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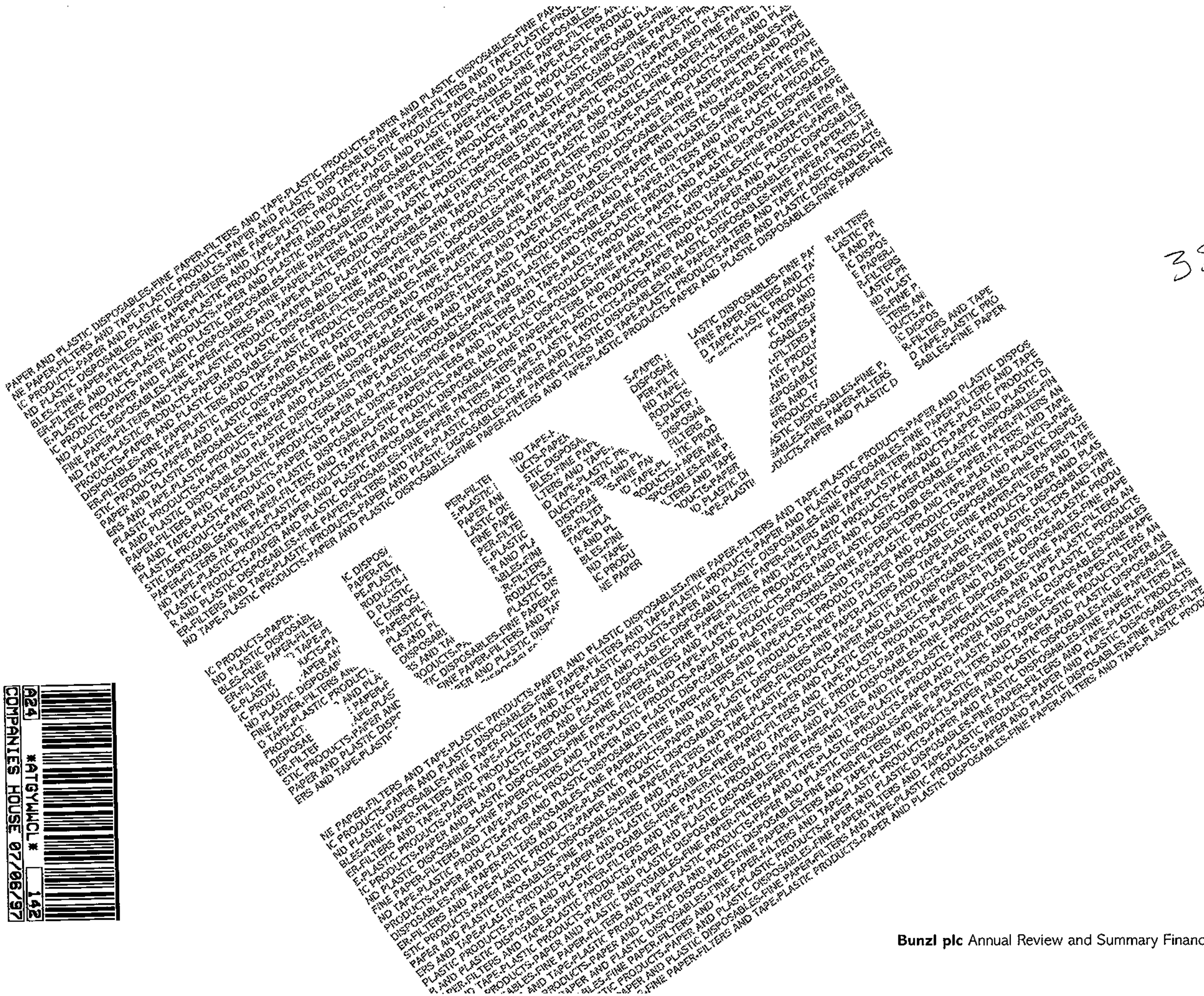


BUNZL

Bunzl plc Annual Review and Summary Financial Statement **1996**

This Annual Review and Summary Financial Statement does not contain sufficient information to allow for a full understanding of the results of the Group and state of affairs of the Company or the Group. For further information, the Directors' Report and Accounts should be consulted. Copies of the Directors' Report and Accounts may be obtained, free of charge, from the Secretary, Bunzl plc, 110 Park Street, London W1Y 3RB. Shareholders may elect in writing to receive the Directors' Report and Accounts in addition to the Annual Review and Summary Financial Statement for all future years. The full accounts for 1995 have been filed at Companies House and the full accounts for 1996 will be filed after they have been approved at the Annual General Meeting.

Bunzl is an international company involved in distribution, conversion and light manufacture, primarily of paper and plastic based products. Over the past six years we have vigorously pursued a strategy of focusing on our core businesses and expanding in those areas where we are strongest, through organic growth and acquisitions.

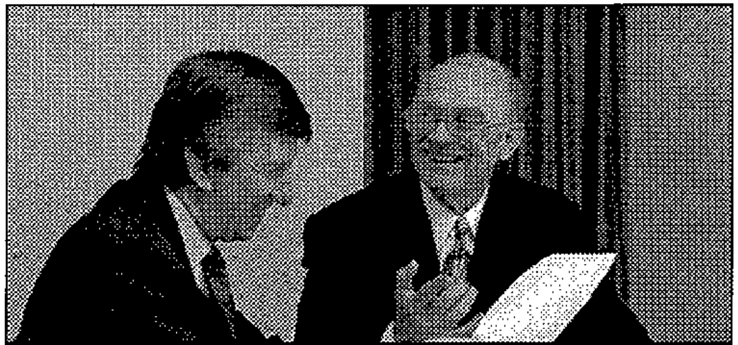
Sales increase to £1.8 billion

Profit before tax up 7%

Earnings per share up 6%

Management

We are continuing to grow market share in our areas of operation by taking advantage of expansion opportunities around the world.



Left: David Williams, Group Managing Director Right: Paul Lorenzini, Chairman, Paper and Plastic Disposables

Left: Mark Harper, Managing Director, Filters Centre: John Bason, Finance Director Right: Arnold Wagner, Director of Group Personnel

Developing and motivating our employees is a priority. We believe that our success is the direct result of their skill, hard work and commitment.

We continually strive to find new ways to improve procedures and drive for greater efficiency throughout our businesses.

Left: Peter Dick, Managing Director, Fine Paper Centre: Anthony Habgood, Chairman Right: Paul Twigden, Managing Director, Plastic Products

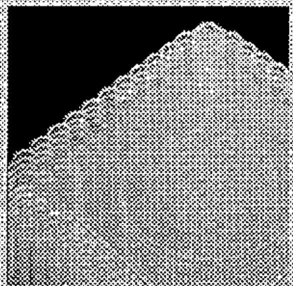
At the heart of the Group's success lies the continuing strategy of developing our strong businesses and expanding in those areas where we can build real competitive differentiation and advantage. These objectives are achieved through the clear direction of our existing businesses and the successful management of acquisitions, underpinned by the contribution of all our employees around the world. They are led by the senior management team, which comprises the four business area heads and key central functions. The team holds regular review meetings on both sides of the Atlantic, where ideas and information are exchanged and specific operational topics as well as broader issues affecting Bunzl are discussed. Supporting the team is a solid structure of management whose collective experience provides a vital mix of management skills combined with specific industry knowledge and expertise.

During 1996, Brian Ace retired from his executive duties in our Filters business after being responsible for the business area over a period of successful development. Raymond Dinkin will be leaving as Director of Corporate Development on 31 March this year after two years in which we have been particularly active in developing the Group. We thank them both for their contribution to the success of Bunzl and we wish Raymond all the very best in his new career as managing director of Jamont in the UK and Ireland. Brian will remain with the Group until his retirement in early 1998.

Bunzl at a Glance

Bunzl employs more than 8,000 people in some 200 locations in 20 countries around the world. We are world leaders in the distribution of paper and plastic disposables and the manufacture of special cigarette filters, self-adhesive tear tape and plastic protection parts and are the UK's largest independent distributor of fine paper. In our areas of operation we enjoy strong niche market positions with further growth potential.

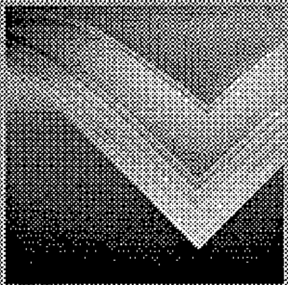
55%



Paper and Plastic Disposables

In North America, Europe and Australia we provide sourcing, warehousing and distribution of disposable paper, plastic and related products. Our customers include supermarkets, fast food suppliers, caterers, hotels, contract cleaners and independent local distributors. We have 55 warehouses in North America, 41 in Europe and 12 in Australia.

55% of operating profit
3,000 employees

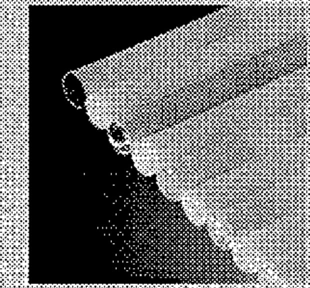


16%

Fine Paper

We are the number one independent distributor of fine paper in the UK, supplying hundreds of brands to thousands of printers. A highly efficient and knowledgeable merchanting service provides customers with the finest quality papers, often in a matter of hours. We operate from 30 locations in the UK and Ireland. We are also involved in job-lot paper conversion in the US, operating from two facilities.

16% of operating profit
1,200 employees

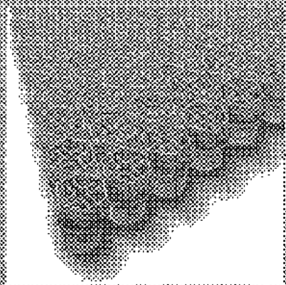


17%

Filters and Tape

As the world's largest independent producer of cigarette filters, we are the leading supplier of special filters for the expanding low tar cigarette market. We also design and manufacture instruments for quality control and measurement of various cigarette parameters. In addition, we are now the world leader in the manufacture of self-adhesive tear tape and have a strong position in the UK strapping market. We operate from 27 locations in 14 countries.

17% of operating profit
2,000 employees



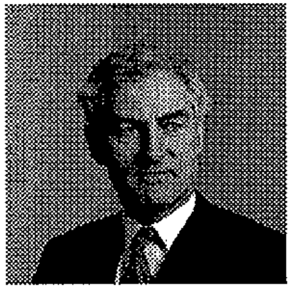
12%

Plastic Products

We are the world leaders in protection caps and plugs for the engineering and oil industries. We also make products as diverse as packaging for the cosmetics and food industries to advanced automotive components, encapsulation materials and a range of gardenwares and housewares. We operate from 15 manufacturing bases in the UK, the US, Brazil and the Netherlands.

12% of operating profit
2,100 employees

Chairman's Statement



Results

In a year of severe deflation in both paper and plastic prices, I am pleased to be able to announce another year of record sales and profits. Our focus on positions of real competitive strength has continued to pay off as the Group once again increased its margin and return on capital as well as earnings per share. Sales were up by 2% to £1,796.4 million (1995: £1,758.5 million) while sales of continuing operations rose 5% to £1,579.7 million (1995: £1,506.5 million). Profit before interest and tax for the Group increased by 6% to £115.7 million (1995: £108.8 million) and for continuing operations was up by 11%. Profit before tax increased by 7% to £113.5 million (1995: £106.2 million) and earnings per share by 6% to 16.4p (1995: 15.5p).

Thanks to cash generated by operations during the period, debt at the year end rose just £7.5 million despite some £80 million being spent on acquisitions. Gearing rose from 11.2% to 14.8% as a result both of the rise in borrowings and a reduction in shareholders' funds as goodwill relating to businesses acquired was written off against reserves.

Dividend

The Board has decided to raise the final dividend to 4.1p (1995: 3.8p). This brings the total dividend for the year to 6.3p (1995: 5.8p), an increase of 9%.

Board changes

Pat Dyer stepped down as Chairman in July 1996 following his retirement from The BOC Group and his return to the United States earlier in the year. I was appointed Chairman in his place, having been Chief Executive since August 1991. In his new position of Deputy Chairman Pat will remain the senior non-executive director and we will continue to benefit from his international expertise and experience. David Williams, who had been Finance Director since 1991, was appointed Group Managing Director with operating responsibility for all the Group's businesses with the exception of our disposables business in the United States. John Bason joined the Board as Finance Director from United Biscuits in December. We welcome him to the Group.

Financial highlights	1996	1995	
Sales £m	**1,796.4**	1,758.5	+2%
Profit before interest and tax £m	**115.7**	108.8	+6%
Profit before tax £m	**113.5**	106.2	+7%

	1996	1995	
Earnings per share p	**16.4**	15.5	+6%
Dividends per share p	**6.3**	5.8	+9%
Net debt £m	**42.5**	35.0	
Shareholders' funds £m	**287.4**	312.7	
Gearing %	**14.8**	11.2	

We have achieved very creditable results in tough market conditions, with improvements in sales, profits and margins

Change in business area reporting
Since the year end, the job-lot converting business no longer reports managerially through our US disposables business. For 1996 its results are therefore included within Fine Paper to reflect more accurately the product range. Furthermore, due to the disposal of our German and Italian fine paper businesses in February 1997, the results of these businesses for 1996 appear as 'discontinued operations'. As a result of these changes, the Fine Paper business area now contains the UK and Irish fine paper business and the US job-lot business.

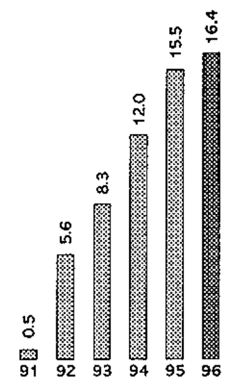
Operating performance
Prices, particularly in the paper sector which had risen and were stabilising by mid 1995, fell dramatically between late 1995 and mid 1996. In spite of this severely deflationary environment, there were increases in sales, profits and margins in all continuing operations except Fine Paper, where a reduction in sales and profits at job-lot caused that business area as a whole to be down despite an excellent year in the UK. Helped by this price deflation, the businesses were highly cash generative in 1996.

Group return on capital increased to 28.1% (1995: 27.2%) as did Group margin which rose to 6.4% (1995: 6.2%). The margin improvement was due to increases at a business area level and to portfolio changes, with acquisitions making a positive contribution. As the low margin discontinued operations fall away, the Group margin should continue to rise. The margin on continuing operations was 7.3% (1995: 6.9%).

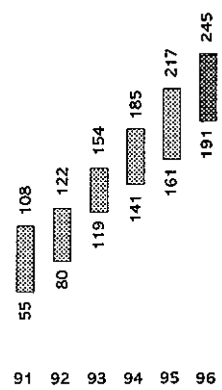
Individually, the business areas performed well. Excellent results were achieved in Paper and Plastic Disposables with sales up 8% against a background of falling prices and a substantial profit increase of 14% which reflected strong performances in all three geographic areas. Fine Paper in the UK reported a healthy profit increase on sales that were also up, but the business area as a whole showed a drop of 8% in sales and 15% in profits owing to the substantial decreases in both sales and profits in job-lot. Sales and profits in Filters and Tape were up 23% and 39% respectively. This was partly due to the newly acquired tear tape and strapping business, P.P. Payne, but also reflected a strong underlying performance from the existing filter business. Plastic Products reported increases in sales and profits of 4% and 5% respectively, largely due to another good performance from the caps and plugs business.

Discontinued operations showed a decline in sales and profits as the severe deflation in paper prices in mainland Europe more than offset volume increases in both Germany and Italy.

Earnings per share p



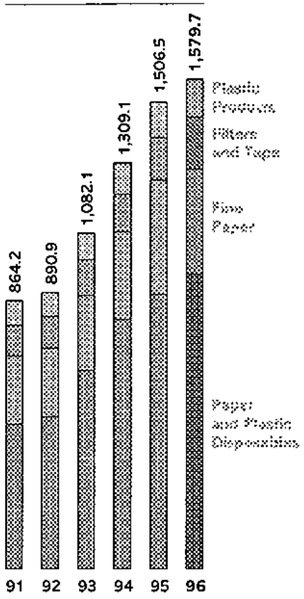
Share price p



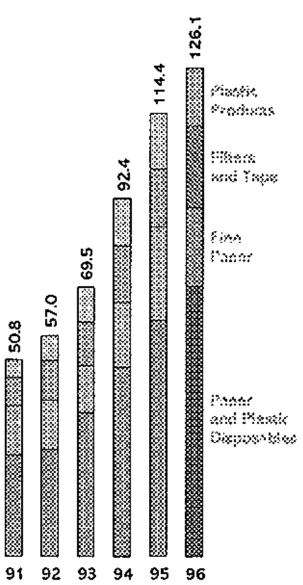
Chairman's Statement

continued

Sales £m*



Operating profit £m*



Acquisitions, disposals and investment

Since the beginning of 1996 we have committed about £150 million to acquisitions to develop our business areas. £80 million of this was spent in 1996. Over £20 million has been spent since the year end and approximately £45 million has been committed to the purchase of the bonded fibres business of American Filtrona Corporation. These acquisitions will help develop our existing businesses, either by extending into new territories and filling geographic gaps in our distribution networks or by adding complementary product lines. The most significant ones made during the year were Tryverse Products and Dorfin Distribution Ontario (trading as Lilo Products) and Jedco Paper Corporation, which expanded the disposables business into Canada and within the US, Alpha, which took the European disposables business more firmly into the janitorial sector and P.P. Payne, which added the new, but complementary, self-adhesive tear tape business to our worldwide filter business. Since the year end we have further strengthened our North American disposables coverage with the acquisition of RAP-ID Paper and Restaurant Supply based in Western and Central Canada and Kenco in Portland, Oregon and are in the process of significantly expanding Bunzl's worldwide filter and fibre business through the agreement to buy the bonded fibres business of American Filtrona Corporation.
This last transaction is still subject to AFC shareholder and normal regulatory approvals.

* continuing operations

In February 1997 we raised approximately £60 million from the disposal of our mainland European fine paper businesses, Seiler Papier and Bunzl Italia, to the KNP BT Group. We believed that a restructuring of the German and Italian fine paper markets was required and that this transaction would allow these businesses to realise their full potential. As a Group we remain committed to our fine paper activities in the UK and Ireland and have continued to build on their strengths during the year.

The overall focus of the acquisition and disposal activity has been to concentrate the Group further in those areas where it has a real competitive edge.

Once again we have invested capital in excess of depreciation as we have continued to build our position in our strong businesses. Substantial investment has continued to be made in computer systems throughout our operations, improving our ability to service our customers and helping us to strengthen our market position and increase productivity. Investment in systems as well as maintaining an up to date asset base remains a priority and a key source of our competitive advantage.

Keeping the workplace and the environment safe

We are committed to continuously improving our health and safety record. Committees have been established to focus on operational procedures and training to help reduce work-related injury.

All of our operating companies are committed to complying with environmental legislation and regulations which apply in the jurisdictions where they operate. Within reasonable economic means, we seek to play a positive role in environmental matters and to associate ourselves with appropriate initiatives designed to help support this commitment.

1996 has been a year of substantial investment in existing businesses and acquisitions

Developing our employees
Realising the full potential of our employees continues to be a priority. The management development programme entered its third year and most of our senior managers have now taken part. Once again, externally validated training programmes played an important role in enhancing the technical skills of our employees. For the third year running, our graduate recruitment and training scheme proved successful.

During the year we established a European Information and Consultation Forum for each of our four business areas. They each met once in mid 1996 and the Fine Paper Forum had an extra meeting at the end of the year to consult and inform employee representatives regarding the restructuring proposals for that business area. At each of the first meetings, presentations were made on Group policy, strategy and performance, followed by specific presentations by the head of the relevant business area.

The excellence of our results is only achieved thanks to the hard work, dedication and commitment of our employees around the world. We greatly appreciate their contribution.

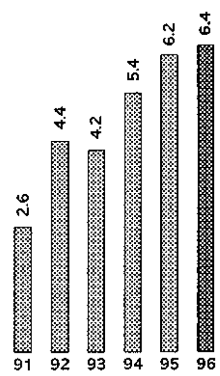
Prospects
The recent strengthening of sterling will have an impact on this year's results, particularly in the early months when sterling was at its weakest in the comparative period last year. For Bunzl this effect is largely translational as overseas profits are reported in sterling at the higher rate. While price levels have generally stabilised after the rapid deflation experienced in late 1995 and early 1996, paper prices in particular are still lower now than they were in the first quarter of 1996. On current expectations, these two factors will result in the first half, excluding any positive impact from the sale of discontinued operations, being broadly similar to that of last year.

For the year as a whole and for the future, we expect that the position of our businesses in their respective markets and our strategy of building up our strong areas both by organic growth and acquisition will enable us to continue to progress the Group satisfactorily.

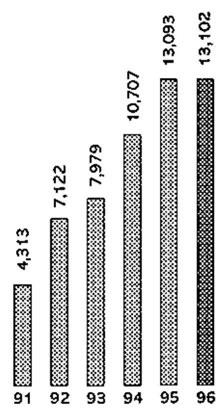
Anthony Habgood

Anthony Habgood
Chairman
17 March 1997

Profit margin %



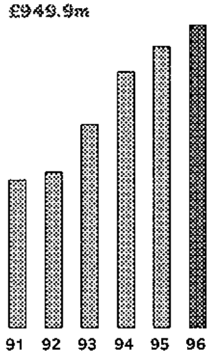
Profit per employee £



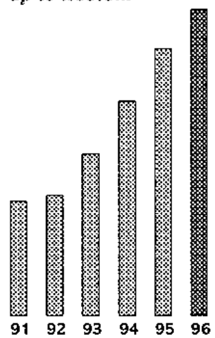
Extending

across

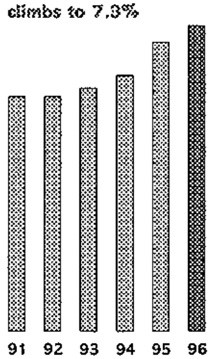
Sales reach £949.9m



Operating profit up to £69.8m



Profit margin climbs to 7.3%



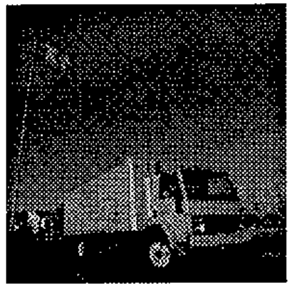
Once again profits grew faster than sales in our largest and most successful business area

Paper and Plastic Disposables had another highly successful year, with sales up 8% and profits up 14% against a background of price deflation. This impressive performance was achieved through a combination of organic growth and acquisition activity.

Growing in the United States

Our disposables business in North America once again reached record levels of sales and profits. Sales were particularly strong during the second half of the year, largely due to a significant number of substantial new account wins in the US supermarket sector which came on stream during the second half. This, combined with new business from existing customers, helped to offset severe deflationary pressure. In each case the integrated computer network has been a key factor in securing new or expanded contracts.

The supermarkets business was further strengthened by the acquisition in June of Jedco Paper Corporation based in York, Pennsylvania. Now integrated into Bunzl's Mid Atlantic Region, Jedco has enhanced our position in the Baltimore area where we had previously been somewhat under-represented. Our redistribution business made significant progress in all geographic areas and the acquisition in March 1997 of Kenco, based in Portland, Oregon, will further strengthen our position in the Pacific North West.



RAP-ID Paper and Restaurant Supply brings us coverage of Western and Central Canada

Expanding into Canada

In addition to developing our business in Mexico, we took our first step into Canada with the acquisition in July of Lilo Products. This move followed an in-depth review of the market and has already proved to be a sound base from which Bunzl can develop its business both in the supermarket sector and more broadly in this geographic area. At the end of the year we were awarded an exclusive supply contract with one of Canada's largest supermarket chains to serve their stores across Ontario.

In January this year we penetrated further into Canada with the acquisition of RAP-ID Paper and Restaurant Supply, a leading paper and plastic disposables distributor with eight branches in Western and Central Canada. With these acquisitions we are now in a good position to build a strong Canadian business which forms a logical extension to our existing US network. We are now well on our way to total geographic coverage of North America.

Advances in technology

We have continued to invest in computer systems, most notably in developing EDI (Electronic Data Interchange). The use of this technology is already well established for receiving orders, sending delivery notes and invoicing and is now being developed for electronic price and sales catalogues, price change notification and a combined delivery/invoicing transaction, all of which will enhance customer service and efficiency. Some significant new national accounts have been secured on the basis that Bunzl is currently the leading distribution company with a fully integrated EDI capacity. Groundwork was also established in 1996 for electronic communication with our trade suppliers, a strategic move to both improve productivity and strengthen supplier alliances.

Keeping abreast of industry change

As the leading supplier of disposables to US supermarkets, Bunzl continues to maintain its leading position in this area by keeping abreast of key social trends. As consumer demand for ready made meals continues to increase, Bunzl is poised to support its customers with a wide range of microwaveable, ovenproof and ready-to-serve containers which will form a vital ingredient of the product offering in this lifestyle revolution of eating habits.


Canada
Lilo Products is already beginning to fulfil
our expansion objectives with a new contract
to supply disposables to one of Canada's
largest supermarket chains

Alpha is contributing well with new business gains such as an exclusive supply contract with BNFL at Sellafield

Alpha helps strengthen position in Europe
A number of acquisitions were primarily responsible for strong advances in sales and profits within Bunzl Disposables Europe (BDE). The single most significant acquisition was that of Alpha, a leading cleaning and hygiene supplies distributor with a 12% share of the UK market. Alpha has a large branch distribution network which services some 23,000 customers including commercial and industrial companies, contract cleaners and local authorities. The acquisition is complementary to BDE's existing strong position in the catering and hotels sector, with considerable product overlap with ACS in contract cleaning and with Whittaker and HOPA in hotels.

In its early months of Bunzl ownership, Alpha has exceeded expectations and is integrating well. There have been some significant new business wins and Alpha was again awarded the 'Silver Plaque' for service to the Post Office, one of its major customers.

Alpha brings strength in the cleaning and hygiene sectors to complement our strong position in catering and hotel disposables distribution

New hub warehouse for ACS
At ACS the programme of warehouse rationalisation, which was mapped out on acquisition in 1993, was completed. A new 54,000 square foot 'hub' warehouse, which is shared with Whittaker, was opened in Basingstoke to service accounts in central London and the whole of Southern England. The facility is the largest of five hubs in the recently restructured ACS network.

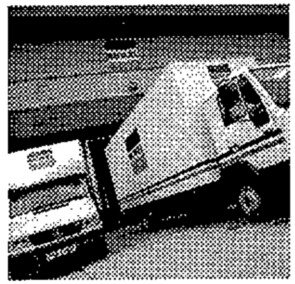
ACS's presence in the marketplace was strengthened by small acquisitions, for example Gillespie Agencies, a disposables distributor in Belfast, which has provided us with a presence in Northern Ireland and will enhance the company's ability to serve national customers.

HOPA gains in strength
HOPA had another successful year of growth with some important account gains. This has led to the need to extend the warehouse in Amsterdam by some 12,000 square feet.

Unifying the businesses
Implementation of a common computer network, linking the ACS, Whittaker and HOPA warehouses to a new head office location, took place during the year.

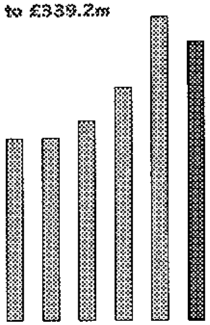
A new BDE identity is currently being phased in to signal the unification of all the companies within the group.

Improved performance in Australia
Both sales and profits were up in Australia in spite of the economy remaining weak. Sales growth was assisted in the first half of the year by rising market prices, but this improvement was diluted in the second half by a slowdown in the economy. The improvement in performance was the result of efforts to increase our share of target markets, achieved by focusing on more efficient customer service and supply to existing and new national accounts. Management teams were strengthened across the business and our customer service capability will be further improved once a new computer system has been installed, a process which is due to take place this year.

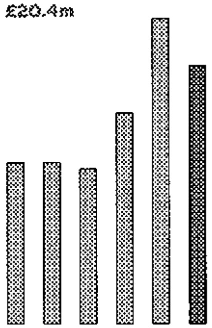

Our Basingstoke hub, opened in August 1996, serves both ACS and Whittaker customers in the South of England

Our operations in the UK and Ireland achieved record results in spite of difficult market conditions

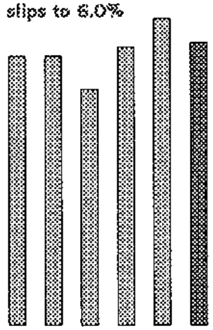
Sales ease back to £339.2m



Operating profit down to £20.4m



Profit margin slips to 6.0%

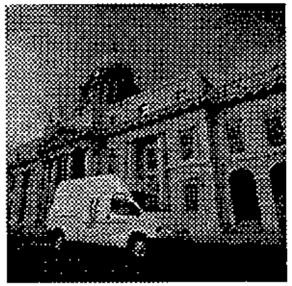


The overall shape of this business area has changed substantially with the recent disposal of the German and Italian fine paper businesses. We believe that the remaining highly successful fine paper companies in the UK and Ireland can now move forward from their strong positions with a spirit of regional entrepreneurialism backed by more systematic management.

Job-lot converting has been transferred from the Paper and Plastic Disposables business area into Fine Paper. Due to the very severe fall in prices during 1996 and this business's vulnerability to such fluctuations, it had a detrimental effect on Fine Paper's overall results.

Record profits in the UK and Ireland

Against a background of heavily falling pulp prices, the businesses in the UK and Ireland achieved an increase in sales and profits, performing significantly better than the market. Since November 1995 pulp prices have dropped over 40%, leading to a significant price reduction in paper. Growth in sales and profits was particularly impressive given this level of deflation and is attributed to the high level of customer service and speed of delivery offered by the Fine Paper companies, which also resulted in an overall increase in market share. During the year investment was made in improvements to the stock trunking service, the expansion of the fleet and the introduction of extra delivery services. As well as our astute trading sense and knowledge of the paper market, a key factor in our success during 1996 was our good strategic position with major suppliers. Our subsidiary in Dublin also had an excellent year, with sales and profits substantially up.



DM Paper is now established as an important fine paper supplier in Dublin

Europoint, the screen and display distributor, had another year of strong growth, reaping the benefits from the investment made in three regional centres and strengthened management. RapidReel, set up in 1995 to service the carbonless reel market, had an excellent year, as did Paramount Paper, the office supply business acquired in 1995. Paramount has been integrated well and is trading ahead of expectations. In recognition of the fact that the rapidly developing digital printing market has reached a stage where it needs its own specialist paper supply service, Bunzl Digital Papers has been established to concentrate on marketing paper in reels and sheets approved for digital printing.

Positioned for future growth

The fine paper companies in the UK and Ireland have embarked on a programme to ensure that they maintain their strong positions in tomorrow's marketplace, by improving communications and enhancing quality and consistency of service. They will also be further upgrading their computer capability. The main objectives are to improve communications between the businesses and to bring further competitive advantage by assisting them in the management of stock and improving customer service. This upgrade will represent another major systems investment for the Group.

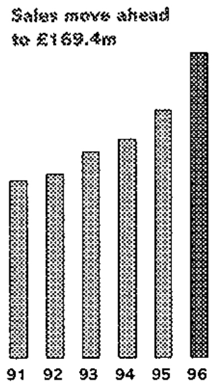
Progressing the

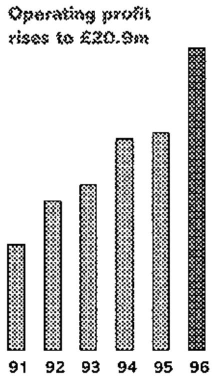
A number of senior personnel changes have taken place to bring forward the next generation of management and lead Bunzl Fine Paper into a new phase of development, which we plan to achieve through both organic and acquisition growth.

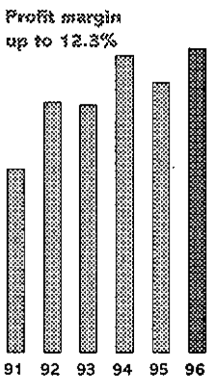
Major decline in prices for job-lot converting

It was an extremely difficult year for the job-lot converting business which suffered from a substantial decline in the prices of most grades of paper and waste materials. After its exceptionally good results in 1995, the business suffered a significant drop in sales and an even steeper fall in profits. In order to offset difficult market developments, both job-lot companies continued to make cost reductions and increase efficiency. They have also made significant improvements in their control of working capital and placed a new emphasis on the sharing of supplier knowledge as well as product and market information. They are now assessing the geographic distribution of their respective customer bases with a view to improving service and a number of management functions are being integrated.


core
business
RapidReel, set up in 1995,
continues to grow its position
in the carbonless reel market







Continued growth in special filters and the contribution this year from P.P. Payne expanded sales by 23%

Sales in this expanding business area grew by 23% and profits by 39%. This was due partly to the acquisition of P.P. Payne in May but also to the continuing growth in sales of multiple filters for low tar cigarettes and to our growing penetration of certain developing markets. The strength of the overall performance more than compensated for the reduction in sales due to the disposal of our 51% share in the Austrian joint venture as of the beginning of 1996.

Further progress in filters

Sales from Greensboro more than doubled and the facility is now extending its manufacturing area for the third time since opening in 1993 by adding 25,000 square feet to introduce a new technology to the United States. Sales from Jarrow were also up on 1995, benefiting partly from the temporary surge of business from a major customer during its own factory refurbishment.

Our two newest filter operations, India and Jordan, also performed well. India is benefiting further from the switch late in the year of one of the country's most popular brands of cigarette from viscose to monoacetate filters. Jordan achieved a profit in its first full year of operation and has already captured a significant share of the domestic market.

With sales and profits in Indonesia up by more than 20%, this location had a record year and the production facility was expanded by 40%. Results were also good in Brazil where both sales and profits increased significantly. In Germany profits were up, albeit slightly, and it was another good year both for sales of special filters and the ink reservoir technology range, where two new products were launched.

Certain other operations had a less successful year. In Thailand sales were affected by the entry of a new competitor and in Italy both sales and profits fell. The future timetable for the privatisation of the Italian state tobacco monopoly remains uncertain.

In September, Mark Harper, formerly Managing Director of Moss, became Managing Director of Filtrona International.

FIAL enjoys strong sales of QTMs

FIAL had an excellent year thanks to strong sales of QTMs (Quality Test Modules). The company won its largest ever single order and continued to strengthen its links with multinational tobacco companies. Tube packing systems made progress in South America and interest in the microwave moisture meter is growing. On-line instrumentation and a new generation smoking machine are in development.

New technology designed and built in Jarrow provides a new range of special filters for our Greensboro facility

Broadening the

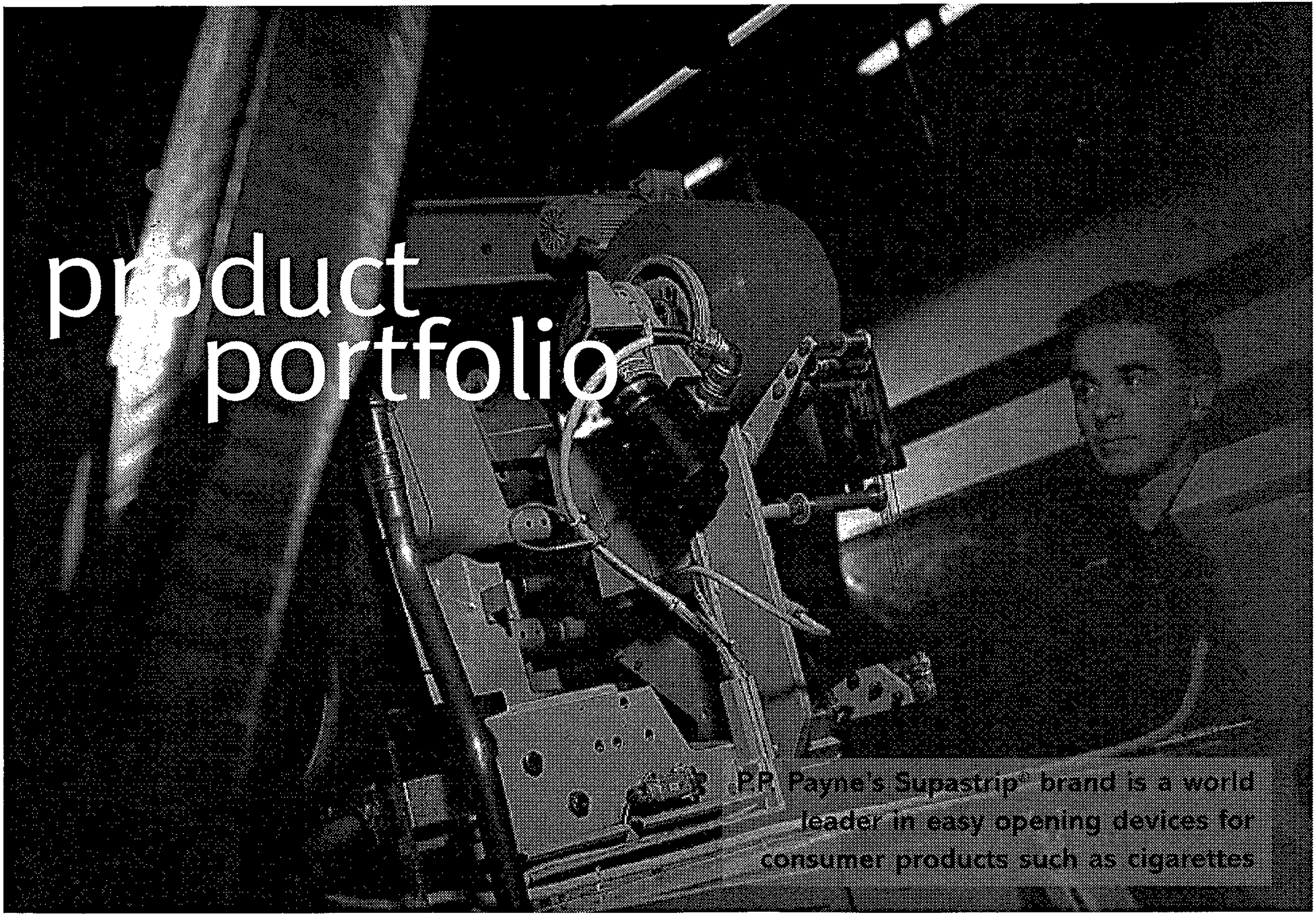
Acquiring complementary businesses

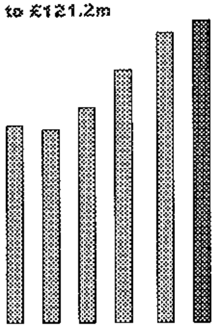
In May 1996, we acquired the world's leading supplier of self-adhesive tear tape and a prominent UK manufacturer of plastic strapping. P.P. Payne has an excellent track record as well as exciting growth prospects and, with extensive customer overlap with Filtrona, it is envisaged that they will build on each other's strengths, notably in the fast growing economies of Asia and South America where Filtrona already has a significant presence.

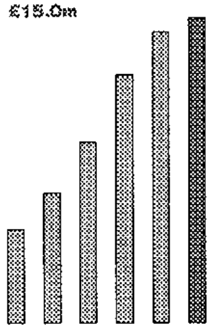
The tear tape business is geared to meet the growing international demand for easy opening devices for consumer products. Its operations are based in the UK, the US, Germany and Singapore and construction of a further finishing line has commenced at Filtrona's facility in Indonesia.

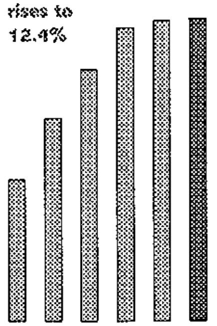
Since acquisition, the company has made an excellent start, with results in both tear tape and strapping exceeding expectations. Two new products have been introduced: TAGAX®, a revolutionary anti-theft tagging system, and VakTape™ for opening vacuum packed foods.

A strategically important move agreed in February 1997 was the proposed acquisition of the bonded fibres business of American Filtrona Corporation. Based in Richmond, Virginia, the business is principally engaged in the manufacture of cigarette filters and ink reservoirs, making it highly complementary to our existing business.


product
portfolio
P.P. Payne's Supastrip® brand is a world
leader in easy opening devices for
consumer products such as cigarettes

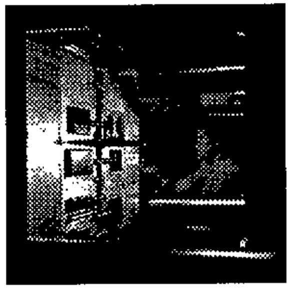






Building a European

Growth in sales of caps and plugs drove overall sales up 4% despite a deflationary market


Thinking Plastics' injection moulded parts for furniture and exercise equipment extend our product range

A record £15 million profit was achieved on sales up 4% in spite of deflationary pressures. Organic and acquisition growth in caps and plugs drove the overall results to new highs.

Strong performance from caps and plugs
The caps and plugs business performed well on both sides of the Atlantic. Some significant developments took place including acquisitions which will help consolidate the leading position of Moss and Alliance in protective parts.

MSI, the Houston based manufacturer of protection parts for the oil and gas industry acquired in 1994, exceeded its sales and profits targets by a wide margin with the successful introduction of a new range of premium thread protectors with which the company has built up an impressive market share. The acquisition of Sigma North Sea Oil and the tubular protection products business of Tube-Tec in March 1996 represents Bunzl's first significant move into the European thread protection sector for the oil industry. The business now trades as MSI Oilfield Products UK, part of Moss, and has established itself as the number two supplier in Europe to the oil industry and provides a platform for further expansion into the European thread protection market.

During 1996, Alliance set up a distribution arm in Brazil at the Filtrona Brasileira facility. Brazil has been experiencing a major boom in investment from some of the world's leading automotive manufacturers and this distribution outlet will carry products manufactured at Alliance for this rapidly growing sector. Since there are presently no local manufacturers of caps and plugs, Alliance should be in a strong position to develop the market.

A further move to build up our existing caps and plugs business took place in January 1997 with the acquisition of Thinking Plastics based in California. The company manufactures proprietary industrial plastic parts particularly for furniture and exercise equipment which complement the product ranges of both Alliance and Moss.

Alliance successfully launched a range of vinyl grips and covers, while sales of the new Moss nylon parts were good. Plastic Parts Centres, set up in the UK to service smaller customers, also traded well.

Progress in most other areas
Filtrona Brasileira performed very well against the background of a slowing economy, maintaining the excellent level of results achieved in 1995 in more difficult circumstances. A new 50,000 square foot factory is on schedule to open shortly which will help the business meet the growing demand from the cosmetics industry for tubes, containers and closures.

Stewart had another year of improved results, with profits continuing to rise. Investment was made in rotation moulding equipment which enabled the company to launch its new, up-market Ornamenta garden range. The company also won design effectiveness awards for its new corporate identity and rebranded product ranges.

For the second year in succession, Webster Plastics received a prestigious industry award for the most innovative use of plastic. Results, however, were down on last year's. The company is planning a factory move which will enable it to operate from a lower cost base. While sales grew, results at Morane reflected the strong competitive pressures which the company has been under. Stag has continued to enjoy good sales growth.

Improving pan-European systems
Investment is being made in a new networked European computer system which will play an important role in developing sales of products from the UK companies in mainland Europe. The system is currently being installed at Stewart and throughout the Moss locations.


platform for
oil industry products
Our successful branded range of MSI oil pipe protection parts is making real inroads into the European market following the purchase of Sigma and Tube-Tec

Financial Review

Exchange rates

	1996	1995
Average		
US $: £	**1.57**	1.58
DM: £	**2.36**	2.26
Year end		
US $: £	**1.71**	1.55
DM: £	**2.64**	2.22

Return on net assets %

	1996	1995
Paper and Plastic Disposables	**59.9**	49.6
Fine Paper	**20.3**	25.8
Filters and Tape	**37.9**	34.9
Plastic Products	**21.5**	24.0

Group performance

1996 marked another year of record sales and profits and improved margin.

Sales of continuing operations increased by 5%, or £73.2 million, to £1,579.7 million. Sales of businesses acquired during the year, the largest being P.P. Payne and Alpha, contributed £68.9 million of this increase. Sales of existing businesses rose £4.3 million as strong volume improvements more than offset significant price deflation. With sales of the mainland European Fine Paper businesses, treated as discontinued operations, falling by £35.3 million to £216.7 million, total sales for the Group increased 2% to £1,796.4 million.

Operating profit of continuing operations increased by 11%, or £11.0 million, to £115.6 million with all business areas contributing to the increase with the exception of Fine Paper. £8.2 million of this increase was accounted for by acquisitions and the balance of £2.8 million by existing businesses. With profits from discontinued operations down from £4.2 million to £0.1 million, total operating profit increased by 6% to £115.7 million.

Although sterling strengthened significantly at the end of 1996, the impact on sales and operating profit, which are translated at average exchange rates, was negligible.

Group margin again improved from 6.2% to 6.4% with the margin of continuing operations rising from 6.9% to 7.3%.

The balance sheet remains strong with net debt only increasing from £35.0 million to £42.5 million despite the Group absorbing acquisitions at a cost of £79.9 million in 1996. Shareholders' funds reduced by £25.3 million to £287.4 million after writing off £66.7 million of goodwill. Gearing at the year end was 14.8%.

Earnings and dividends

Earnings increased by 8% to £72.9 million, while the weighted average number of shares in issue rose to 445.4 million from 435.8 million in 1995. The main factor influencing the rise in the average number of shares was the full year effect in 1996 of the conversion to shares of £24.9 million of Convertible Unsecured Loan Stock in June 1995. The exercise of employee share options, take up of scrip dividends and shares issued for acquisitions also increased the number of shares in issue. Earnings per share rose to 16.4p, an increase of 6%. An interim dividend of 2.2p and a proposed final dividend of 4.1p will deliver a 9% increase for the year at a total cost of £28.1 million, with dividend cover of 2.6 times. £44.8 million is to be transferred to reserves.

Interest

The net interest charge fell from £2.6 million in 1995 to £2.2 million in 1996. This resulted from lower interest rates combined with slightly lower average borrowings in the year. Interest cover has increased to 52 times.

Taxation

The tax charge of £39.7 million represents an effective rate of 35.0% compared to 35.3% in 1995. This is greater than the nominal UK tax rate of 33% principally because most of the Group's operations are in countries with higher tax rates.

No advance corporation tax has been written off in the year and no such write off is anticipated in the near future. The acquisition of P.P. Payne and Alpha in the UK strengthens this position as the amount of mainstream corporation tax, against which advance corporation tax can be offset, increases.

Balance sheet

Net operating assets fell by £12.3 million to £406.2 million as the reduction in working capital exceeded the net investment in fixed assets. The return on capital has increased to 28.1% driven both by higher profits and reduced net assets.

The quality of our earnings has further improved and our balance sheet remains strong

Cash flow
Net cash inflow from operations grew significantly to £155.7 million from £104.8 million in 1995. Working capital decreased by £21.7 million due principally to continuing tight controls and price deflation.

In addition to funding acquisitions, cash generated helped the Group to finance gross capital expenditure of £37.6 million during the year. This capital expenditure was used to increase capacity and improve efficiencies especially in our manufacturing facilities in Filters and Tape and Plastic Products and to improve the information systems used in all business areas.

Treasury policies and controls
Bunzl has a centralised treasury department to control external borrowings and manage the exchange rate and interest rate risks.

Treasury policies are approved by the Board and cover the nature of exposures to be hedged, the types of financial instruments that may be employed and the criteria for investing and borrowing cash. The department is subject to periodic independent reviews and audits, both internally and externally.

Underlying policy assumptions and performance 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.

Funding
The Group is funded by a mixture of five and seven year multicurrency committed credit facilities from nine banks totalling £181.3 million of which £57.3 million was drawn down at the year end. These facilities mature between 2001 and 2003.

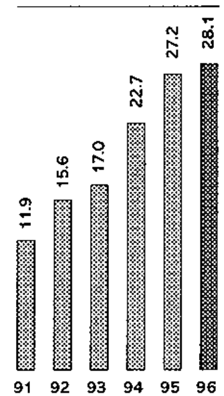
Foreign currency and interest rate risks
The Group uses derivatives only to manage its foreign currency and interest rate risks arising from underlying business activities. No transactions of a speculative nature are undertaken.

The majority of the Group's net assets are in currencies other than sterling and the Group's policy is to limit the resulting translation exposure, thereby protecting shareholders' funds. The Group does not hedge the translation effect on the profit and loss account. The majority of the Group's transactions are carried out in the functional currency of the Group's operations and so transaction exposures are of limited significance.

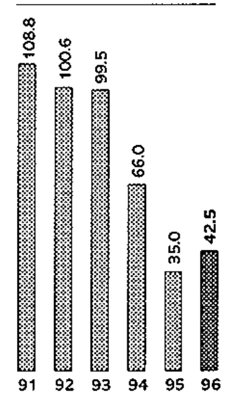
The Group manages its interest rate risk by reference to its gross asset and liability positions. Interest rate swaps and interest rate options are used to minimise the risk of adverse movements.

Financial reporting standards and accounting policies
Financial Reporting Standard 1 (Revised 1996) – 'Cash Flow Statements' has been adopted early as encouraged by the Accounting Standards Board. The directors have reviewed the requirements of Financial Reporting Standard 8 – 'Related Party Disclosures' and have concluded that no disclosures are required. There have been no changes to the accounting policies of the Group from the previous year.

Return on net assets %



Net debt £m



Our improved performance has enabled us once again to increase the dividend

From left: John Bason, Stephen Williams, Pat Dyer,
Anthony Habgood, David Williams, Lawrence McQuade, Philip Cushing

Our organic growth and acquisition strategy will fuel the Group's future development

Anthony Habgood¤ (Age 50)
Chairman since July 1996, having joined the Board as Chief Executive in 1991. A director of The Boston Consulting Group from 1977 to 1986, he was then appointed a director of Tootal Group plc, subsequently becoming Chief Executive. He is a non-executive director of PowerGen plc and Schroder Ventures International Investment Trust plc.

Alexander (Pat) Dyer*§¤ (Age 64)
Chairman from 1993 until July 1996, now Deputy Chairman. Having been a director of Air Products and Chemicals Inc, he joined The BOC Group plc as Managing Director of the Gases Division in 1989 and subsequently became Chief Executive and Deputy Chairman until his retirement in January 1996. He is a non-executive director of Brockway Standard Holdings Inc.

David Williams (Age 51)
Group Managing Director since 1996, having previously been Finance Director since 1991. A chartered accountant, he joined the Tootal Group in 1982 where he was Chief Executive of Branded Clothing and Finance Director of Clothing Operations before being appointed Group Finance Director. He is a non-executive director of Dewhirst Group plc.

John Bason (Age 39)
Finance Director since December 1996. After qualifying as a chartered accountant with Arthur Young, he became an investment manager at Lloyds Bank. In 1986 he joined United Biscuits where he held a number of posts including Group Chief Accountant, Finance Director of McVitie's Group and a senior management position in the United States.

Lawrence McQuade*§¤ (Age 69)
Non-executive director since 1991. Following a period as Executive Vice President and director of W R Grace & Co, he was Vice Chairman of Prudential Mutual Fund Management Inc until 1995. He is a non-executive director of Oxford Analytica Inc and Quixote Corporation and is Co-Chairman of River Capital International LLC.

Philip Cushing*§ (Age 46)
Non-executive director since 1994. After periods with Norcros and the LEGO Group, he was Marketing Director and then Chief Executive, International Operations, of Norton Opax plc. In 1990 he joined Inchcape Berhad as Chief Executive becoming a director of Inchcape plc in 1992, Group Managing Director in 1995 and Chief Executive in 1996.

Stephen Williams*§ (Age 49)
Non-executive director since 1994. After training as a lawyer and a period with Slaughter and May, he joined the legal department at Imperial Chemical Industries plc, where he became Assistant Company Secretary. In 1986 he joined Unilever, becoming Joint Secretary in 1987 and General Counsel in 1993.

* Member of the Audit Committee
§ Member of the Remuneration Committee
¤ Member of the Nominating Committee

Shareholder Information

Financial calendar

	1997
Annual General Meeting	21 May
Results for the half year to 30 June 1997	1 September

	1998
Results for the year to 31 December 1997 (preliminary)	March
Annual Report circulated	April

Dividend payments are normally made on these dates:

Ordinary shares (final)	1 July
Ordinary shares (interim)	2 January

Analysis of ordinary shareholders

As at 31 December 1996 the Company had 6,416 (1995: 6,684) shareholders who held 447.7 million (1995: 444.3 million) ordinary shares between them, analysed as follows:

Size of holding	Number of shareholders	% of issued share capital
0 - 10,000	5,447	2
10,001 - 100,000	593	5
100,001 - 500,000	231	11
500,001 - 1,000,000	56	9
1,000,001 and over	89	73
	6,416	100

Scrip dividends

In 1992 the Group introduced a scheme to allow shareholders to elect to receive shares in lieu of a cash dividend. This election for scrip dividends will also be available to shareholders in respect of the 1996 final dividend to be paid on 1 July 1997.

Shares have been issued in respect of scrip dividends at the following prices:

Interim dividend	Payment date	Issue price (p)
1992	20 November 1992	99.8
1993	2 January 1994	147.2
1994	3 January 1995	166.8
1995	2 January 1996	207.0
1996	2 January 1997	239.7

Final dividend	Payment date	Issue price (p)
1991	1 July 1992	95.0
1992	1 July 1993	135.6
1993	1 July 1994	173.2
1994	3 July 1995	174.0
1995	1 July 1996	220.0

Registered office

110 Park Street, London W1Y 3RB
Telephone 0171 495 4950
Facsimile 0171 495 4953
Registered in England No 358948

Secretary

P N Hussey

Registrar

The Royal Bank of Scotland plc
PO Box No 82, Caxton House,
Redcliffe Way, Bristol BS99 7NH
Telephone 0117 930 6666
Facsimile 0117 930 6509

Auditors

KPMG Audit Plc

Stockbrokers

Cazenove & Co
Panmure Gordon & Co Ltd

Merchant bankers

SBC Warburg

Principal bankers

Midland Bank plc
National Westminster Bank Plc
Westdeutsche Landesbank Girozentrale

Summary Directors' Report

Principal activities and developments
The principal activities of the Group are set out on pages 4 and 5. The Chairman's Statement and the Operating and Financial Review on pages 6 to 21 give details of the Group's activities, developments and performance for the year and an indication of likely future developments.

Directors
With the exception of Mr J G Bason, all of the current directors, who are named on page 23, served throughout the year.

Mr J G Bason was appointed a director of the Company on 1 December 1996 and, being eligible, offers himself for re-election at the forthcoming Annual General Meeting in accordance with the Articles of Association.

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

Directors' interests in ordinary shares are shown or referred to in Note 21 to the financial statements in the Directors' Report and Accounts. None of the directors was materially interested in any contract of significance with the Company or any of its subsidiary undertakings during or at the end of 1996.

Dividends
An interim dividend of 2.2p was paid in respect of the year and the directors recommend a final dividend of 4.1p, making a total for the period of 6.3p. This compares with 5.8p for the year ended 31 December 1995.

Corporate governance
The Company has complied throughout the financial year with all provisions of the Code of Best Practice issued by the Cadbury Committee on the Financial Aspects of Corporate Governance.

Annual General Meeting
The Annual General Meeting will be held at The Café Royal, 68 Regent Street, London W1R 6EL on Wednesday 21 May 1997 at 11.00am. The Notice convening the Meeting is set out in a separate letter from the Chairman to shareholders which explains the items of special business.

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

P N Hussey
Secretary
17 March 1997

Summary Financial Statement

Consolidated Profit and Loss Account
for the year ended 31 December 1996

	1996 £m	1995 £m
Sales		
Existing businesses	**1,510.8**	1,506.5
Acquisitions	**68.9**	
Continuing operations	**1,579.7**	1,506.5
Discontinued operations	**216.7**	252.0
Total sales	**1,796.4**	1,758.5
Operating profit		
Existing businesses	**107.4**	104.6
Acquisitions	**8.2**	
Continuing operations	**115.6**	104.6
Discontinued operations	**0.1**	4.2
Profit on ordinary activities before interest	**115.7**	108.8
Net interest payable	**(2.2)**	(2.6)
Profit on ordinary activities before taxation	**113.5**	106.2
Taxation on profit on ordinary activities	**(39.7)**	(37.5)
Profit on ordinary activities after taxation	**73.8**	68.7
Profit attributable to minorities	**(0.9)**	(1.2)
Profit for the financial year	**72.9**	67.5
Dividends paid and proposed	**(28.1)**	(25.7)
Retained profit	**44.8**	41.8
Earnings per share	**16.4p**	15.5p
Dividends per share	**6.3p**	5.8p

Directors' total emoluments for the year ended 31 December 1996 were £1.1m (1995: £1.1m).

Summary Consolidated Balance Sheet
at 31 December 1996

	1996 £m	1995 £m
Fixed assets	**168.0**	159.6
Current assets	**480.4**	477.1
Current liabilities	**(272.2)**	(258.5)
Net current assets	**208.2**	218.6
Total assets less current liabilities	**376.2**	378.2
Creditors: amounts falling due after more than one year	**(60.1)**	(30.4)
Provisions for liabilities and charges	**(24.1)**	(29.5)
Net assets	**292.0**	318.3
Capital and reserves		
Called up share capital	**111.9**	111.1
Other reserves	**175.5**	201.6
Shareholders' funds: equity interests	**287.4**	312.7
Minority equity interests	**4.6**	5.6
	292.0	318.3

Approved by the Board of Bunzl plc on 17 March 1997.
A J Habgood, Chairman and J G Bason, Finance Director.

Consolidated Statement of Total Recognised Gains and Losses
for the year ended 31 December 1996

	1996 £m	1995 £m
Profit for the financial year	**72.9**	67.5
Currency translation differences on foreign currency net investments	**(8.5)**	1.1
Total recognised gains and losses for the year	**64.4**	68.6

Summary Consolidated Cash Flow Statement

for the year ended 31 December 1996

	1996 £m	1995 £m
Operating profit	**115.7**	108.8
Adjustments for non cash items	**18.2**	16.6
Working capital movements	**21.7**	(20.1)
Other cash movements	**0.1**	(0.5)
Net cash inflow from operating activities	**155.7**	104.8
Net cash outflow for returns on investments and servicing of finance	**(2.8)**	(6.4)
Tax paid	**(38.0)**	(37.2)
Net cash outflow for capital expenditure	**(32.8)**	(27.3)
Purchase of businesses	**(78.8)**	(6.3)
Other acquisition and disposal effects	**(3.6)**	(2.9)
Equity dividends paid	**(24.3)**	(20.7)
Net cash (outflow)/inflow before financing	**(24.6)**	4.0
Management of liquid resources	**(0.9)**	1.3
Net cash inflow from financing	**33.0**	2.1
Increase in cash	**7.5**	7.4

Cash flows are stated at the average exchange rates for the year. For the purpose of calculating these cash flows, the opening and closing balance sheets have been retranslated at the average exchange rates for the year. As a result, the movements cannot be ascertained from the figures shown in the consolidated balance sheets.

Analysis of Sales and Operating Profit

for the year ended 31 December 1996

	Sales		Operating profit	
	1996 £m	1995 £m	1996 £m	1995 £m
Continuing operations				
Paper and Plastic Disposables	**949.9**	883.2	**69.8**	61.0
Fine Paper	**339.2**	369.4	**20.4**	24.1
Filters and Tape	**169.4**	137.6	**20.9**	15.0
Plastic Products	**121.2**	116.3	**15.0**	14.3
Corporate activities			**(10.5)**	(9.8)
	1,579.7	1,506.5	**115.6**	104.6
Discontinued operations	**216.7**	252.0	**0.1**	4.2
Total	**1,796.4**	1,758.5	**115.7**	108.8

Statement of the Auditors to the Members of Bunzl plc

pursuant to Section 251 of the Companies Act 1985

We have examined the Summary Financial Statement on pages 25 to 27.

Respective responsibilities of directors and auditors

The Summary Financial Statement is the responsibility of the directors. Our responsibility is to report to you on its preparation and consistency with the full financial statements and Directors' Report.

Basis of opinion

We conducted our examination in accordance with Auditing Guideline 'The auditor's statement on the summary financial statement' adopted by the Auditing Practices Board. Our report on the Group's full financial statements describes the basis of our audit opinion on those financial statements.

Opinion

In our opinion the Summary Financial Statement is consistent with the full financial statements and Directors' Report of Bunzl plc for the year ended 31 December 1996 and complies with the requirements of Section 251 of the Companies Act 1985 and the regulations made thereunder.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London
17 March 1997

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

Summary Five Year Review

	1996 £m	1995 £m	Before goodwill 1994 £m	Goodwill* 1994 £m	Total 1994 £m	1993 £m	1992 £m
Sales							
Continuing operations	**1,579.7**	1,506.5	1,309.1		1,309.1	1,082.1	890.9
Discontinued operations	**216.7**	252.0	313.1		313.1	437.4	419.1
Total sales	**1,796.4**	1,758.5	1,622.2		1,622.2	1,519.5	1,310.0
Operating profit							
Continuing operations	**115.6**	104.6	82.7		82.7	61.2	50.9
Discontinued operations	**0.1**	4.2	4.2		4.2	3.0	6.4
Total operating profit	**115.7**	108.8	86.9		86.9	64.2	57.3
Profit on ordinary activities before interest	**115.7**	108.8	86.9	(84.7)	2.2	65.3	51.7
Profit/(loss) on ordinary activities before taxation	**113.5**	106.2	79.8	(84.7)	(4.9)	55.8	40.4
Profit/(loss) on ordinary activities after taxation	**73.8**	68.7	51.8	(84.7)	(32.9)	35.3	23.5
Profit/(loss) for the financial year	**72.9**	67.5	50.9	(84.7)	(33.8)	34.3	22.8
Earnings per share	**16.4p**	15.5p			(8.0)p	8.3p	5.6p
Adjusted earnings per share	**16.4p**	15.5p			12.0p	8.3p	5.6p
Dividends per share	**6.3p**	5.8p			5.0p	4.1p	4.0p

* Goodwill 1994: The charge of £84.7m comprised £49.7m of goodwill relating to past acquisitions that was considered irrecoverable by the directors and was eliminated and £35.0m loss on sale of discontinued operations made up of elimination of goodwill less a small premium on net asset value.

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Designed and produced by
Arnatt Abrey Associates
Management photography by
Julian Calder and **James Visser**
Location photography by
Michael Harding
Studio photography by
Ian McKinnell
Printed by
Fulmar