the London Stock Exchange. In addition, following the deregistration of the Company's American Depositary Receipts from the Securities and Exchange Commission during 2007, the Company has entered into a Level 1 American Depositary Receipt programme with the Bank of New York Mellon under which the Company's shares are traded on the over the counter market in the form of American Depositary shares.

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

### Rights and obligations attaching to shares

Subject to the provisions of the Companies Acts (as defined in the Company's current Articles of Association (the 'Articles')) and without prejudice to any rights attached to any existing shares, the Company may resolve by ordinary resolution to issue shares with such rights and restrictions as set out in such resolution. Subject to the provisions of the Companies Acts and of any resolution of the Company passed pursuant thereto, unissued shares are at the disposal of the Board (as defined in the Articles) and the Board may allot, grant options over or otherwise dispose of them to such persons and on such terms and conditions and at such times as it thinks fit. If at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class may be varied or abrogated either with the written consent of the holders of three-quarters of the issued shares of the class (excluding treasury shares) or by special resolution passed at a separate general meeting of such holders. Subject to the rights attached to any existing shares, rights attached to shares will be deemed to be varied by the reduction of capital paid up on the shares and by the allotment of further shares ranking in priority in respect of dividend or capital or which confer on the holders more favourable voting rights than the first-mentioned shares, but will not otherwise be deemed to be varied by the creation or issue of further shares.

### Power to issue and allot shares

The directors are generally and unconditionally authorised under the authority granted at the 2007 Annual General Meeting to allot unissued shares in the Company up to a maximum nominal amount of £38.0 million. A further authority was granted to the directors to allot the Company's shares for cash, up to a maximum nominal amount of approximately £5.5 million, without regard to the pre-emption provisions of the Companies Acts. No such shares have been issued or allotted under these authorities, nor is there any current intention to do so, other than under the Company's employee share schemes.

These authorities are valid until the conclusion of the forthcoming Annual General Meeting. The directors again propose to seek similar authorities this year.

### Restrictions on transfer of shares

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

Certain restrictions, which are customary for a listed company, apply to transfers of shares in the Company. The Board may refuse to register an instrument of transfer of a certificated share unless it is:

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

In addition, no instrument of transfer shall be registered if the transferor has been served with a disenfranchisement notice (as defined in the Articles) after failure to provide the Company with information concerning certain interests in the Company's shares required to be provided under the Companies Acts, unless the transfer is shown to the Board to be pursuant to an arm's length sale. Registration of a transfer of shares may also be refused in the case of uncertificated shares in the circumstances set out in the regulations governing the operation of CREST. The Board may decide to suspend the registration of transfers, for up to 30 days a year, by closing the register of shareholders. The Board cannot suspend the registration of transfers of any uncertificated shares without gaining consent from CREST.

### Restrictions on voting rights

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

### Bunzl Group Employee Benefit Trust

Bunzl Employee Trustees Limited is trustee of the Bunzl Group General Employee Benefit Trust ('the EBT') which holds shares in respect of employee share options and awards that have not been exercised or vested. The current position is that the EBT abstains from voting in respect of these shares. The trustee has agreed to receive a nominal dividend of 0.001p per share on dividend payments on shares held within the EBT. Details of the shares so held are set out in Note 18 to the consolidated financial statements.

### Purchase of own shares

At the 2007 Annual General Meeting, shareholders gave the Company authority to purchase a maximum of 33,945,000 ordinary shares. During the year ended 31 December 2007 the Company purchased 14,212,090 of its own shares (nominal value £4.6 million), representing approximately 4.2% of the issued ordinary share capital (excluding treasury shares) at 1 January 2007, at an aggregate cost including expenses of £100.0 million. These shares are held as treasury shares and were purchased pursuant to the shareholders' authority granted at the 2007 Annual General Meeting, which is due to expire at the conclusion of the forthcoming Annual General Meeting, and the authority granted at the 2006 Annual General Meeting. No further shares have been purchased between 31 December 2007 and

25 February 2008. The total number of ordinary shares currently held in treasury is 23,325,000. The Company is authorised to buy back a further 23,320,000 of its own shares pursuant to the existing shareholders' authority. The directors again propose to seek a similar authority this year.

### Directors

Directors may be elected by the members in a general meeting or appointed by the Board. Under the Articles, the minimum number of directors shall be two and there shall be no maximum number. At every Annual General Meeting of the Company a minimum of one third of the directors shall retire and, assuming they wish to stand, offer themselves for re-election. The directors to retire will be those who held office at the two preceding Annual General Meetings and who did not retire at either of them. If the number of directors so retiring is less than the minimum number required to retire, additional directors up to that number will also retire. The additional directors to retire will be determined by those who have been longest in office since they were last elected or, if they were elected on the same day, those to retire will be determined by lot. The Board may also appoint a person willing to act as a director during the year either to fill a vacancy or as an additional director. However such appointee shall only hold office until the next Annual General Meeting of the Company and shall not be taken into account in determining the directors who are to retire by rotation. At present, for any director proposed for appointment or re-appointment who at the date the meeting is convened will have attained the age of 70 years or more, the Board is required under the Articles to give notice of his age in the notice of meeting. Amendments to the Articles to be put to the 2007 Annual General Meeting will remove this requirement following the enactment of the Employment Equality (Age) Regulations 2006.

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

The office of a director shall also be vacated if:

- he ceases to be a director by virtue of any provisions of the Companies Acts or pursuant to the Articles or he becomes prohibited by law from being a director;
- he becomes bankrupt or enters into any arrangement or composition with his creditors generally;
- he is or may be suffering from mental ill health and he is either admitted to hospital or a court order is made appointing a person to exercise powers with respect to his property or affairs;
- he resigns by giving notice to the Company or is asked to resign by all the other directors who are not less than three in number; or
- he is absent without permission from Board meetings for a period of six months and the Board resolves that his office be vacated.

Mr D J R Sleath was appointed to the Board in September 2007 and, being eligible, offers himself for election at the forthcoming Annual General Meeting in accordance with the Articles. All of the other current directors served throughout the year. Mr P L Larmon and Dr U Wolters retire by rotation at the Annual General Meeting in accordance with the Articles and, being eligible, offer themselves for re-election. Biographical details of the current directors are set out on page 16 of the Annual Review and Summary Financial Statement.

Directors' interests in ordinary shares are shown in Note 20 to the consolidated financial statements. None of the directors was materially interested in any contract of significance with the Company or any of its subsidiary undertakings during or at the end of 2007. Information relating to the directors' service agreements and their remuneration for the year and details of the directors' share options under the Company's share option schemes and awards under the Long Term Incentive Plan and Deferred Annual Share Bonus Scheme are set out in the Directors' Remuneration Report on pages 52 to 60.

### Powers of the directors

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

### Directors' indemnities

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

### Amendment of Articles

Any amendments to the Articles may be made in accordance with the provisions of the Companies Acts by way of special resolution of the Company's shareholders. The directors propose to make some amendments to the Articles at the 2008 Annual General Meeting details of which are set out in a separate letter from the Chairman to shareholders.

### Employment policies

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

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

### Substantial shareholdings

As at 25 February 2008 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	Number of shares	% of issued share capital
INVESCO plc	22.07.07	49,532,127	15.00
Aviva plc	02.11.07	24,956,822	7.65
Baillie Gifford & Co	22.01.07	23,363,699	6.88
Legal & General Group Plc	05.11.07	13,110,980	4.01
Newton Investment Management Ltd	14.05.07	10,180,719	3.02

### Significant agreements

The Company's wholly owned subsidiary, Bunzl Finance plc, has a number of bilateral loan facilities with a range of different counterparties, all of which are guaranteed by the Company, are in substantially the same form and are prepayable at the option of the lender in the event of a change of control of the Company. A similar change of control provision in relation to the Company is included in the syndicated bank loan which has been entered into by Bunzl Finance plc and the Company and is also guaranteed by the Company.

### Creditor payment policy

Group operating companies are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted. It is Group policy that suppliers are made aware of these terms and that payments to suppliers are made in accordance with them provided that suppliers also comply with all relevant terms and conditions. The number of days' billings from the Company's suppliers outstanding at the end of the financial year was 30 (2006: 31).

### Donations

During 2007, amongst other worldwide charitable donations, the Group contributed £200,000 to UK charities (2006: £200,000). No contributions were made for political purposes.

### Annual General Meeting

The Annual General Meeting will be held at The Park Suite, The Dorchester, Park Lane, London W1K 1QA on Wednesday 14 May 2008 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.

### External 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  
25 February 2008

Pages 1 to 4 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.

## CORPORATE GOVERNANCE

The Company is committed to high standards of corporate governance. This statement describes how the principles of corporate governance set out in the revised Combined Code issued by the Financial Reporting Council ('the Code') have been applied by the Company during the year ended 31 December 2007. The Company confirms it has complied throughout 2007 with the provisions of the Code.

### The Board

The Board currently comprises a Chairman, a Chief Executive, two other executive directors and five 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 16 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 17 to 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. Led by Mr J F Harris, the senior independent director, the non-executive directors also meet without the Chairman present to appraise the Chairman's performance. These processes were carried out satisfactorily during the year. The Chairman periodically holds meetings with the non-executive directors without the executive directors present. Finally, the Chief Executive, Mr M J Roney, annually presents a management succession plan which is discussed with the Chairman and the non-executive directors. Detailed information concerning the directors' remuneration is given in the Directors' Remuneration Report on pages 52 to 60.

### 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 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. The Committee's terms of reference are available on the Company's website, [www.bunzl.com](http://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 52 to 60. 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 2007 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	5	2
A J Habgood	8			2
M J Roney	8			
J F Harris	8	3	5	2
C A Banks	7	3	5	2
U Wolters	8	3	5	
P L Larmon	8			
B M May	8			
P W Johnson	8	2	5	
D J R Sleath*	1			

\*Mr D J R Sleath was appointed as a director on 1 September 2007 and attended one of the two Board meetings held between that date and the end of the year. There were no meetings of the Audit and Remuneration Committees between the date he was appointed a member of such Committees and the end of the year.

### 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. In addition, commencing in 2008, the Company will also publish two interim management statements a year as required by the Listing Rules.

The Chief Executive and Finance Director have regular meetings with representatives of institutional shareholders and report to the Board the views of major shareholders. Additional forms of communication include presentations of the 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 2007 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 2007.

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 2007

	Notes	2007 £m	2006 £m
<b>Revenue</b>	3	<b>3,581.9</b>	3,333.2
<b>Operating profit before intangible amortisation</b>	3	<b>242.9</b>	226.3
Intangible amortisation		(24.4)	(19.9)
<b>Operating profit</b>		<b>218.5</b>	206.4
Finance income	5	21.1	19.6
Finance cost	5	(48.5)	(36.3)
<b>Profit before income tax</b>		<b>191.1</b>	189.7
<b>Profit before income tax and intangible amortisation</b>		<b>215.5</b>	209.6
UK income tax		(4.4)	(9.1)
Overseas income tax		(56.6)	(51.2)
Total income tax	6	(61.0)	(60.3)
<b>Profit for the year attributable to the Company's equity holders</b>		<b>130.1</b>	129.4
<b>Earnings per share attributable to the Company's equity holders</b>			
Basic	7	<b>39.8p</b>	37.8p
Diluted	7	<b>39.6p</b>	37.5p

The Accounting Policies and Notes on pages 11 to 41 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

for the year ended 31 December 2007

	Notes	2007 £m	2006 £m
<b>Profit for the year</b>		<b>130.1</b>	129.4
Actuarial gain on pension schemes	21	<b>10.3</b>	17.4
Deferred tax on actuarial gain		<b>(3.0)</b>	(5.5)
Currency translation differences arising in year*		<b>8.1</b>	(7.1)
Loss recognised in cash flow hedge reserve		<b>(1.1)</b>	(0.3)
Movement from cash flow hedge reserve to income statement		<b>0.3</b>	(0.3)
Net income recognised directly in equity		<b>14.6</b>	4.2
<b>Total recognised income for the year attributable to the Company's equity holders</b>		<b>144.7</b>	133.6

\*Currency translation differences for 2007 of £8.1m (2006: £(7.1)m) are net of losses of £32.3m (2006: gains of £17.6m) taken to equity as a result of designated effective net investment hedges.

# CONSOLIDATED BALANCE SHEET

at 31 December 2007

	Notes	2007 £m	2006 £m
<b>Assets</b>			
Property, plant and equipment	8	91.0	74.3
Intangible assets	9	990.3	776.7
Derivative assets	13	11.3	5.4
Deferred tax assets	15	0.5	4.1
<b>Total non-current assets</b>		<b>1,093.1</b>	<b>860.5</b>
Inventories	10	331.6	290.8
Income tax receivable		4.4	2.7
Trade and other receivables	11	575.4	521.2
Derivative assets	13	1.5	0.1
Cash and deposits	24	76.0	49.0
<b>Total current assets</b>		<b>988.9</b>	<b>863.8</b>
<b>Total assets</b>		<b>2,082.0</b>	<b>1,724.3</b>
<b>Equity</b>			
Share capital	16	112.4	112.0
Share premium	18	124.6	119.8
Merger reserve	18	2.5	2.5
Capital redemption reserve	18	8.6	8.6
Cash flow hedge reserve	18	(1.1)	(0.3)
Translation reserve	18	9.5	1.4
Retained earnings	18	219.7	244.0
<b>Total equity attributable to the Company's equity holders</b>		<b>476.2</b>	<b>488.0</b>
<b>Liabilities</b>			
Interest bearing loans and borrowings	24	656.4	456.9
Retirement benefit obligations	21	13.2	37.5
Other payables		10.6	5.6
Provisions	14	50.6	44.6
Deferred tax liabilities	15	92.3	73.0
<b>Total non-current liabilities</b>		<b>823.1</b>	<b>617.6</b>
Bank overdrafts	24	20.3	23.9
Interest bearing loans and borrowings	24	79.4	4.3
Income tax payable		60.5	58.4
Trade and other payables	12	611.8	524.5
Derivative liabilities	13	1.5	0.7
Provisions	14	9.2	6.9
<b>Total current liabilities</b>		<b>782.7</b>	<b>618.7</b>
<b>Total liabilities</b>		<b>1,605.8</b>	<b>1,236.3</b>
<b>Total equity and liabilities</b>		<b>2,082.0</b>	<b>1,724.3</b>

Approved by the Board of Directors of Bunzl plc on 25 February 2008 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 2007

	Notes	2007 £m	2006 £m
<b>Cash flow from operating activities</b>			
Profit before income tax		191.1	189.7
Adjustments for non-cash items:			
depreciation		15.9	14.6
intangible amortisation		24.4	19.9
share based payments		4.8	3.0
Working capital movement		13.5	(20.0)
Finance income		(21.1)	(19.6)
Finance cost		48.5	36.3
Provisions and pensions		(9.0)	(5.7)
Special pension contribution		(9.5)	(5.0)
Other		(0.6)	1.0
<b>Cash generated from operations</b>		<b>258.0</b>	<b>214.2</b>
<b>Income tax paid</b>		<b>(65.1)</b>	<b>(40.5)</b>
<b>Cash inflow from operating activities</b>		<b>192.9</b>	<b>173.7</b>
<b>Cash flow from investing activities</b>			
Interest received		5.3	8.5
Purchase of property, plant and equipment		(19.9)	(15.8)
Sale of property, plant and equipment		3.3	4.3
Purchase of businesses	25	(191.7)	(156.7)
Other		-	(1.0)
<b>Cash outflow from investing activities</b>		<b>(203.0)</b>	<b>(160.7)</b>
<b>Cash flow from financing activities</b>			
Interest paid		(33.6)	(24.9)
Dividends paid		(56.2)	(53.3)
Increase/(decrease) in short term loans		34.9	(28.5)
Increase in long term loans		192.1	141.4
Net proceeds from employee shares		1.0	5.2
Purchase of own shares into treasury		(100.0)	(63.1)
<b>Cash inflow/(outflow) from financing activities</b>		<b>38.2</b>	<b>(23.2)</b>
<b>Exchange gain/(loss) on cash and cash equivalents</b>		<b>2.5</b>	<b>(1.4)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>30.6</b>	<b>(11.6)</b>
Cash and cash equivalents at start of year		25.1	36.7
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>30.6</b>	<b>(11.6)</b>
<b>Cash and cash equivalents at end of year</b>	24	<b>55.7</b>	<b>25.1</b>

## NOTES

### 1 Basis of preparation

The consolidated financial statements for the year ended 31 December 2007 have been approved by the directors and prepared in accordance with International Financial Reporting Standards as adopted by the EU ('IFRS') 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 Practice ('UK GAAP').

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 consolidated 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 expenses 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.

#### d Property, plant and equipment

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

**2 Accounting policies continued****e Depreciation**

Depreciation is provided on a straight line basis to write off cost over the assets' estimated remaining useful lives. This is at the following annual rates applied to 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 annually 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 cash generating unit exceeds its recoverable amount, with impairment losses being recognised in the income statement. Goodwill impairment tests are carried out annually.

**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 the deposit is made.

**k Trade and other receivables**

Trade and other receivables are stated at fair value 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 fair value. 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 consolidated 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 corporate bonds that have a similar maturity to the scheme liabilities.

Current service cost, past service cost/credit and gains and losses on any settlements and curtailments are credited or charged to the income statement. Past service cost is recognised immediately to the extent benefits are already vested 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 and cash settled share based compensation plans. As permitted by IFRS 1, on transition to IFRS the Group elected not to apply IFRS 2 'Share-based Payment' to equity instruments granted on or before 7 November 2002. For equity settled plans the total expected expense is based on the fair value of options and other share based incentives on the grant date, calculated using a valuation model, and is spread over the expected vesting period with a corresponding credit to equity. For cash settled plans the total expected expense is based on the fair value of options, determined at the appropriate balance sheet reporting date, and is remeasured at each balance sheet date thereafter with a corresponding credit recognised as a liability. The amounts recognised as expenses are adjusted to reflect the actual number of options and other share based incentives that are expected to vest. Details of these plans are outlined in Note 16 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.

## 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 consolidated 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 21) and for each assumption there is a range of possible choices. 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.

## 2 Accounting policies continued

### 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 new IFRS and amendment to IAS which became effective in 2007:

- IFRS 7 'Financial Instruments: Disclosures'; and
- Amendment to IAS 1 'Presentation of Financial Statements: Capital Disclosures'.

The following new interpretations of the International Financial Reporting Interpretations Committee ('IFRIC'), effective for accounting periods commencing on or after 1 January 2007, have had no impact on the financial statements:

- IFRIC 7 'Applying the Restatement Approach under IAS 29 'Financial Reporting in Hyperinflationary Economies'';
- IFRIC 8 'Scope of IFRS 2 'Share-based Payment'';
- IFRIC 9 'Reassessment of Embedded Derivatives'; and
- IFRIC 10 'Interim Financial Reporting and Impairment'.

The following new IFRS and interpretations and amendments to IFRS and IAS are not yet effective and have not been early adopted:

- IFRS 8 'Operating Segments' is effective for the 2009 financial year;
- Amendments to IFRS 2 'Share-based Payment', IAS 1 'Presentation of Financial Statements', IAS 27 'Consolidated and Separate Financial Statements' and IAS 23 'Borrowing costs' are all effective for the 2009 financial year;
- IFRIC 11 'IFRS 2 – Group and Treasury Share Transactions' and IFRIC 12 'Service Concession Arrangements' are both effective for the 2008 financial year; and
- IFRIC 13 'Customer Loyalty Programmes' is effective for the 2009 financial year. This interpretation has not yet been endorsed by the EU.

The adoption of this IFRS and these interpretations and amendments to IFRS and IAS is not expected to have a significant impact on the consolidated financial statements.

IFRS 3 (revised) 'Business Combinations' is effective for the 2010 financial year although it has not yet been endorsed by the EU. The Group uses external advisers to carry out its pre-acquisition due diligence process. To date such direct costs have been included as a cost of acquisition. On adoption of IFRS 3 (revised) such costs will be expensed in the income statement. This is considered to be the major change to the accounting treatment currently adopted by the Group. The impact on the consolidated financial statements will depend on the number, size and complexity of acquisitions completed in the relevant period.

IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' is effective for the 2008 financial year although it has not yet been endorsed by the EU. The interpretation clarifies the limitations on recognising defined benefit pension surpluses (and the related deferred tax liabilities) in the balance sheet and may also require recognition of an additional liability for any committed future contributions. The Group is currently assessing the impact of this interpretation on the consolidated financial statements.

### 3 Segment analysis

	North America £m	UK & Ireland £m	Continental Europe £m	Rest of the World £m	Corporate £m	Total £m
<b>Year ended 31 December 2007</b>						
Revenue	1,839.0	994.3	616.0	132.6		3,581.9
Operating profit/(loss) before intangible amortisation	123.3	74.5	50.0	10.8	(15.7)	242.9
Intangible amortisation	(5.8)	(3.0)	(14.5)	(1.1)	-	(24.4)
Operating profit/(loss)	117.5	71.5	35.5	9.7	(15.7)	218.5
Finance income						21.1
Finance cost						(48.5)
Profit before income tax						191.1
Profit before income tax and intangible amortisation						215.5
Income tax						(61.0)
Profit for the year						130.1
Capital expenditure	6.1	8.2	4.6	1.0	-	19.9
Depreciation	5.2	6.3	3.6	0.7	0.1	15.9
<b>Year ended 31 December 2006</b>						
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

The Rest of the World segment comprises operations previously reported under Australasia.

The directors consider the Group to have only geographical reporting segments which reflect the internal management reporting structure. The Group's customers cover a broad range of industries. The products supplied are similar in nature being consumable items and there are no significant differences in the distribution methods applied. Given the similarities across the various industries within each geographical region, no secondary business segment analysis has been presented.

The revenue presented above relates to external customers. Sales between the geographical segments are not material.

## 3 Segment analysis continued

	North America £m	UK & Ireland £m	Continental Europe £m	Rest of the World £m	Unallocated £m	Total £m
<b>At 31 December 2007</b>						
Segmental assets	539.1	700.9	658.4	76.1		1,974.5
Unallocated assets					107.5	107.5
<b>Total assets</b>	<b>539.1</b>	<b>700.9</b>	<b>658.4</b>	<b>76.1</b>	<b>107.5</b>	<b>2,082.0</b>
Segmental liabilities	194.2	245.5	173.4	19.7		632.8
Unallocated liabilities					973.0	973.0
<b>Total liabilities</b>	<b>194.2</b>	<b>245.5</b>	<b>173.4</b>	<b>19.7</b>	<b>973.0</b>	<b>1,605.8</b>
	North America £m	UK & Ireland £m	Continental Europe £m	Rest of the World £m	Unallocated £m	Total £m
<b>At 31 December 2006</b>						
Segmental assets	536.0	554.3	485.5	71.8		1,647.6
Unallocated assets					76.7	76.7
<b>Total assets</b>	<b>536.0</b>	<b>554.3</b>	<b>485.5</b>	<b>71.8</b>	<b>76.7</b>	<b>1,724.3</b>
Segmental liabilities	172.1	202.7	138.5	16.1		529.4
Unallocated liabilities					706.9	706.9
<b>Total liabilities</b>	<b>172.1</b>	<b>202.7</b>	<b>138.5</b>	<b>16.1</b>	<b>706.9</b>	<b>1,236.3</b>

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

## 4 Analysis of operating income and expenses

	2007 £m	2006 £m
Purchase of goods and changes in inventories	2,704.5	2,517.8
Employee costs (see Note 22)	357.6	325.5
Depreciation, amortisation and other amounts written off property, plant and equipment and intangible fixed assets	40.3	34.5
Net foreign exchange losses/(gains)	0.8	(0.1)
Rentals payable under operating leases and subleases	61.0	59.2
Lease and sublease income	(2.4)	(2.7)
Other operating expenses	201.6	192.6
<b>Net operating expenses</b>	<b>3,363.4</b>	<b>3,126.8</b>

	2007			2006		
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
<b>Analysis of auditors' remuneration</b>						
Audit of the Company's financial statements	0.3	–	0.3	0.3	–	0.3
Audit of the Company's subsidiaries pursuant to legislation	0.5	1.1	1.6	0.3	1.1	1.4
Other services supplied pursuant to legislation	0.2	–	0.2	0.5	0.4	0.9
Tax services	0.2	0.3	0.5	0.5	0.4	0.9
Pre-acquisition due diligence	0.7	0.3	1.0	0.2	0.5	0.7
Other	0.1	–	0.1	–	–	–
<b>Total remuneration</b>	<b>2.0</b>	<b>1.7</b>	<b>3.7</b>	<b>1.8</b>	<b>2.4</b>	<b>4.2</b>

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 are not compromised.

**5 Finance income/(cost)**

	2007 £m	2006 £m
Deposits	0.7	1.2
Interest income from foreign exchange contracts	4.8	6.2
Expected return on pension scheme assets	14.2	11.6
Other finance income	1.4	0.6
<b>Finance income</b>	<b>21.1</b>	<b>19.6</b>
Loans and overdrafts	(34.9)	(22.4)
Interest expense from foreign exchange contracts	(0.6)	(0.3)
Interest charge on pension scheme liabilities	(12.6)	(12.0)
Fair value loss on US dollar bond	(7.1)	(5.4)
Fair value gain on interest rate swaps	7.1	5.4
Other finance expense	(0.4)	(1.6)
<b>Finance cost</b>	<b>(48.5)</b>	<b>(36.3)</b>

**6 Income tax**

A tax charge at a rate of 31.6% (2006: 32.0%) has been provided on the profit before tax and intangible amortisation. Including the impact of intangible amortisation of £24.4m (2006: £19.9m) and the related deferred tax of £7.1m (2006: £6.7m), the overall tax rate is 31.9% (2006: 31.8%).

	2007 £m	2006 £m
Current tax on profit		
current year	109.7	127.0
prior years	(4.3)	(7.5)
double tax relief	(38.1)	(56.9)
	67.3	62.6
Deferred tax on profit – current year	(6.3)	(2.3)
<b>Income tax on profit</b>	<b>61.0</b>	<b>60.3</b>
<b>Tax (credited)/charged to equity</b>	<b>2007 £m</b>	<b>2006 £m</b>
Current tax (credit)/charge on share based payments and exchange movements offset in reserves	(7.2)	0.6
Deferred tax charge on share based payments and pension scheme liabilities	3.5	6.2

**6 Income tax continued****Factors affecting tax charge for the year**

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

	2007 £m	2006 £m
Profit before income tax	191.1	189.7
Tax charge at weighted average rate (2007: 33.5%; 2006: 33.5%)	64.0	63.5
Effects of:		
adjustment to deferred tax in respect of prior years	(3.3)	–
adjustment to tax charge in respect of prior years	(4.3)	(7.5)
non-deductible/non-taxable items	2.8	4.4
tax losses not recognised/(utilised)	1.8	(0.1)
<b>Income tax on profit</b>	<b>61.0</b>	<b>60.3</b>

	2007 £m	2006 £m
<b>Deferred tax in the income statement</b>		
Accelerated capital allowances	(0.8)	(0.3)
Pension liabilities	4.1	2.9
Intangible assets	(7.1)	(6.7)
Share based payments	(1.6)	(0.2)
Provisions	1.5	(0.2)
Other	(2.4)	2.2
<b>Deferred tax on profit</b>	<b>(6.3)</b>	<b>(2.3)</b>

**7 Earnings per share**

	2007 £m	2006 £m
Profit for the year	130.1	129.4
Adjustment	17.3	13.2
Adjusted profit*	147.4	142.6
Basic weighted average ordinary shares in issue (million)	326.9	342.1
Dilutive effect of employee share plans (million)	1.8	2.6
Diluted weighted average ordinary shares (million)	328.7	344.7
Basic earnings per share	39.8p	37.8p
Adjustment	5.3p	3.9p
Adjusted earnings per share*	45.1p	41.7p
Diluted basic earnings per share	39.6p	37.5p

\*Adjusted profit and adjusted earnings per share exclude the charge for intangible amortisation and the related deferred tax. This adjustment removes a non-cash charge which is not taken into account by management when assessing the underlying performance of the businesses.

**8 Property, plant and equipment**

	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
<b>2007</b>				
<b>Cost</b>				
Beginning of year	45.5	53.3	55.7	154.5
Acquisitions	8.8	3.0	0.3	12.1
Additions	0.8	8.2	10.9	19.9
Disposals	(2.2)	(3.4)	(4.3)	(9.9)
Currency translation	1.3	2.8	2.9	7.0
End of year	54.2	63.9	65.5	183.6
<b>Depreciation</b>				
Beginning of year	12.7	29.7	37.8	80.2
Charge in year	2.1	7.5	6.3	15.9
Disposals	(0.3)	(3.4)	(3.7)	(7.4)
Currency translation	0.2	1.7	2.0	3.9
End of year	14.7	35.5	42.4	92.6
<b>Net book value at 31 December 2007</b>	<b>39.5</b>	<b>28.4</b>	<b>23.1</b>	<b>91.0</b>
<b>2006</b>				
<b>Cost</b>				
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
<b>Depreciation</b>				
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
<b>Net book value at 31 December 2006</b>	<b>32.8</b>	<b>23.6</b>	<b>17.9</b>	<b>74.3</b>

The net book value of property, plant and equipment includes assets held under finance leases and hire purchase contracts totalling £7.1m (2006: £6.9m). Accumulated depreciation of these assets was £2.0m (2006: £1.5m). Future capital expenditure at 31 December 2007 consisted of commitments not provided for of £1.3m (2006: £1.4m).

## 9 Intangible assets

	2007 £m	2006 £m
<b>Goodwill</b>		
Beginning of year	497.8	421.1
Acquisitions	89.6	94.6
Currency translation	19.2	(17.9)
End of year	606.6	497.8
	2007 £m	2006 £m
<b>Customer relationships</b>		
<b>Cost</b>		
Beginning of year	321.6	298.1
Acquisitions	110.4	37.4
Currency translation	20.0	(13.9)
End of year	452.0	321.6
<b>Amortisation</b>		
Beginning of year	42.7	23.7
Charge in year	24.4	19.9
Currency translation	1.2	(0.9)
End of year	68.3	42.7
<b>Net book value at 31 December</b>	<b>383.7</b>	<b>278.9</b>
<b>Total net book value of intangible assets at 31 December</b>	<b>990.3</b>	<b>776.7</b>

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

### Impairment tests

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

At 31 December 2007 two CGUs, Groupe Pierre Le Goff ('GPLG') and North America, 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 2007 was £103.0m (2006: £94.6m). The carrying value of goodwill in respect of North America at 31 December 2007 was £132.7m (2006: £124.5m). At 31 December 2007 the aggregate amount of goodwill attributable to the Group's CGUs excluding GPLG and North America was £370.9m (2006: £278.7m).

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 8.0% 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.

**10 Inventories**

	2007 £m	2006 £m
Finished goods and goods for resale	331.6	290.8

£4.0m was written off inventories during the year (2006: £2.3m) due to obsolescence or damage. The inventories provision at 31 December 2007 was £41.6m (2006: £34.6m).

**11 Trade and other receivables**

	2007 £m	2006 £m
Trade receivables	462.9	415.6
Prepayments and other receivables	112.5	105.6
	<b>575.4</b>	<b>521.2</b>

The ageing of trade receivables at 31 December was:

	Gross 2007 £m	Provision 2007 £m	Gross 2006 £m	Provision 2006 £m
Current	325.5	1.1	299.9	1.4
0-30 days overdue	108.1	0.2	93.3	1.4
31-90 days overdue	31.0	2.0	28.4	4.4
Over 90 days overdue	13.7	12.1	11.8	10.6
	<b>478.3</b>	<b>15.4</b>	<b>433.4</b>	<b>17.8</b>

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

	2007 £m	2006 £m
Beginning of year	17.8	13.7
Arising on businesses acquired	2.2	3.0
Charged to income statement	1.6	3.3
Utilised	(6.0)	(2.1)
Currency translation	(0.2)	(0.1)
End of year	<b>15.4</b>	<b>17.8</b>

Based on historic experience the Group believes that no additional provision for doubtful debts in respect of trade receivables overdue is required.

**12 Trade and other payables – current**

	2007 £m	2006 £m
Trade payables	443.3	369.5
Dividends	18.6	17.6
Other tax and social security contributions	10.8	9.8
Other payables	42.7	33.5
Accruals and deferred income	96.4	94.1
	<b>611.8</b>	<b>524.5</b>

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### 13 Risk management and financial instruments

#### Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group monitors the return on capital as well as the level of total shareholders' equity and the amount of dividends paid to ordinary shareholders.

The Group funds its operations through a mixture of shareholders' equity and bank and capital market borrowings. All of the borrowings are managed by a central treasury function and funds raised are lent onward to operating subsidiaries as required. The overall objective is to manage the funding to ensure the Group has a portfolio of competitively priced borrowing facilities to meet the demands of the business over time and, in order to do so, arranges a mixture of borrowings through different sources with a variety of maturity dates.

The Group's businesses provide a high and consistent level of cash generation, which helps fund future development and growth, while the Group seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

From time to time the Group purchases its own shares on the market. The timing and amount of these purchases depends on the prevailing market conditions, the price of the Company's ordinary shares and the level of the Group's net debt. Any shares purchased are either cancelled or held as treasury shares. This is consistent with the Board's strategic priority of growing the Group both organically and by acquisition and its objective of operating with an appropriate balance sheet structure.

There were no changes to the Group's approach to capital management during the year and the Group is not subject to any externally imposed capital requirements.

#### Treasury policies and controls

The Group has a centralised treasury department to control external borrowings and manage liquidity, interest rate and foreign currency risks. Treasury policies 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. There have been no changes to the treasury policies and controls during the year. 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.

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

The Group tests effectiveness on a prospective and retrospective basis to ensure compliance with IAS 39. Methods for testing effectiveness include dollar offset, critical terms and regression analysis.

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### 13 Risk management and financial instruments continued

#### 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. The bank facilities have tenures ranging from one to seven years and mature between 2008 and 2013. At 31 December 2007 the available bank facilities totalled £655.0m of which £439.3m was drawn down. In addition the Group maintains overdraft and uncommitted facilities to provide short term flexibility. At 31 December 2007 the total US dollar bonds outstanding were \$535m with maturities ranging from 2008 to 2018.

The maturity profile of the Group's financial liabilities at 31 December is set out below. The amounts disclosed below are the contractual undiscounted cash flows and therefore include interest cash flows forecast using LIBOR interest rates at 31 December. Derivative financial instruments of £11.3m (2006: £4.8m) have been included within the tables since they predominantly relate to derivatives which are used to manage the interest cash flows on the Group's debt.

	Book value £m	Total £m	Within one year £m	Contractual cash flows		
				After one year but within two years £m	After two years but within five years £m	After five years £m
<b>2007</b>						
Bank loans	439.3	533.4	39.9	24.7	468.8	-
Derivative financial instruments	(11.3)	(11.2)	(2.5)	(1.5)	(4.4)	(2.8)
US dollar bonds	281.4	349.4	66.1	37.1	71.1	175.1
Overdrafts and other financial liabilities	32.9	32.9	32.9	-	-	-
Finance lease creditors	2.5	2.5	1.0	1.1	0.4	-
Monetary working capital	586.6	586.6	586.6	-	-	-
	<b>1,331.4</b>	<b>1,493.6</b>	<b>724.0</b>	<b>61.4</b>	<b>535.9</b>	<b>172.3</b>

	Book value £m	Total £m	Within one year £m	Contractual cash flows		
				After one year but within two years £m	After two years but within five years £m	After five years £m
<b>2006</b>						
Bank loans	175.5	212.7	9.8	23.6	179.3	-
Derivative financial instruments	(4.8)	(4.1)	(1.3)	(1.3)	(1.2)	(0.3)
US dollar bonds	278.4	371.3	16.3	67.3	101.1	186.6
Overdrafts and other financial liabilities	29.6	29.6	29.6	-	-	-
Finance lease creditors	1.6	1.6	0.6	0.5	0.5	-
Monetary working capital	492.3	492.3	492.3	-	-	-
	<b>972.6</b>	<b>1,103.4</b>	<b>547.3</b>	<b>90.1</b>	<b>279.7</b>	<b>186.3</b>

Bank loans have been drawn under committed facilities and can be refinanced on maturity from these same facilities. Accordingly they have been aged based on the maturity dates of the underlying facilities. At 31 December 2007 and 31 December 2006 there were no loans secured by either fixed or floating charges on the Group's assets.

**13 Risk management and financial instruments continued**

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

	2007 £m	2006 £m
Expiring within one year	15.7	21.0
Expiring after one year but within two years	–	16.2
Expiring after two years	200.0	452.3
	<b>215.7</b>	<b>489.5</b>

**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. Bank loans are drawn for various periods at interest rates linked to LIBOR. Interest rate caps and interest rate collars are in place to reduce the Group's floating rate exposure to movements in LIBOR.

The interest rate swaps have a fair value hedge relationship with the US dollar bonds. All fair value hedges were effective during the year and have therefore had no net impact on the income statement as the changes in the hedged item and the hedging instrument are both taken to the income statement. The intrinsic value of the interest rate collars achieve cash flow hedge accounting. Hedge accounting is not applied to the interest rate caps or to the time value of the interest rate collars. With respect to the hedges of the cash flow risk from a change in interest rates, the recognition of interest on the borrowings and the related collar will affect the income statement at each period end date until the borrowings mature in 2010. For the year ended 31 December 2007 all collar cash flow hedges were effective with a loss of £1.3m (2006: £nil) recognised in equity. This will affect the income statement between 2008 and 2010.

The interest rate swaps had a notional principal of £268.8m outstanding at 31 December 2007 (2006: £247.4m). The floating interest rate is based on US dollar LIBOR repricing every three months.

Financial liabilities with a notional principal of £193.0m were capped at 31 December 2007 (2006: £156.5m). The interest rate is based on US dollar and euro LIBOR repricing every three months. The interest rate collars have been entered into to manage the interest rate risk on US dollar borrowings with a notional principal of £50.3m in 2008 and £150.8m in 2009 and 2010.

**Sensitivity to interest rate risk**

The Group's profit is not sensitive to changes in the fair values of the interest rate swaps and the intrinsic values of the interest rate collars since these achieve hedge accounting. However equity is sensitive to changes in the intrinsic value of the interest rate collars since these are in a cash flow hedge relationship and gains or losses on them are credited or charged to equity. Fair value movements on interest rate caps and the time value of interest rate collars impact both profit and equity since hedge accounting is not applied to them. A change of 1% in the interest rate forward curves at 31 December would have the effect set out below as a result of changes in the fair values of derivatives at that date:

	Impact on profit before tax		Impact on equity	
	+1% £m	–1% £m	+1% £m	–1% £m
2007	1.0	0.2	2.4	(1.8)
2006	1.2	(0.1)	1.2	(0.1)

### 13 Risk management and financial instruments continued

#### 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 equity by borrowing and/or using forward foreign exchange contracts to hedge the translation exposure in those currencies in which the Group has significant net assets. At 31 December 2007 there were no material currency exposures after accounting for the effect of the hedging transactions. Throughout the year ended 31 December 2007 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 of firm commitments for a period of up to one year as soon as they are committed using forward foreign exchange contracts and these are designated as a cash flow hedge. For the year ended 31 December 2007 all foreign exchange cash flow hedges were effective with a £0.2m gain recognised in equity. This will affect the income statement in the year ending 31 December 2008.

A 10% strengthening or weakening of sterling at 31 December would have increased/(decreased) profit before tax and equity for the year by the amounts shown below as a result of translation exposure. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Impact on profit before tax		Impact on equity	
	+10% £m	-10% £m	+10% £m	-10% £m
2007	0.2	(0.3)	(4.0)	4.4
2006	-	-	(2.9)	3.2

#### Fair value of financial assets and liabilities

Fair values in the table below have been calculated by discounting cash flows at the prevailing interest rates:

	Book value	Fair value	Book value	Fair value
	2007 £m	2007 £m	2006 £m	2006 £m
US dollar bonds	281.4	281.4	278.4	278.4
Bank loans	439.3	439.3	175.5	175.5
Overdrafts	20.3	20.3	23.9	23.9
Cash and deposits	(76.0)	(76.0)	(49.0)	(49.0)
Interest rate swaps	(12.5)	(12.5)	(5.4)	(5.4)
Interest rate caps	(0.1)	(0.1)	(0.1)	(0.1)
Interest rate collars	1.5	1.5	-	-
Foreign exchange contracts for cash flow hedging	(0.2)	(0.2)	0.7	0.7
Foreign exchange contracts for net investment hedging	9.5	9.5	2.0	2.0
Finance lease creditors	2.5	2.5	1.6	1.6
Cash settled share based payment liability	6.0	6.0	-	-
Other	3.1	3.1	3.7	3.7

The table excludes monetary working capital assets of £499.0m (2006: £495.1m) and liabilities of £586.6m (2006: £492.3m) held at amortised cost.

**13 Risk management and financial instruments** continued**Interest rate and 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 2007 £m	Derivative assets 2007 £m	Monetary working capital* 2007 £m	Total 2007 £m	Floating rate 2006 £m	Derivative assets 2006 £m	Monetary working capital* 2006 £m	Total 2006 £m
Sterling	26.7	–	168.3	195.0	13.2	–	163.3	176.5
US dollar	13.9	12.8	124.9	151.6	18.6	5.4	159.3	183.3
Euro	20.6	–	138.9	159.5	10.9	0.1	113.5	124.5
Other	14.8	–	66.9	81.7	6.3	–	59.0	65.3
	<b>76.0</b>	<b>12.8</b>	<b>499.0</b>	<b>587.8</b>	<b>49.0</b>	<b>5.5</b>	<b>495.1</b>	<b>549.6</b>

£11.3m (2006: £5.4m) of the £12.8m derivative assets (2006: £5.5m) is included within non-current assets in the consolidated balance sheet. The derivative assets comprise interest rate swaps of £12.5m (2006: £5.4m), interest rate caps of £0.1m (2006: £0.1m) and cash flow hedge foreign exchange contracts of £0.2m (2006: £nil).

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

Currency	Floating rate 2007 £m	Impact of foreign exchange swaps 2007 £m	Other derivative liabilities 2007 £m	Monetary working capital* 2007 £m	Total 2007 £m	Floating rate 2006 £m	Impact of foreign exchange swaps 2006 £m	Other derivative liabilities 2006 £m	Monetary working capital* 2006 £m	Total 2006 £m
Sterling	299.8	(357.6)	–	237.4	179.6	186.7	(358.1)	–	210.0	38.6
US dollar	444.4	(174.3)	1.5	158.9	430.5	290.9	(13.6)	0.7	141.3	419.3
Euro	1.1	437.7	–	134.9	573.7	2.6	279.5	–	99.6	381.7
Other	1.3	103.7	–	55.4	160.4	2.9	94.2	–	41.4	138.5
	<b>746.6</b>	<b>9.5</b>	<b>1.5</b>	<b>586.6</b>	<b>1,344.2</b>	<b>483.1</b>	<b>2.0</b>	<b>0.7</b>	<b>492.3</b>	<b>978.1</b>

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

**Credit risk**

Credit risk is the risk of loss in relation to a financial asset due to non-payment by the counterparty. The Group's objective is to reduce its exposure to counterparty default by restricting the type of counterparty it deals with and by employing an appropriate policy in relation to the collection of financial assets.

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

The credit risk in relation to 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.

For 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. See Note 11 for the analyses of trade and other receivables and the provision for doubtful debts in respect of trade receivables.

The maximum exposure to credit risk for trade receivables and other financial assets is represented by their carrying amount.

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

## 14 Provisions

	2007 £m	2006 £m
Current	9.2	6.9
Non-current	50.6	44.6
	<b>59.8</b>	<b>51.5</b>

Movements	Legal and Properties environmental		Total 2007 £m	Legal and Properties environmental		Total 2006 £m
	2007 £m	2007 £m		2006 £m	2006 £m	
Beginning of year	23.3	28.2	51.5	16.3	27.3	43.6
Charge/transfer	6.0	3.0	9.0	6.4	1.6	8.0
Acquisitions	3.8	4.3	8.1	3.8	5.9	9.7
Utilised	(4.6)	(6.3)	(10.9)	(2.9)	(5.9)	(8.8)
Currency translation	0.2	1.9	2.1	(0.3)	(0.7)	(1.0)
<b>End of year</b>	<b>28.7</b>	<b>31.1</b>	<b>59.8</b>	<b>23.3</b>	<b>28.2</b>	<b>51.5</b>

The properties provision includes vacant properties where amounts are held against liabilities for 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.

## 15 Deferred tax

	2007			2006		
	Asset £m	Liability £m	Net £m	Asset £m	Liability £m	Net £m
Accelerated capital allowances	2.4	(2.5)	(0.1)	1.7	(2.3)	(0.6)
Pension liabilities	4.9	-	4.9	12.1	-	12.1
Intangible assets	-	(112.2)	(112.2)	-	(90.3)	(90.3)
Revalued properties	0.3	(1.4)	(1.1)	-	(2.4)	(2.4)
Share based payments	6.4	-	6.4	5.3	-	5.3
Provisions	18.6	(2.5)	16.1	11.7	-	11.7
Other	4.6	(10.4)	(5.8)	3.2	(7.9)	(4.7)
Deferred tax asset/(liability)	37.2	(129.0)	(91.8)	34.0	(102.9)	(68.9)
Set-off of tax	(36.7)	36.7	-	(29.9)	29.9	-
<b>Net deferred tax asset/(liability)</b>	<b>0.5</b>	<b>(92.3)</b>	<b>(91.8)</b>	<b>4.1</b>	<b>(73.0)</b>	<b>(68.9)</b>

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 subsidiaries 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 asset has been recognised in respect of unutilised tax losses of £8.2m (2006: £nil).

No deferred tax has been recognised in respect of unutilised capital losses of £81.1m (2006: £95.8m) as it is not considered probable that there will be suitable future taxable profits against which they can be set.

**15 Deferred tax continued**

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

	2007 £m	2006 £m
Beginning of year	68.9	57.1
Acquisitions	22.0	11.8
Credit to income statement	(6.3)	(2.3)
Charge to equity	3.5	6.2
Other	(1.1)	0.8
Currency translation	4.8	(4.7)
<b>End of year</b>	<b>91.8</b>	<b>68.9</b>

**16 Share capital and share based payments**

	2007 £m	2006 £m
Authorised: 529 million ordinary shares of 32½p each (2006: 529 million ordinary shares of 32½p each)	170.0	170.0
<b>Issued and fully paid ordinary shares of 32½p each</b>	<b>112.4</b>	<b>112.0</b>
<b>Number of ordinary shares in issue and fully paid</b>		
Beginning of year	348,484,829	346,584,130
Issued on option exercises	1,349,868	1,900,699
<b>End of year</b>	<b>349,834,697</b>	<b>348,484,829</b>

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

**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.

**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 approximately £250 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. Following the deregistration of the Company's American Depositary Receipts ('ADRs') from the Securities and Exchange Commission during 2007, all outstanding options granted under the 1994 Scheme to US resident participants (with the exception of Mr P L Larmon) will be settled in cash (rather than through the delivery of shares) based upon the market value of the Company's ordinary shares at the time the relevant options are exercised. As a result of this change, options granted to US resident participants (with the exception of Mr P L Larmon) are now accounted for as cash settled share based payment transactions. All other terms of options granted previously to US resident participants remain unchanged.

## 16 Share capital and share based payments continued

### 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. Following the deregistration of the Company's ADRs from the Securities and Exchange Commission during 2007, all outstanding options granted and any future options to be granted under Part A of the LTIP to US resident participants (with the exception of Mr P L Larmon) will be settled in cash (rather than through the delivery of shares) based upon the market value of the Company's ordinary shares at the time the relevant options are exercised. As a result of this change, options granted to US resident participants (with the exception of Mr P L Larmon) are now accounted for as cash settled share based payment transactions. All other terms of options granted previously to US resident participants remain unchanged.

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 prior to October 2007 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. The extent to which performance share awards granted after September 2007 will vest will be partly subject to the Company's TSR performance and partly subject to the Company's adjusted earnings per share growth relative to UK inflation over three years.

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

### IFRS 2 Disclosures

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:

	2007	2006
Grant date	1.03.07–19.10.07	6.03.06–4.10.06
Share price at grant date (£)	6.67–7.29	6.56–6.87
Exercise price (£)	nil–6.94	nil–6.83
Options granted during the year (shares)	3,894,271	4,021,596
Vesting period (years)	3–5	3–5
Expected volatility (%)	17–22	17–23
Option life (years)	3–10	3–10
Expected life (years)	3.0–6.2	3.0–5.5
Risk free rate of return (%)	4.5–5.4	4.3–4.9
Expected dividends expressed as a dividend yield (%)	2.3–2.6	2.3–2.5
Fair value per option (£)	0.72–2.08	0.61–2.50

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

The weighted average share price for options exercised by employees of the Company and its subsidiaries during the year was £7.03 (2006: £6.64). The total Group charge for the year relating to share based payments was £4.5m (2006: £3.0m), of which £3.6m related to equity settled plans (2006: £3.0m) and £0.9m related to cash settled plans (2006: Nil). After deferred tax the total Group charge was £5.4m (2006: £5.1m). At 31 December 2007 the Group recognised a liability of £6.0m in relation to cash settled plans (2006: Nil). The intrinsic value at 31 December 2007 in respect of vested options accounted for as cash settled plans was £4.2m (2006: Nil).

**16 Share capital and share based payments continued**

Details of share options and awards which have been granted and exercised, those which have lapsed during 2007 and those outstanding and available to exercise at 31 December 2007, in each case in respect of all options and awards, whether over new issue or market purchase shares or cash settled, under the Sharesave Scheme, International Sharesave Plan, Irish Sharesave Plan, 1994 Scheme and LTIP Part A and Part B are set out in the following table:

	Options outstanding at 1.1.07		Grants/awards 2007		Exercises 2007		Lapses*		Options outstanding at 31.12.07	Options available to exercise at 31.12.07
	Number	Number	Price (p)	Number	Price (p)	Number	Number	Price (p)	Number	
Sharesave Scheme	1,429,535	271,794	529	278,808	296-522	136,633	1,285,888	296-529	15,574	
International Sharesave Plan	125,893	68,848	529	48,198	361	13,318	133,225	512-529	–	
Irish Sharesave Plan	32,828	12,629	529	–	–	2,310	43,147	512-529	–	
1994 Scheme	4,145,633	–	–	1,574,600	229-461	15,000	2,556,033	229-482	2,556,033	
LTIP Part A	7,614,018	2,959,500	659-694	792,513	428.75-652.5	468,600	9,312,405	428.75-694	994,602	
LTIP Part B	1,935,683	581,500	nil	203,280	nil	456,720	1,857,183	nil	–	
	<b>15,283,590</b>	<b>3,894,271</b>		<b>2,897,399</b>		<b>1,092,581</b>	<b>15,187,881</b>		<b>3,566,209</b>	

\*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	1.04	2.86
International Sharesave Plan	1.14	2.25
Irish Sharesave Plan	1.14	2.25
LTIP Part A	0.97	2.67
LTIP Part B	2.04	2.53

The outstanding options and awards are exercisable at various dates up to September 2017.

**17 Dividends**

	Per share		Total	
	2007	2006	2007 £m	2006 £m
2005 final		10.8p		36.5
2006 interim		5.3p		17.6
2006 final	<b>11.7p</b>		<b>38.6</b>	
2007 interim	<b>5.8p</b>		<b>18.6</b>	
<b>Total</b>	<b>17.5p</b>	16.1p	<b>57.2</b>	54.1

The 2007 final dividend of 12.9p per share will be paid on 3 July 2008 to shareholders on the register at the close of business on 9 May 2008.

Total dividends for the year to which they relate are:

	Per share	
	2007	2006
Interim	<b>5.8p</b>	5.3p
Final	<b>12.9p</b>	11.7p
<b>Total</b>	<b>18.7p</b>	17.0p

## 18 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	
<b>At 1 January 2007</b>	<b>112.0</b>	<b>119.8</b>	<b>2.5</b>	<b>8.6</b>	<b>(0.3)</b>	<b>1.4</b>	<b>(105.2)</b>	<b>349.2</b>	<b>488.0</b>
Actuarial gain on pension schemes								10.3	10.3
Deferred tax on actuarial gain								(3.0)	(3.0)
Currency translation differences						8.1			8.1
Loss recognised in cash flow hedge reserve					(1.1)				(1.1)
Movement from cash flow hedge reserve to income statement					0.3				0.3
Net profit for the year								130.1	130.1
Total recognised income and expense for the year					(0.8)	8.1		137.4	144.7
2006 final dividend								(38.6)	(38.6)
2007 interim dividend								(18.6)	(18.6)
Issue of share capital	0.4	4.8							5.2
Employee trust shares							(2.9)		(2.9)
Share based payments								(1.6)	(1.6)
Purchase of shares into treasury							(100.0)		(100.0)
<b>At 31 December 2007</b>	<b>112.4</b>	<b>124.6</b>	<b>2.5</b>	<b>8.6</b>	<b>(1.1)</b>	<b>9.5</b>	<b>(208.1)</b>	<b>427.8</b>	<b>476.2</b>
	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
<b>At 1 January 2006</b>	<b>111.4</b>	<b>112.8</b>	<b>2.5</b>	<b>8.6</b>	<b>0.3</b>	<b>8.5</b>	<b>(40.6)</b>	<b>256.9</b>	<b>460.4</b>
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)
<b>At 31 December 2006</b>	<b>112.0</b>	<b>119.8</b>	<b>2.5</b>	<b>8.6</b>	<b>(0.3)</b>	<b>1.4</b>	<b>(105.2)</b>	<b>349.2</b>	<b>488.0</b>

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 are set out in Note 16 and the Directors' Remuneration Report. The assets, liabilities and expenditure of the trust have been incorporated in the consolidated financial statements. Finance costs and administration charges are included in the income statement on an accruals basis. At 31 December 2007 the trust held 7,409,685 (2006: 8,119,432) shares, upon which dividends have been waived, with an aggregate nominal value of £2.4m (2006: £2.6m) and market value of £52.6m (2006: £51.0m). During 2007, 14,212,090 ordinary shares with a nominal value of £4.6m were purchased into treasury at a cost of £100.0m. This represents 4.2% of the number of ordinary shares in issue (excluding treasury shares) at the beginning of 2007. At 31 December 2007, 23,325,000 shares with an aggregate nominal value of £7.5m, at a cost of £163.1m and market value of £165.5m, were held in treasury.

**19 Contingent liabilities**

	2007 £m	2006 £m
Bank guarantees	0.2	0.4
Other items	–	0.5
	<b>0.2</b>	<b>0.9</b>

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.

**20 Directors' ordinary share interests**

	31.12.07	1.1.07*
The interests of the directors in the share capital of the Company were:		
A J Habgood	116,769	110,125
M J Roney	13,888	13,888
J F Harris	5,144	5,144
C A Banks	7,500	7,500
U Wolters	5,000	5,000
P L Larmon	40,856	22,363
B M May	19,660	10,570
P W Johnson	3,049	3,000
D J R Sleath	4,000	–
	<b>215,866</b>	<b>177,590</b>

\*Or date of appointment (if later).

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 2007 Mr P L Larmon, Mr B M May and Mr P W Johnson have acquired interests in 286, 140 and 25 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 4 January 2008 and Mr P L Larmon has acquired an interest in 331 ordinary shares 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 2007 and 25 February 2008.

**21 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. The valuation of the UK defined benefit schemes has been updated to 31 December 2007 by the Group's actuaries. 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 Group are as follows:

	2007 £m	2006 £m
<b>Amounts included in net operating expenses</b>		
Defined contribution schemes	6.3	6.2
Defined benefit schemes		
current service cost	5.0	5.2
past service cost/(credit)	0.1	(3.3)
Total operating charge	11.4	8.1
<b>Amounts included in finance (income)/cost</b>		
Expected return on scheme assets	(14.2)	(11.6)
Interest charge on scheme liabilities	12.6	12.0
Net financial (return)/charge	(1.6)	0.4
<b>Total charge</b>	<b>9.8</b>	<b>8.5</b>

**21 Pensions continued**

Amounts recognised in the statement of recognised income and expense	2007 £m	2006 £m
Actual return less expected return on scheme assets	(0.6)	7.3
Experience gain on scheme liabilities	0.4	7.5
Impact of changes in assumptions relating to the present value of scheme liabilities	10.5	2.6
<b>Actuarial gain recognised in the statement of recognised income and expense</b>	<b>10.3</b>	<b>17.4</b>

The cumulative amount of actuarial losses arising since 1 January 2004 recognised in the statement of recognised income and expense at 31 December 2007 was £12.9m (2006: £23.2m).

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

Europe	2007	2006
Longevity at age 65 for current pensioners (years)	21.0	20.1
Longevity at age 65 for future pensioners (years)	22.2	21.3
<b>US</b>		
Longevity at age 65 for current and future pensioners (years)	19.3	18.9

	Europe			US		
	2007	2006	2005	2007	2006	2005
Rate of increase in salaries	4.15%	4.0%	3.75%	4.0%	4.0%	4.0%
Rate of increase in pensions	3.15%	3.0%	2.75%	-	-	-
Discount rate	5.75%	5.2%	4.8%	6.0%	6.0%	5.75%
Inflation rate	3.15%	3.0%	2.75%	3.0%	3.0%	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		US		Total
	Long term* rate of return	Value £m	Long term rate of return	Value £m	Value £m
Equities	8.0%	122.0	9.75%	29.0	151.0
Bonds	5.0%	60.4	6.0%	17.7	78.1
Other	4.4%	0.7	4.5%	0.1	0.8
Blended rate of return on scheme assets	7.0%		8.7%		
Total market value of scheme assets		183.1		46.8	229.9
Present value of funded obligations		(179.0)		(54.4)	(233.4)
Present value of unfunded obligations		(3.2)		(6.8)	(10.0)
Present value of funded and unfunded obligations		(182.2)		(61.2)	(243.4)
Unrecognised past service cost		-		0.3	0.3
Surplus/(deficit)		0.9		(14.1)	(13.2)
Deferred tax		-		4.9	4.9
Net surplus/(deficit)		0.9		(9.2)	(8.3)
Actual return less expected return on scheme assets		1.0		(1.6)	(0.6)
Experience adjustments arising on scheme liabilities		0.2		0.2	0.4

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

## 21 Pensions continued

	Europe 2006		US 2006		Total 2006
	Long term* rate of return	Value £m	Long term rate of return	Value £m	Value £m
Equities	7.1%	105.1	9.7%	28.3	133.4
Bonds	4.8%	51.1	5.7%	15.6	66.7
Other	4.3%	0.2	4.5%	0.1	0.3
Blended rate of return on scheme assets	6.4%		8.5%		
Total market value of scheme assets		156.4		44.0	200.4
Present value of funded obligations		(176.2)		(51.3)	(227.5)
Present value of unfunded obligations		(3.2)		(7.2)	(10.4)
Present value of funded and unfunded obligations		(179.4)		(58.5)	(237.9)
Deficit		(23.0)		(14.5)	(37.5)
Deferred tax		7.0		5.1	12.1
Net deficit		(16.0)		(9.4)	(25.4)
Actual return less expected return on scheme assets		5.2		2.1	7.3
Experience adjustments arising on scheme liabilities		7.4		0.1	7.5

	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 of scheme assets		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)
Actual return less expected return on scheme assets		16.9		(1.1)	15.8
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 of scheme assets		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)
Actual return less expected return on scheme assets		6.8		1.0	7.8
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.

**21 Pensions continued**

	2007 £m	2006 £m
<b>Movement in deficit during the year</b>		
Beginning of year	(37.5)	(60.0)
Current service cost	(5.0)	(5.2)
Past service credit	-	3.3
Contributions	17.3	13.1
Net financial return/(charge)	1.6	(0.4)
Actuarial gain	10.3	17.4
Pension schemes acquired	(0.5)	-
Transfer	0.3	(8.0)
Currency translation	-	2.3
	(13.5)	(37.5)
Unrecognised past service cost	0.3	-
<b>End of year</b>	<b>(13.2)</b>	<b>(37.5)</b>
<b>Changes in the present value of defined benefit obligations</b>		
	£m	£m
Beginning of year	237.9	239.0
Current service cost	5.0	5.2
Past service credit	-	(3.3)
Interest charge on scheme liabilities	12.6	12.0
Contributions by employees	1.1	1.1
Actuarial gain	(10.9)	(10.1)
Benefits paid	(7.6)	(6.1)
Pension schemes acquired	5.5	-
Transfer	-	8.0
Currency translation	(0.2)	(7.9)
<b>End of year</b>	<b>243.4</b>	<b>237.9</b>
<b>Changes in the fair value of scheme assets</b>		
	£m	£m
Beginning of year	200.4	179.0
Expected return on scheme assets	14.2	11.6
Actuarial (loss)/gain	(0.6)	7.3
Contributions by employer	17.3	13.1
Contributions by employees	1.1	1.1
Benefits paid	(7.6)	(6.1)
Pension schemes acquired	5.0	-
Transfer	0.3	-
Currency translation	(0.2)	(5.6)
<b>End of year</b>	<b>229.9</b>	<b>200.4</b>

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 £13.6m (2006: £18.9m).

The Group expects to pay £8.3m in contributions to the defined benefit pension schemes in 2008.

**22 Directors and employees**

	2007	2006
Average number of persons employed by the Group during the year:		
North America	3,538	3,458
UK & Ireland	5,762	4,214
Continental Europe	2,974	2,838
Rest of the World	507	471
	<b>12,781</b>	<b>10,981</b>
Corporate	54	53
	<b>12,835</b>	<b>11,034</b>

	2007 £m	2006 £m
<b>Employee costs</b>		
Wages and salaries	306.6	282.4
Social security costs	34.8	32.0
Share based payments	4.8	3.0
Pension costs	11.4	8.1
	<b>357.6</b>	<b>325.5</b>

	2007 £m	2006 £m
<b>Key management remuneration</b>		
Salaries and short term employee benefits	4.5	4.5
Share based payments	1.2	1.1
Post-employment benefits	0.8	0.6
	<b>6.5</b>	<b>6.2</b>

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 of the Company. The amounts disclosed are calculated on the same bases as those used to determine the relevant amounts disclosed in the Directors' Remuneration Report.

	2007 £m	2006 £m
<b>Directors' emoluments</b>		
Non-executive directors	0.7	0.6
Executive directors:		
remuneration excluding performance related elements	1.9	2.2
annual cash bonus	0.6	0.5
	<b>3.2</b>	<b>3.3</b>

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 £0.9m (2006: £3.1m). The aggregate market value of performance share awards exercised by directors under long term incentive schemes during the year was £0.7m (2006: £nil).

### 23 Lease commitments

#### Operating leases

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

	Land & buildings 2007 £m	Other 2007 £m	Land & buildings 2006 £m	Other 2006 £m
Within one year	48.8	14.3	47.8	13.1
Between one and five years	116.4	16.9	100.2	16.5
After five years	26.2	0.4	30.3	0.5
	<b>191.4</b>	<b>31.6</b>	178.3	30.1
Total of future minimum sublease income under non-cancellable subleases	<b>(8.6)</b>	–	(7.8)	–

#### Finance leases

The Group leases certain property, plant and equipment under non-cancellable finance lease agreements. These leases have varying terms and renewal rights.

	Minimum lease payments 2007 £m	Future interest charges 2007 £m	Present value 2007 £m	Minimum lease payments 2006 £m	Future interest charges 2006 £m	Present value 2006 £m
At 31 December finance lease liabilities were:						
within one year	0.9	0.1	0.8	0.7	0.1	0.6
between one and five years	1.1	0.1	1.0	0.9	0.1	0.8
	<b>2.0</b>	<b>0.2</b>	<b>1.8</b>	1.6	0.2	1.4

### 24 Cash and cash equivalents and net debt

	2007 £m	2006 £m
Cash at bank and in hand	69.0	45.2
Short term deposits repayable in less than three months	7.0	3.8
Cash and deposits	76.0	49.0
Bank overdrafts	(20.3)	(23.9)
<b>Cash and cash equivalents</b>	<b>55.7</b>	<b>25.1</b>
<b>Interest bearing loans and borrowings</b>		
Current liabilities	(79.4)	(4.3)
Non-current liabilities	(656.4)	(456.9)
Derivative assets – fair value of interest rate swaps hedging fixed interest rate borrowings	12.5	5.4
<b>Net debt</b>	<b>(667.6)</b>	<b>(430.7)</b>

## 25 Acquisitions

### 2007 acquisitions

The principal acquisitions made during the year ended 31 December 2007 were Tec Products, Westgate, Iberlim, Coffee Point, King Benelux, Irish Merchants, Care Shop and Rafferty.

Tec Products, a business principally engaged in the supply of jan/san and associated products through redistributors, was acquired on 19 January. Westgate, a supplier of personal protection equipment through redistributors in the eastern US and Canada, was acquired on 25 January. Iberlim, a distributor of cleaning and hygiene products to a variety of customers in Spain, was acquired on 28 February. Coffee Point, which is engaged in the sale and operation of vending machines and associated services for a broad customer base in the UK, was acquired on 16 August. King Benelux, a business principally engaged in the distribution of products to the healthcare and contract cleaning sectors in the Netherlands and the foodservice, retail and healthcare sectors in Belgium, was acquired on 29 August. Irish Merchants, a distributor of foodservice disposables, janitorial supplies and beverage systems to the horeca, healthcare and retail sectors throughout Ireland, was acquired on 19 October. Care Shop, a leading national supplier of consumables to the independent care and nursing homes market in the UK, was acquired on 13 December. Rafferty, a distributor of guest amenity products to hotels throughout Ireland, was acquired on 14 December.

During the period between 31 December 2007 and 25 February 2008, two further acquisitions have taken place. Günter Guest Supplies, a business based in Germany supplying guest amenity products to hotels throughout Europe, was acquired on 31 January 2008. Revenue for the year ended 31 December 2007 was €9m. Prot Cap, a leading national supplier of personal protection equipment in Brazil, was acquired on 18 February 2008. Revenue for the year ended 31 December 2007 was R\$118m. Acquisition accounting for Günter Guest Supplies and Prot Cap was not finalised prior to approval of these consolidated financial statements due to the short timeframe involved.

Acquisitions have been accounted for under the purchase method of accounting. All 2007 acquisitions, together with the 2008 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. 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 2007 remained open for all acquisitions except Tec Products and Westgate 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 come to light that more accurately reflect conditions at the acquisition date. To date the adjustments made have impacted assets acquired to reflect more accurately the estimated realisable or settlement value. Similarly adjustments have been made to acquired liabilities to record onerous commitments or other commitments existing at the acquisition date but not recognised by the acquiree. Adjustments have also been made to reflect the associated tax effects. The net impact on acquired net assets reported in 2006 from these adjustments was £0.8m. The balance sheet at 31 December 2006 has not been restated for these adjustments as they are not considered material.

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.

## 25 Acquisitions continued

	Book value at acquisition £m	Provisional fair value adjustments		Fair value of assets acquired £m
		Revaluation £m	Consistency of accounting policy £m	
<b>2007</b>				
A summary of the effect of acquisitions is detailed below:				
Intangible assets		110.4		110.4
Property, plant and equipment	13.4	(1.5)	0.2	12.1
Inventories	21.0	(3.2)	(2.8)	15.0
Trade and other receivables	40.0	(2.0)	(0.6)	37.4
Trade and other payables	(34.6)	(0.6)	(0.6)	(35.8)
Net bank overdrafts	(28.9)			(28.9)
Pension liabilities	(0.5)			(0.5)
Provisions for liabilities and charges		(6.2)	(1.9)	(8.1)
Deferred tax	(0.8)	(22.5)	1.3	(22.0)
Tax	(0.9)			(0.9)
	8.7	74.4	(4.4)	78.7
Goodwill				89.6
Consideration				168.3
Satisfied by:				
cash consideration				162.8
deferred consideration				4.7
loan notes issued				0.8
				168.3
The net cash outflow in the year in respect of acquisitions comprised:				
Cash consideration				162.8
Net bank overdrafts acquired				28.9
<b>Net cash outflow in respect of acquisitions</b>				<b>191.7</b>

Acquisitions made during 2007 contributed £77.4m to the Group's revenue, £6.3m to the Group's operating profit before intangible amortisation and £3.9m 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:

	2007 £m
Revenue	225.1
Operating profit before intangible amortisation	18.7
Operating profit after intangible amortisation	11.7

**25 Acquisitions** continued**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.

	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 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 22 and Note 21 respectively. All transactions with subsidiaries are eliminated on consolidation.

## 27 Principal subsidiary undertakings

	Country of incorporation
Bunzl Australasia 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 2007 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 2007

	Notes	2007 £m	2006 £m
<b>Fixed assets</b>			
Tangible fixed assets	3	0.9	1.0
Investments	4	569.1	435.1
		<b>570.0</b>	436.1
<b>Current assets</b>			
Debtors	5	306.8	108.2
Cash at bank and in hand		0.2	0.1
		<b>307.0</b>	108.3
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	6	(123.6)	(164.9)
<b>Net current assets/(liabilities)</b>		<b>183.4</b>	(56.6)
<b>Total assets less current liabilities</b>		<b>753.4</b>	379.5
Provisions	7	(9.5)	(6.3)
<b>Net assets</b>		<b>743.9</b>	373.2
<b>Capital and reserves</b>			
Called up share capital	8	112.4	112.0
Share premium account	10	124.6	119.8
Other reserves	10	2.5	2.5
Capital redemption reserve	10	8.6	8.6
Profit and loss account	10	495.8	130.3
<b>Shareholders' funds</b>		<b>743.9</b>	373.2

Approved by the Board of Directors of Bunzl plc on 25 February 2008 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 43 to 49 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. During the year ended 31 December 2007 Urgent Issues Task Force ('UITF') 41 'Scope of FRS 20' and UITF 44 'Group and Treasury Share Transactions' were issued. The application of these new interpretations has had no impact on the financial statements.

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 Financial Reporting Standard ('FRS') 29 (IFRS 7) 'Financial Instruments: Disclosures' 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 shares) is deducted from shareholders' funds.

### c Share based payments

The Company operates equity settled and cash settled share based compensation plans. For equity settled plans the total expected expense is based on the fair value of options and other share based incentives on the grant date, calculated using a valuation model, and is spread over the expected vesting period with a corresponding credit to equity. For cash settled plans the total expected expense is based on the fair value of options, determined at the appropriate balance sheet reporting date, and is remeasured at each balance sheet date thereafter with a corresponding credit recognised as a liability. The amounts recognised as expenses are adjusted to reflect the actual number of options and other share based incentives that are expected to vest. Details of these plans are outlined in Note 8. Where the Company grants options over its own shares to the employees of its subsidiaries these are recharged in full to the relevant subsidiaries. These costs are determined in accordance with FRS 20 'Share-based Payment'.

### 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 tangible fixed assets are included at historical cost, less accumulated depreciation. The profit or loss on sale of tangible fixed assets is calculated by reference to the carrying values of the assets. The carrying values of tangible fixed assets are periodically reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

### e Depreciation

Depreciation is provided on a straight line basis to write off cost over the assets' 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

The Company participates in a Group UK defined benefit scheme providing benefits based on final pensionable pay. As the Company is unable to identify its share of scheme assets and liabilities on a consistent and reasonable basis, the Company treats contributions to defined benefit schemes as if they were contributions to a defined contribution scheme in accordance with the exemptions permitted by FRS 17 'Retirement Benefits'. As a result the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the relevant accounting period.

**2 Accounting policies continued****i Financial guarantee contracts**

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

**j Dividends**

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the Notes to the financial statements (see Note 9).

**3 Tangible fixed assets**

	Land £m	Freehold buildings £m	Short leasehold £m	Fixtures, fittings and equipment £m	Total £m
<b>Cost</b>					
Beginning and end of year	0.6	0.2	0.4	1.5	2.7
<b>Depreciation</b>					
Beginning of year		–	0.3	1.4	1.7
Charge in year		–	–	0.1	0.1
End of year		–	0.3	1.5	1.8
<b>Net book value at 31 December 2007</b>	<b>0.6</b>	<b>0.2</b>	<b>0.1</b>	<b>–</b>	<b>0.9</b>
Net book value at 31 December 2006	0.6	0.2	0.1	0.1	1.0

**4 Investments held as fixed assets**

	Investments in subsidiary undertakings £m
<b>Cost</b>	
Beginning of year	480.7
Additions	134.0
<b>End of year</b>	<b>614.7</b>
<b>Impairment provisions</b>	
Beginning and end of year	<b>45.6</b>
<b>Net book value at 31 December 2007</b>	<b>569.1</b>
Net book value at 31 December 2006	435.1

The principal companies in which the Company's interest at 31 December 2007 is more than 20% are as follows:

	Country of incorporation
Bunzl Australasia 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**

	2007 £m	2006 £m
Amounts owed by subsidiary undertakings	287.2	94.6
Prepayments and other debtors	10.9	11.3
Corporation tax	5.9	2.3
Deferred tax	2.8	–
	<b>306.8</b>	<b>108.2</b>

**6 Creditors: amounts falling due within one year**

	2007 £m	2006 £m
Loans and overdrafts	1.1	0.1
Trade creditors	1.7	1.4
Amounts owed to subsidiary undertakings	98.7	138.1
Dividends	18.6	17.6
Accruals and deferred income	3.5	7.7
	<b>123.6</b>	<b>164.9</b>

**7 Provisions**

	2007 £m	2006 £m
<b>Movements</b>		
Beginning of year	6.3	3.5
Charge	4.3	3.3
Utilised	(1.1)	(0.5)
<b>End of year</b>	<b>9.5</b>	<b>6.3</b>

The provisions relate to properties and include vacant properties where amounts are held against liabilities for 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 and share based payments**

	2007 £m	2006 £m
Authorised: 529 million ordinary shares of 32½p each (2006: 529 million ordinary shares of 32½p each)	170.0	170.0
<b>Issued and fully paid ordinary shares of 32½p each</b>	<b>112.4</b>	<b>112.0</b>

**Number of ordinary shares in issue and fully paid**

Beginning of year	348,484,829	346,584,130
Issued on option exercises	1,349,868	1,900,699
<b>End of year</b>	<b>349,834,697</b>	<b>348,484,829</b>

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

**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.

**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 approximately £250 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.

## 8 Share capital and share based payments continued

### 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. Following the deregistration of the Company's American Depositary Receipts ('ADRs') from the Securities and Exchange Commission during 2007, all outstanding options granted under the 1994 Scheme to US resident participants (with the exception of Mr P L Larmon) will be settled in cash (rather than through the delivery of shares) based upon the market value of the Company's ordinary shares at the time the relevant options are exercised. As a result of this change, options granted to US resident participants (with the exception of Mr P L Larmon) are now accounted for as cash settled share based payment transactions. All other terms of options granted previously to US resident participants remain unchanged.

### 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. Following the deregistration of the Company's ADRs from the Securities and Exchange Commission during 2007, all outstanding options granted and any future options to be granted under Part A of the LTIP to US resident participants (with the exception of Mr P L Larmon) will be settled in cash (rather than through the delivery of shares) based upon the market value of the Company's ordinary shares at the time the relevant options are exercised. As a result of this change, options granted to US resident participants (with the exception of Mr P L Larmon) are now accounted for as cash settled share based payment transactions. All other terms of options granted previously to US resident participants remain unchanged.

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 prior to October 2007 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. The extent to which performance share awards granted after September 2007 will vest will be partly subject to the Company's TSR performance and partly subject to the Company's adjusted earnings per share growth relative to UK inflation over three years.

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

### FRS 20 Disclosures

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:

	2007	2006
Grant date	1.03.07–19.10.07	6.03.06–4.10.06
Share price at grant date (£)	6.67–7.29	6.56–6.87
Exercise price (£)	nil–6.94	nil–6.83
Options granted during the year (shares)	3,894,271	4,021,596
Vesting period (years)	3–5	3–5
Expected volatility (%)	17–22	17–23
Option life (years)	3–10	3–10
Expected life (years)	3.0–6.2	3.0–5.5
Risk free rate of return (%)	4.5–5.4	4.3–4.9
Expected dividends expressed as a dividend yield (%)	2.3–2.6	2.3–2.5
Fair value per option (£)	0.72–2.08	0.61–2.50

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

The weighted average share price for options exercised by employees of the Company and its subsidiaries during the year was £7.03 (2006: £6.64). The total Group charge for the year relating to share based payments was £4.5m (2006: £3.0m), of which £3.6m related to equity settled plans (2006: £3.0m) and £0.9m related to cash settled plans (2006: £nil). Where the Company grants options over its own shares to the employees of subsidiaries these are recharged in full. The total charge for the year relating to the Company is £1.6m (2006: £0.8m).

### 8 Share capital and share based payments continued

Details of share options and awards which have been granted and exercised, those which have lapsed during 2007 and those outstanding and available to exercise at 31 December 2007, in each case in respect of all options and awards, whether over new issue or market purchase shares or cash settled, under the Sharesave Scheme, International Sharesave Plan, Irish Sharesave Plan, 1994 Scheme and LTIP Part A and Part B are set out in the following table:

	Options outstanding at 1.1.07		Grants/awards 2007		Exercises 2007		Lapses*		Options outstanding at 31.12.07		Options available to exercise at 31.12.07
	Number	Number	Price (p)	Number	Price (p)	Number	Number	Price (p)	Number	Number	
Sharesave Scheme	1,429,535	271,794	529	278,808	296-522	136,633	1,285,888	296-529	15,574		
International Sharesave Plan	125,893	68,848	529	48,198	361	13,318	133,225	512-529	–		
Irish Sharesave Plan	32,828	12,629	529	–	–	2,310	43,147	512-529	–		
1994 Scheme	4,145,633	–		1,574,600	229-461	15,000	2,556,033	229-482	2,556,033		
LTIP Part A	7,614,018	2,959,500	659-694	792,513	428.75-652.5	468,600	9,312,405	428.75-694	994,602		
LTIP Part B	1,935,683	581,500	nil	203,280	nil	456,720	1,857,183	nil	–		
	<b>15,283,590</b>	<b>3,894,271</b>		<b>2,897,399</b>		<b>1,092,581</b>	<b>15,187,881</b>		<b>3,566,209</b>		

\*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	1.04	2.86
International Sharesave Plan	1.14	2.25
Irish Sharesave Plan	1.14	2.25
LTIP Part A	0.97	2.67
LTIP Part B	2.04	2.53

The outstanding options and awards are exercisable at various dates up to September 2017.

### 9 Dividends

	Per share		Total	
	2007	2006	2007 £m	2006 £m
2005 final		10.8p		36.5
2006 interim		5.3p		17.6
2006 final	<b>11.7p</b>		<b>38.6</b>	
2007 interim	<b>5.8p</b>		<b>18.6</b>	
<b>Total</b>	<b>17.5p</b>	16.1p	<b>57.2</b>	54.1

The 2007 final dividend of 12.9p per share will be paid on 3 July 2008 to shareholders on the register at the close of business on 9 May 2008.

Total dividends for the year to which they relate are:

	Per share	
	2007	2006
Interim	<b>5.8p</b>	5.3p
Final	<b>12.9p</b>	11.7p
<b>Total</b>	<b>18.7p</b>	17.0p

**10 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 2007	119.8	2.5	8.6	(104.3)	234.6
Issue of share capital	4.8				
Purchase of shares into treasury				(100.0)	
Employee trust shares				(3.8)	
Share based payments					1.6
Profit for the year					524.9
2006 final dividend					(38.6)
2007 interim dividend					(18.6)
<b>At 31 December 2007</b>	<b>124.6</b>	<b>2.5</b>	<b>8.6</b>	<b>(208.1)</b>	<b>703.9</b>

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the Company has not been separately presented in these financial statements. The profit attributable to shareholders included in the accounts of the Company is £524.9m (2006: loss of £10.0m).

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 are set out in Note 8 and the Directors' Remuneration Report. The assets, liabilities and expenditure of the trust have been incorporated in the consolidated financial statements. At 31 December 2007 the trust held 7,409,685 (2006: 8,119,432) shares, upon which dividends have been waived, with an aggregate nominal value of £2.4m (2006: £2.6m) and market value of £52.6m (2006: £51.0m). During 2007, 14,212,090 ordinary shares with a nominal value of £4.6m were purchased into treasury at a cost of £100.0m. This represents 4.2% of the number of ordinary shares in issue (excluding treasury shares) at the beginning of 2007. At 31 December 2007, 23,325,000 shares with an aggregate nominal value of £7.5m, at a cost of £163.1m and market value of £165.5m, were held in treasury.

**11 Reconciliation of movement in shareholders' funds**

	2007 £m	2006 £m
Profit/(loss) for the year	524.9	(10.0)
Dividends	(57.2)	(54.1)
	467.7	(64.1)
Issue of share capital	5.2	7.6
Purchase of shares into treasury	(100.0)	(63.1)
Employee trust shares	(3.8)	(1.0)
Share based payments	1.6	0.8
<b>Net increase/(reduction) in shareholders' funds</b>	<b>370.7</b>	<b>(119.8)</b>
Opening shareholders' funds	373.2	493.0
<b>Closing shareholders' funds</b>	<b>743.9</b>	<b>373.2</b>

The Company had no recognised gains or losses in the year ended 31 December 2007 or the year ended 31 December 2006 other than its profit/(loss) for the relevant year.

**12 Contingent liabilities**

Borrowings by subsidiary undertakings totalling £708.1m (2006: £448.5m) 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.

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### 13 Directors' remuneration

The remuneration of the directors of the Company is disclosed in Note 22 to the consolidated financial statements and the Directors' Remuneration Report.

### 14 Employee numbers and costs

The average number of persons employed by the Company (including directors) during the year was 44 (2006: 44).

The aggregate employee costs relating to these persons were:

	2007 £m	2006 £m
Wages and salaries	6.6	6.5
Social security costs	0.7	0.7
Share based payments	1.9	0.8
Pension costs	0.5	0.6
	<b>9.7</b>	<b>8.6</b>

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## 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 both the Group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU;

- for the parent company financial statements, state whether applicable UK GAAP has been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The directors are responsible for keeping 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.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BUNZL PLC

We have audited the Group and parent company financial statements (the 'financial statements') of Bunzl plc for the year ended 31 December 2007 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 (IFRS) 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 2006 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 IFRS as adopted by the EU, of the state of the Group's affairs at 31 December 2007 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 2007;
- 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  
25 February 2008

# DIRECTORS' REMUNERATION REPORT

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## 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 16 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 2007 and the details of the directors' interests in the Company's ordinary shares disclosed on pages 52 to 60 have been audited by the Company's independent external auditor.

## Remuneration policy

The Company's current remuneration policy for 2007 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 PricewaterhouseCoopers LLP ('PwC') and New Bridge Street Consultants, who may from time to time also provide other services to the Company on remuneration and benefit related matters that are not the subject of review by the Committee. In addition PwC 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 are 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 PwC. 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 at least 20 non-financial UK based companies that have substantial operations overseas. Half of the companies in each comparator group are the next highest and half are the next lowest compared to Bunzl. The total number of companies included in this survey will depend on the overlap of the companies within each of the three comparator groups but the aim is for the total number of companies to be at least 40. The results from each of the comparator groups are blended by PwC to provide an overall assessed market position as at 1 January of the year of the review. Neither PwC 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.

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### 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 2007 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 2007, 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.

Mr P L Larmon's bonus plan for 2007 was partly based on the profit of 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 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 2007	Shares awarded during 2007	Shares transferred during 2007	Shares held at 31 December 2007
A J Habgood	198,348	–	(57,994)	140,354
M J Roney	8,637	37,250	–	45,887
P L Larmon	55,202	23,504	(7,571)	71,135
B M May	32,677	20,542	(10,201)	43,018

### Notes

- All awards of shares are made in respect of bonus performance in the previous year. The awards made during the year were made on 1 March 2007 at a value of 659p per share.
- The market values of the shares at the date of transfer in 2007, in each case which related to awards made in 2004, were as follows: Mr A J Habgood £387,203, Mr P L Larmon £50,549 and Mr B M May £68,108.

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 shareholdings 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. Options were granted and performance shares awarded under the LTIP to the executive directors in 2007 in respect of market purchased shares some of which are held through the Trust. 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.

The LTIP is divided into two parts. Part A allows the Committee 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) relative to UK inflation (RPI) 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 prior to 2006 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.

Following the deregistration of the Company's American Depositary Receipts from the Securities and Exchange Commission during 2007, all outstanding options granted under the 1994 Scheme and Part A of the LTIP and any future options to be granted under Part A of the LTIP to US resident participants (with the exception of Mr P L Larmon) will be settled in cash (rather than through the delivery of shares) based upon the market value of the Company's ordinary shares at the time the relevant options are exercised.

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 has not received any grants of executive share options since 2005 and is not eligible to receive any further grants.

	Grant date	Exercise price (p)	Options exercisable between	Options at 31 December 2007	Options at 1 January 2007
A J Habgood	03.03.04	451.5	03.03.07 – 02.03.14	–	305,000
	01.03.05	500.25	01.03.08 – 28.02.15	<b>152,500</b>	152,500
	09.09.05	568	09.09.08 – 08.09.15	<b>143,029</b>	143,029
M J Roney	01.11.05	565	01.11.08 – 31.10.15	<b>180,530</b>	180,530
	06.03.06	648.5	06.03.09 – 05.03.16	<b>78,643</b>	78,643
	01.09.06	652.5	01.09.09 – 31.08.16	<b>78,500</b>	78,500
	01.03.07	659	01.03.10 – 28.02.17	<b>83,000</b>	–
P L Larmon	31.08.07	684.5	31.08.10 – 30.08.17	<b>79,500</b>	–
	30.08.00	384	30.08.03 – 29.08.10	–	20,000
	27.02.01	455.5	27.02.04 – 26.02.11	–	20,000
	29.08.01	450	29.08.04 – 28.08.11	<b>20,000</b>	20,000
	28.02.02	482	28.02.05 – 27.02.12	<b>20,000</b>	20,000
	29.08.02	461	29.08.05 – 28.08.12	<b>20,000</b>	20,000
	27.08.03	446.25	27.08.06 – 26.08.13	<b>30,000</b>	30,000
	03.03.04	451.5	03.03.07 – 02.03.14	<b>60,000</b>	60,000
	01.03.05	500.25	01.03.08 – 28.02.15	<b>53,200</b>	53,200
	09.09.05	568	09.09.08 – 08.09.15	<b>48,411</b>	48,411
	06.03.06	648.5	06.03.09 – 05.03.16	<b>38,458</b>	38,458
	01.09.06	652.5	01.09.09 – 31.08.16	<b>43,000</b>	43,000
	01.03.07	659	01.03.10 – 28.02.17	<b>47,000</b>	–
B M May	31.08.07	684.5	31.08.10 – 30.08.17	<b>45,000</b>	–
	30.08.00	384	30.08.03 – 29.08.10	<b>20,000</b>	20,000
	29.08.01	450	29.08.04 – 28.08.11	<b>35,000</b>	35,000
	29.08.02	461	29.08.05 – 28.08.12	<b>40,000</b>	40,000
	25.02.03	372.25	25.02.06 – 24.02.13	<b>20,000</b>	20,000
	27.08.03	446.25	27.08.06 – 26.08.13	<b>20,000</b>	20,000
	03.03.04	451.5	03.03.07 – 02.03.14	<b>20,000</b>	20,000
	01.03.05	500.25	01.03.08 – 28.02.15	<b>10,000</b>	10,000
	09.09.05	568	09.09.08 – 08.09.15	<b>20,000</b>	20,000
	06.03.06	648.5	06.03.09 – 05.03.16	<b>32,382</b>	32,382
	01.09.06	652.5	01.09.09 – 31.08.16	<b>32,500</b>	32,500
	01.03.07	659	01.03.10 – 28.02.17	<b>34,000</b>	–
	31.08.07	684.5	31.08.10 – 30.08.17	<b>33,000</b>	–

#### Notes

a) The following executive share options were exercised during 2007 by:

- (i) Mr A J Habgood on 24 April 2007 in respect of 305,000 ordinary shares at an exercise price of 451.5p (market price 715p); and
- (ii) Mr P L Larmon on 10 April 2007 in respect of 20,000 ordinary shares at an exercise price of 455.5p and 20,000 ordinary shares at an exercise price of 384p (market price 734p).

b) The exercise price of executive share options is the market price prevailing at or immediately prior to the date of grant of the option.

c) The mid-market price of an ordinary share on 31 December 2007 was 709.5p and the range during 2007 was 626.5p to 742p.

d) The performance condition has been satisfied in relation to all outstanding 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 on 25 February 2003 at an exercise price of 372.25p will be settled in cash.

Part B of the LTIP allows the Committee 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 conditions have 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 awards made prior to October 2007 may 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 52. These performance share awards 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	Pro rata between 25% – 100%
Upper quartile	100%

The companies currently within the Peer Group are:

ARM Holdings	IMI	Rentokil Initial
BG Group	Inchcape	Rexam
Burberry	Informa	Rolls-Royce Group
Burren Energy	Intercontinental Hotels	Sage Group
Cairn Energy	Invensys	Signet Group
Carnival	Johnson Matthey	Smith & Nephew
Charter	John Wood Group	Smiths Group
Cobham	Kesa Electricals	Tate & Lyle
Cookson	LogicaCMG	Tomkins
Dimension Data Holdings	Lonmin	United Business Media
FKI	Meggitt	Weir Group
GKN	Pearson	WPP Group
Group 4 Securicor	Petrofac	Yell Group
Hunting	Reed Elsevier	

For awards made after September 2007, the extent to which one half of the awards may vest will be subject to the same performance condition based on the Company's TSR performance. The extent to which the other half of awards made after September 2007 may vest will be subject to a performance condition based on the Company's eps growth (adjusted to exclude items which do not reflect the Company's underlying financial performance) relative to UK inflation (RPI) over three years. This performance condition operates on the following sliding scale:

Total margin over UK inflation after 3 years	Proportion of performance share award exercisable
Below 12%	Nil
12%	25%
Between 12% and 33%	Pro rata between 25% – 100%
Over 33%	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 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 has not received any awards of performance shares since 2005 and is not eligible to receive any further awards.

	Award date	Awards (shares) held at 1 January 2007	Conditional shares awarded during 2007	Awards (shares) vested during 2007	Awards (shares) lapsed during 2007	Awards (shares) held at 31 December 2007
A J Habgood	12.10.04	228,750	–	70,455	158,295	–
	01.03.05	114,375	–	–	–	114,375
	03.10.05	107,272	–	–	–	107,272
M J Roney	01.11.05	120,353	–	–	–	120,353
	04.04.06	49,816	–	–	–	49,816
	04.10.06	50,000	–	–	–	50,000
	02.04.07	–	50,500	–	–	50,500
	19.10.07	–	51,000	–	–	51,000
P L Larmon	12.10.04	60,000	–	18,480	41,520	–
	01.03.05	39,900	–	–	–	39,900
	03.10.05	36,308	–	–	–	36,308
	04.04.06	27,633	–	–	–	27,633
	04.10.06	31,000	–	–	–	31,000
	02.04.07	–	32,500	–	–	32,500
	19.10.07	–	32,500	–	–	32,500
B M May	12.10.04	15,000	–	4,620	10,380	–
	01.03.05	7,500	–	–	–	7,500
	03.10.05	15,000	–	–	–	15,000
	04.04.06	23,076	–	–	–	23,076
	04.10.06	23,000	–	–	–	23,000
	02.04.07	–	23,500	–	–	23,500
	19.10.07	–	24,000	–	–	24,000

#### Notes

- a) Performance share awards were made on 2 April 2007 to Mr M J Roney of 50,500 shares, Mr P L Larmon of 32,500 shares and Mr B M May of 23,500 shares at a value of 719p per share and on 19 October 2007 to Mr M J Roney of 51,000 shares, Mr P L Larmon of 32,500 shares and Mr B M May of 24,000 shares at a value of 711.5p per share.
- b) On 17 October 2007 the Committee determined that the TSR condition attaching to the performance share awards made on 12 October 2004 had been satisfied to the extent that 30.8% of the original award had vested with the remainder of the award lapsing. The closing mid-market price of the Company's ordinary shares as at the date of vesting was 714.5p per share. The following awards were subsequently exercised by:
- (i) Mr A J Habgood on 23 October 2007 in respect of 70,455 ordinary shares at a market price of 718p;
  - (ii) Mr P L Larmon on 17 October 2007 in respect of 18,480 ordinary shares at a market price of 700p; and
  - (iii) Mr B M May on 4 December 2007 in respect of 4,620 ordinary shares at a market price of 684p.
- c) 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.
- d) The performance condition for all awards under Part B of the LTIP provides for the exclusion from the comparator group of those companies that cease to be listed and, as agreed by the Committee during the year for awards vesting from 2007, the exclusion of those companies that have been subject to a recommended takeover offer and are therefore in the process of delisting. Where companies are excluded from the comparator group, the median/upper quartile rankings are recalculated using the reduced number of companies in the comparator group.

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. 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.

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.

	Exercise price (p)	Options exercisable between	Options at 31 December 2007	Options at 1 January 2007
M J Roney	522	01.11.11 – 30.04.12	3,136	3,136
B M May	296	01.05.08 – 31.10.08	1,109	1,109
	358	01.11.08 – 30.04.09	3,541	3,541

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 ordinary shares at a 15% discount to the market price, up to an annual maximum of 10% of remuneration or \$25,000 worth of ordinary shares, whichever is lower. The purchase of the ordinary shares is funded by after tax payroll deductions from the employee with the employing company contributing the 15% discount. Shares held by Mr P L Larmon under this Plan are included in his ordinary share interests set out in Note 20 to the consolidated financial statements.

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.

#### Retirement benefits

As stated in the Accounting Policies section of the consolidated financial statements and elaborated upon in Note 21, 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 Section of the Bunzl Pension Plan ('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 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. Company contributions to the Defined Contribution Section of the Bunzl Pension Plan match employee contributions but are limited to a maximum of 5% of base salary up to the pensionable salary cap. The Company also provides 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. In 2007, the SERA arrangement was closed to new entrants and a new defined contribution SERA ('DC SERA') was put in place.

#### 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. 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

With the specific approval of the Board in each case, executive directors may accept external appointments as non-executive directors of other companies and retain any related fees paid to them. Mr M J Roney served as a non-executive director of Johnson Matthey Plc from June 2007 and retained fees of £26,250. Neither of the other 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.

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. The Chairman's fee is reviewed annually and the non-executive directors' fees are reviewed biennially, 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 2007 £000	Annual cash bonus 2007 £000	Pension allowance 2007 £000	Benefits 2007 £000	Total 2007 £000	Total 2006 £000
<b>Chairman</b>						
A J Habgood	375.0	–	–	20.4	395.4	365.6
<b>Executive</b>						
M J Roney	725.0	278.0	213.3	28.9	1,245.2	1,421.7
P L Larmon	430.0	126.8	–	32.0	588.8	647.7
B M May	400.0	153.4	86.5	16.4	656.3	605.9
<b>Non-executive</b>						
J F Harris	80.5	–	–	–	80.5	74.9
C A Banks	64.5	–	–	–	64.5	59.3
U Wolters	54.5	–	–	–	54.5	50.3
P W Johnson	54.5	–	–	–	54.5	50.3
D J R Sleath	19.3	–	–	–	19.3	–
	<b>2,203.3</b>	<b>558.2</b>	<b>299.8</b>	<b>97.7</b>	<b>3,159.0</b>	<b>3,275.7</b>

#### 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: \$2.00 in respect of 2007 and £1: \$1.84 in respect of 2006.
- 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 53 and is not included in the table above. Shares relating to the 2006 bonus were allocated in 2007 as shown in the table on page 53 and for the 2007 bonus will be allocated in 2008.
- Mr M J Roney is a member of the defined contribution section of the Bunzl Pension Plan. The Company makes matching contributions to this Plan. During 2007 such contributions for Mr M J Roney amounted to £4,230 (2006: £nil). In addition he received a pension allowance, of 30% of base salary less the Company's contribution to the Pension Plan, 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 in 2007 in respect of Mr P L Larmon the Company paid all necessary contributions, on actuarial advice, to the SERA which amounted to £48,551 (2006: £49,057) and paid £145,000 (2006: £nil) into the DC SERA.
- The remuneration of Mr D J R Sleath for 2007 relates to the period from 1 September 2007 (the date of his appointment to the Board) to 31 December 2007.
- In addition to the remuneration paid to the directors in 2006 shown above, Mr D M Williams, who retired as a director on 31 January 2006 upon reaching his normal retirement age, received remuneration of £53,402 in respect of the period from 1 January 2006 to 31 January 2006.

	Accrued benefits at 31.12.06 per annum £	Accrued benefits at 31.12.07 per annum £	Transfer value of accrued benefits at 31.12.06 £	Change in transfer value of accrued benefits during the year £	Transfer value of accrued benefits at 31.12.07 £
P L Larmon*	13,330	13,127	69,221	3,292	72,513
B M May	26,851	30,589	266,280	45,511	321,849

\*Excluding SERA entitlements.

#### Notes

- Of the additional benefits accrued since 1 January 2007, the increases attributable to factors other than inflation or foreign exchange translation were £2,690 for Mr B M May and £nil for Mr P L Larmon.
- Pension accruals shown are the amounts accrued based on service with Bunzl plc or its subsidiaries.
- 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, are net of his 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 2007 of £5,000 (2006: £5,435).
- 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 2007 such contributions for Mr P L Larmon amounted to £5,063 (2006: £5,380).

On behalf of the Board

**C A Banks**

Chairman of the Remuneration Committee

25 February 2008

## FIVE YEAR REVIEW

### IFRS

	2007 £m	2006 £m	2005 £m	2004 £m
<b>Continuing operations</b>				
Revenue	3,581.9	3,333.2	2,924.4	2,438.5
<b>Operating profit before intangible amortisation</b>	242.9	226.3	203.4	168.9
Intangible amortisation	(24.4)	(19.9)	(15.9)	(7.8)
<b>Operating profit</b>	218.5	206.4	187.5	161.1
Finance income	21.1	19.6	22.0	17.0
Finance cost	(48.5)	(36.3)	(32.8)	(19.9)
<b>Profit before income tax</b>	191.1	189.7	176.7	158.2
<b>Profit before income tax and intangible amortisation</b>	215.5	209.6	192.6	166.0
Income tax	(61.0)	(60.3)	(56.7)	(52.5)
<b>Profit for the year</b>	130.1	129.4	120.0	105.7
<b>Discontinued operations</b>				
Profit for the year	-	-	4.2	35.7
<b>Total profit for the year</b>	130.1	129.4	124.2	141.4
<b>Attributable to:</b>				
Equity holders of the Company	130.1	129.4	123.6	140.2
Minority interests	-	-	0.6	1.2
<b>Total profit for the year</b>	130.1	129.4	124.2	141.4
Basic earnings per share	39.8p	37.8p	35.4p	30.7p
Adjusted earnings per share	45.1p	41.7p	38.7p	32.1p

### UK GAAP

	2004 £m	2003 £m
<b>Sales</b>		
Continuing operations	2,438.5	2,275.6
Discontinued operations	477.5	452.6
<b>Total sales</b>	2,916.0	2,728.2
<b>Operating profit</b>		
Continuing operations	149.6	143.5
Discontinued operations	56.1	52.9
<b>Total operating profit</b>	205.7	196.4
Net interest payable	(4.8)	(1.8)
<b>Profit on ordinary activities before tax</b>	200.9	194.6
<b>Profit before tax, goodwill amortisation and exceptional items</b>	226.0	212.3
Tax on profit on ordinary activities	(72.3)	(69.0)
<b>Profit on ordinary activities after tax</b>	128.6	125.6
<b>Profit for the year</b>	127.4	124.6
Basic earnings per share	28.7p	27.4p
Adjusted earnings per share	34.4p	31.3p



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