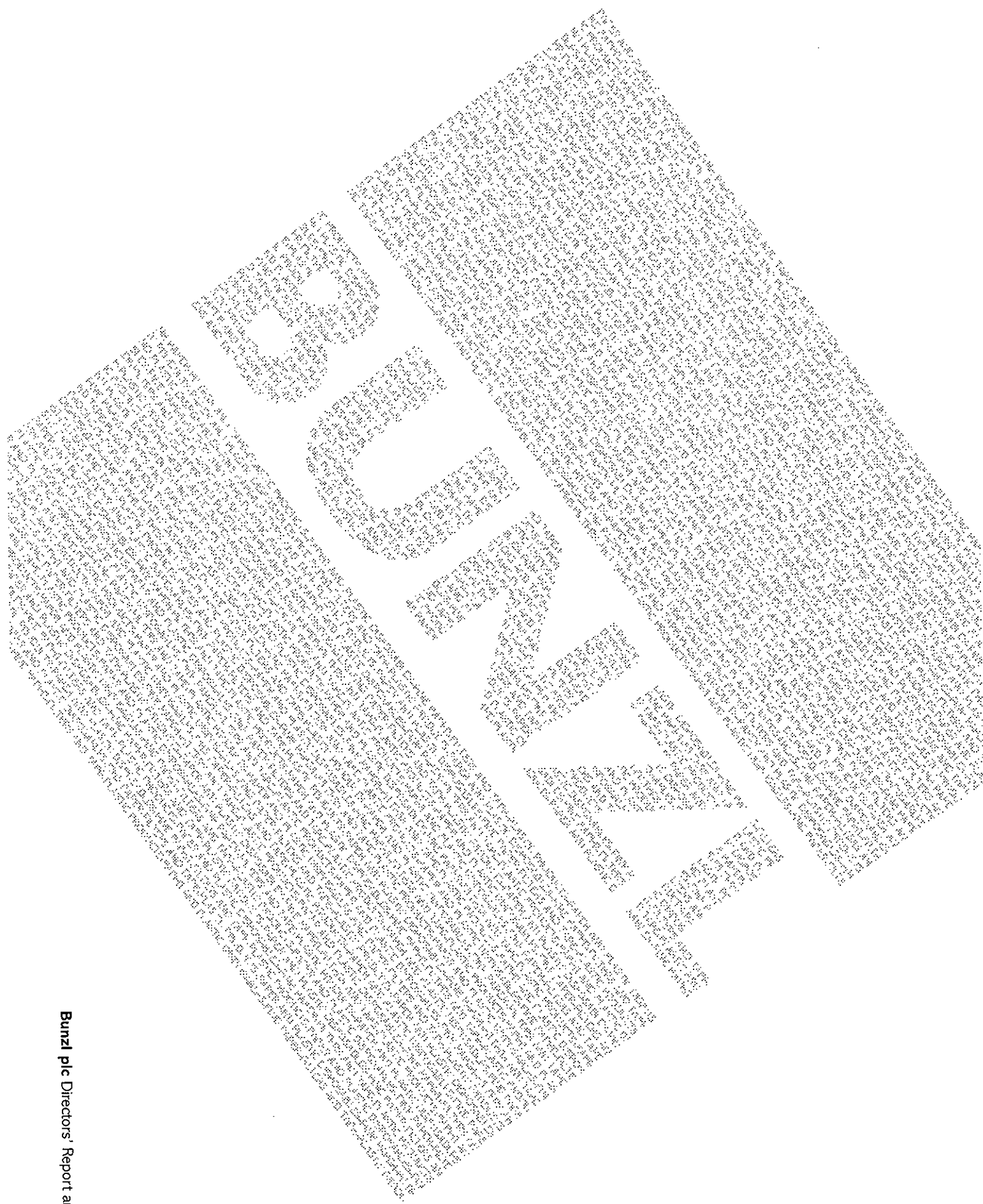




The directors have pleasure in submitting their report and the audited financial statements of the Company and its subsidiary undertakings for the year ended 31 December 1996.

Principal activities and developments

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

Results

A summary of the results of the Group is set out in the Chairman's Statement. Note 1 to the financial statements sets out a segmental analysis of trading results. A financial review of the year is set out on pages 20 and 21 of the Annual Review and Summary Financial Statement.

Going concern

The directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors believe it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

Dividends

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

31 December 1995. Dividend details are given in Note 5 to the financial statements. Subject to confirmation by the shareholders at the

Annual General Meeting on 21 May 1997, the final dividend will be paid on 1 July 1997 to those shareholders on the register at the close of business on 1 April 1997. It is again proposed to offer a scrip alternative to shareholders in respect of the final dividend. Full details are set out in a separate letter from the Chairman to shareholders.

Share capital

Details of the Company's share capital including shares issued during the year are set out in Note 17 to the financial statements.

Purchase of own shares

The Company has not purchased any of its own shares pursuant to the existing authority which is due to expire at the conclusion of the forthcoming Annual General Meeting. The directors again propose to seek a renewal of this authority for a further year.

Directors

With the exception of Mr J G Bason, all of the current directors, who are named on page 23 of the Annual Review and Summary Financial Statement, 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 in Note 21 to the financial statements. None of the directors was materially interested

in any contract of significance with the Company or any of its subsidiary undertakings during or at the end of 1996.

Information relating to the directors' remuneration for the year and details of the directors' share options under the Company's share option schemes and awards under the Company's Long Term Incentive Plan and Share Partnership Plan are set out in the Report of the Remuneration Committee on pages 29 to 33.

Research and development

It is the Group's policy to commit sufficient funds to enable it to keep abreast of all relevant product, process, market and system developments in the fields in which it operates.

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 a statement of business standards with which it expects its employees to comply. Bunzl encourages involvement of 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 which provides a variety of information on activities and developments within the Group and incorporates an annual financial report, newsletters 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 aptitude and abilities. Employees who become disabled during their working life will be retained in employment wherever possible and given help with rehabilitation or training.

Substantial shareholdings

As at 17 March 1997 the directors have been notified by the following shareholders that they are 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 from the named shareholders.

Shareholder	Date of notification	% of issued share capital
Mercury Asset Management (including non-material interests)	7.3.97	11.96
Scottish Widows	26.6.96	5.15
Threadneedle Investment Managers (B.A.T)	24.2.97	3.87
Prudential Corporation	17.12.96	3.71

Internal financial control

The directors acknowledge that they have overall responsibility for the Group's system of internal financial control. Such a system can provide only reasonable and not absolute assurance against material misstatement or loss.

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. 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

financial control appropriate to the business environments in which the Group operates. The principal features of this system include:

- a tiered management structure with clearly defined lines of responsibility and delegation of authority to the appropriate level of management;
- clearly defined authorisation procedures for capital investments and acquisitions;
- strategic plans which are prepared and submitted annually by the business areas and approved by the Board;
- comprehensive budgets prepared annually by the business areas and approved by the Board;
- a formal code of business standards based on honesty, integrity and fair dealing;
- a well established consolidation and reporting system for the statutory accounts and monthly management accounts;
- a detailed procedures manual covering treasury operations.

Some of the procedures carried out in order to monitor the effectiveness of the internal financial control system are listed below:

- an Executive Committee, consisting of the executive directors and other functional managers, meets twice per month;
- central management holds quarterly meetings with business area management to discuss strategic, operational and financial issues;
- 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 departments periodically review individual businesses and procedures, make recommendations to improve controls and follow up to ensure that management implement the recommendations made. The internal audit departments' work is determined on a risk assessment basis and their findings are reported to Group and business area management;

- the external auditors are engaged to express an opinion on the financial statements. They review and test the system of internal financial control and the data contained in the financial statements to the extent necessary for expressing their opinion;

- every six months the Audit Committee, which is chaired by Mr L C McQuade, a non-executive director, reviews the findings of the external and internal auditors and approves the future work plans of the internal audit departments;

- regular meetings are held with insurance and risk advisers to assess the risks throughout the Group;

- 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 financial control in operation during 1996.

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.

The Company's auditors, KPMG Audit Plc, have confirmed that in their opinion, with respect to the directors' statements on internal financial control on page 2 and going concern on page 1, the directors have provided the disclosures required by the Listing Rules of the London Stock Exchange and such statements are not inconsistent with the information of which they are aware from their audit work on the financial statements and that the directors' statement above appropriately reflects the Company's compliance with the paragraphs of the Cadbury Code of Best Practice specified by the Listing Rules for their review. They have carried out their review in accordance with the relevant guidance issued by the Auditing Practices Board, which does not require them to perform any additional work necessary to express a separate opinion on the effectiveness of either the Group's system of internal financial control or the Company's corporate governance procedures, or on the ability of the Group to continue in operational existence.

Environment policy

The Company is committed to ensuring that all its operating companies comply with environmental legislation and regulation as applicable in the legal jurisdictions in which they operate. Group companies also seek, within reasonable economic means, to play a positive role in environmental matters and to associate themselves with appropriate initiatives designed to help support this commitment.

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 payments to suppliers are made in accordance with those terms, provided that suppliers also comply with all relevant terms and conditions.

Donations

During 1996, among other worldwide charitable donations, the Group contributed £144,000 to UK charities (1995: £138,000). No contributions were made for political purposes.

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

P N Hussey

Secretary
17 March 1997



Consolidated Profit and Loss Account

		Notes	£m	£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		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	1,2		115.7	108.8
Net interest payable		3	(2.2)	(2.6)
Profit on ordinary activities before taxation			113.5	106.2
Taxation on profit on ordinary activities		4	(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		5	(28.1)	(25.7)
Retained profit			44.8	41.8
Earnings per share				
		6	16.4p	15.5p
Dividends per share		5	6.3p	5.8p

Movements on consolidated reserves are shown in Notes 8 and 18. The Accounting Policies and Notes on pages 9 to 27 form part of these financial statements.

at 31 December 1996

Notes 1996 1995
£m £m

Consolidated Balance Sheet

Fixed assets

Tangible assets

Associated undertakings

Investments

Current assets

Stocks

Debtors: amounts receivable within one year

Debtors: amounts receivable after more than one year

Investments

Cash at bank and in hand

Current liabilities

Creditors: amounts falling due within one year

Net current assets

Total assets less current liabilities

Creditors: amounts falling due after more than one year

Provisions for liabilities and charges

Net assets

Capital and reserves

Called up share capital

Share premium account

Revaluation reserve

Merger reserve

Profit and loss account

Attributable share of associated undertakings' reserves

Shareholders' funds: equity interests

Minority equity interests

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

A J Habgood

J G Bason

Consolidated Cash Flow Statement

		for the year ended 31 December 1996	
		Notes	
		1996 £m	1995 £m
Net cash inflow from operating activities		25	155.7
			104.8
Returns on investments and servicing of finance			
Interest received		0.7	1.5
Interest paid		(3.3)	(5.4)
Dividends paid to minority shareholders		(0.5)	(0.8)
Other movements		0.3	(1.7)
Net cash outflow for returns on investments and servicing of finance		(2.8)	(6.4)
Tax paid		(38.0)	(37.2)
Capital expenditure			
Purchase of tangible fixed assets		(37.6)	(32.1)
Sale of tangible fixed assets		4.8	4.8
Net cash outflow for capital expenditure		(32.8)	(27.3)
Acquisitions and disposals			
Purchase of businesses	27	(78.8)	(6.3)
Other acquisition and disposal effects		(3.6)	(2.9)
Net cash outflow for acquisitions and disposals		(82.4)	(9.2)
Equity dividends paid		(24.3)	(20.7)
Net cash (outflow)/inflow before use of liquid resources and financing		(24.6)	4.0
Management of liquid resources*		(0.9)	1.3
Financing			
(Decrease)/increase in short term loans		(5.0)	17.5
Increase/(decrease) in long term loans		35.4	(20.4)
Decrease in finance leases		(0.1)	-
Shares issued for cash		2.7	5.0
Net cash inflow from financing		33.0	2.1
Increase in cash		7.5	7.4

* Liquid resources consist of term deposits not repayable on demand.

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.

Statement of Total Recognised Gains and Losses

	Consolidated	
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

Note of Historical Cost Profits and Losses

	Consolidated	
for the year ended 31 December 1996	1996 £m	1995 £m
Reported profit on ordinary activities before taxation	113.5	106.2
Revaluation reserve movement on disposal of properties	0.7	(3.4)
Adjustment of depreciation to historical cost basis	0.2	0.2
Historical cost profit on ordinary activities before taxation	114.4	103.0
Historical cost profit for the year retained after taxation, minority interests and dividends	45.7	38.6

Reconciliation of Movements in Shareholders' Funds

	Consolidated	
for the year ended 31 December 1996	1996 £m	1995 £m
Profit for the financial year	72.9	67.5
Dividends paid and proposed	(28.1)	(25.7)
Goodwill transferred to the profit and loss account from the merger reserve	–	(0.7)
Net transfer to reserves from the profit and loss account	44.8	41.1
Scrip dividend adjustment	1.2	0.7
Goodwill written off on acquisitions	(66.7)	(4.0)
Issue of share capital	3.9	29.9
Currency translation and other movements	(8.5)	1.1
Net (deduction)/addition to shareholders' funds	(25.3)	68.8
Opening shareholders' funds	312.7	243.9
Closing shareholders' funds	287.4	312.7

Company Balance Sheet

	at 31 December 1996	Notes	1996 £m	1995 £m
Fixed assets				
Tangible assets	7		9.0	8.8
Investments	9		174.0	97.9
			183.0	106.7
Current assets				
Debtors: amounts receivable within one year	11		287.6	274.6
Debtors: amounts receivable after more than one year	11		19.6	104.8
			307.2	379.4
Current liabilities				
Creditors: amounts falling due within one year	13		(54.4)	(66.3)
Net current assets			252.8	313.1
Total assets less current liabilities			435.8	419.8
Creditors: amounts falling due after more than one year	14		–	(5.1)
Provisions for liabilities and charges	16		(8.5)	(9.4)
Net assets			427.3	405.3
Capital and reserves				
Called up share capital	17		111.9	111.1
Share premium account	18		30.5	28.2
Revaluation reserve	18		0.5	0.5
Special reserve	18		177.2	177.2
Profit and loss account	18		107.2	88.3
Shareholders' funds: equity interests			427.3	405.3

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

The Accounting Policies and Notes on pages 9 to 27 form part of these financial statements.

a Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, and have been prepared in accordance with applicable UK accounting standards. In order to give a true and fair view, the provisions of the Companies Act 1985 have been departed from as described in Note 18 to the financial statements.

b Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of the Company and its subsidiary undertakings at 31 December 1996 and their results for the periods during 1996 in which they were part of the Group. The consolidated financial statements include the Group's share of the results and net assets of associated undertakings owned during the financial year. Associated undertakings are those in which the Group holds a substantial shareholding and over which it is able to exercise significant influence.

c Goodwill

Goodwill, being the excess of the costs of businesses acquired over the fair value of their net tangible assets, is fully written off against the merger reserve on acquisition. In determining the profit or loss on disposal of a business, any goodwill on acquisition, net of goodwill eliminated through the profit and loss account as a result of any permanent diminution in value, is transferred to the profit and loss reserve from the merger reserve through the profit and loss account.

d Investments in subsidiary undertakings

Where the merger relief provisions of the Companies Act 1985 apply, investments of the Company are accounted for on the basis of the nominal value of shares issued as purchase consideration.

e Discontinued operations

A business is classified as a discontinued operation if it is clearly distinguishable, has a material effect on the nature and focus of the Group's activities, represents a material reduction in the Group's operating facilities and either its sale is completed or, if a closure, its former activities have ceased permanently prior to the approval of the financial statements.

f Foreign currencies

The results of overseas subsidiary and associated undertakings have been translated into pounds sterling at average exchange rates. Assets and liabilities denominated in foreign currencies have been translated at year end exchange rates, except where a forward exchange contract has been arranged when the contracted rate is used.

Exchange differences on the retranslation of opening net worth in overseas subsidiary and associated undertakings, net of related foreign currency borrowings and foreign currency hedging contracts, together with differences arising from the use of average and year end exchange rates, have been taken to reserves. Other exchange differences are taken to the profit and loss account.

g Fixed assets

Freehold and leasehold land and buildings are included at cost or valuation on an open market existing use basis, prepared at regular intervals by qualified valuers, less accumulated depreciation. All other assets are included at historical cost, less accumulated depreciation. The profit or loss on sale of tangible fixed assets is calculated by reference to the carrying value of the assets.

h Depreciation

Fixed assets are depreciated over their estimated remaining useful lives at the following annual rates applied to original cost or subsequent valuation less estimated residual value:

Buildings	2% or life of lease if shorter
Plant and machinery	10 - 20%
Fixtures, fittings and equipment	10 - 25%

Depreciation is not provided on freehold land.

i Leases

Where the Group 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 fixed tangible asset and depreciated over the shorter of the estimated useful life or the term of the lease. All other leases are treated as operating leases and the rentals are charged to the profit and loss account as incurred.

j Sales

Sales are net sales invoiced to third parties, excluding inter company transactions, sales by associated undertakings and sales taxes.

k Stocks

Stocks are valued at the lower of cost (on a first in, first out basis) and net realisable value. For work-in-progress and finished goods, cost includes an appropriate proportion of labour and overheads.

l Deferred taxation

Deferred taxation arises from differences in the treatment of certain items for accounting and taxation purposes and is accounted for on the liability method. Provision is made to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

m Pension benefits

The Group operates both defined benefit and defined contribution pension schemes throughout the world. The funds of the principal schemes are administered by trustees, are held independently from the Group and are not included in the financial statements. Contributions paid to defined benefit schemes operated by the Group are based upon the recommendations of qualified actuaries and are charged against profits on a systematic basis over the expected remaining service lives of participating employees. Independent actuarial valuations of defined benefit schemes are made approximately every three years. Contributions paid to defined contribution schemes are charged to the profit and loss account in the period in which they arise.

Notes to the Financial Statements

1. Segmental analysis

	Sales		Operating profit		Net operating assets	
	1996 £m	1995 £m	1996 £m	1995 £m	1996 £m	1995 £m
Continuing operations						
Paper and Plastic Disposables	949.9	883.2	69.8	61.0	113.8	119.3
Fine Paper	339.2	369.4	20.4	24.1	96.7	104.7
Filters and Tape	169.4	137.6	20.9	15.0	60.6	49.7
Plastic Products	121.2	116.3	15.0	14.3	74.9	64.3
Corporate activities			(10.5)	(9.8)	18.7	18.5
	1,579.7	1,506.5	115.6	104.6	364.7	356.5
Discontinued operations	216.7	252.0	0.1	4.2	41.5	62.0
	1,796.4	1,758.5	115.7	108.8	406.2	418.5
Country of operation						
UK	477.9	426.3	36.6	29.0	159.5	142.4
Rest of Europe	273.0	311.8	6.3	10.5	62.4	85.0
US	934.1	921.9	72.5	68.7	126.8	138.7
Rest of the world	111.4	98.5	10.8	10.4	38.8	33.9
Corporate activities			(10.5)	(9.8)	18.7	18.5
	1,796.4	1,758.5	115.7	108.8	406.2	418.5
Geographical market supplied						
UK	420.3	366.3				
Rest of Europe	297.6	332.8				
US	950.3	942.9				
Rest of the world	128.2	116.5				
	1,796.4	1,758.5				

Reconciliation to consolidated balance sheet

Net operating assets as above	406.2	418.5
Interest bearing cash and investments	22.0	17.3
Interest bearing debt (Note 15)	(78.1)	(59.1)
Dividends and corporate taxes (Notes 11 and 13)	(42.2)	(37.5)
Provisions for deferred taxation and discontinued operations (Note 16)	(15.9)	(20.9)
Net assets	292.0	318.3

2. Net operating charges

Operating profit is stated after net operating charges of £1,680.7m (1995: £1,649.7m)

analysed as follows:

	Existing businesses 1996 £m	Acquisitions 1996 £m	Discontinued operations 1996 £m	Total 1996 £m	Existing businesses 1995 £m	Discontinued operations 1995 £m	Total 1995 £m
Changes in stock of finished goods and work-in-progress	(4.3)	(0.6)	(3.1)	(8.0)	10.0	4.4	14.4
Purchases of finished goods and goods for resale	942.1	35.2	182.3	1,159.6	960.3	203.8	1,164.1
Raw materials and consumables	153.6	7.4	–	161.0	112.7	–	112.7
Own work capitalised	(0.6)	–	–	(0.6)	(1.5)	–	(1.5)
Staff costs (Note 23)	185.6	10.0	22.9	218.5	176.2	23.0	199.2
Depreciation	18.4	0.8	2.0	21.2	17.5	2.2	19.7
Auditors' remuneration for statutory audit	1.2	–	0.1	1.3	1.3	0.2	1.5
Hire of plant and machinery and operating lease costs	8.7	1.1	0.7	10.5	10.0	0.8	10.8
Property rentals	15.6	0.6	2.2	18.4	15.5	2.0	17.5
Share of profits of associated undertakings	(4.0)	–	–	(4.0)	(4.0)	–	(4.0)
Other operating expenses	87.8	6.2	9.6	103.6	104.4	11.6	116.0
Profit on sale of fixed assets	(0.7)	–	(0.1)	(0.8)	(0.5)	(0.2)	(0.7)
Net operating charges	1,403.4	60.7	216.6	1,680.7	1,401.9	247.8	1,649.7

Fees for non-audit work performed by the Company's auditors and their associates were £0.3m (1995: £0.4m) for the Company and its UK subsidiary undertakings and £0.2m (1995: £0.3m) for its non-UK subsidiary undertakings.

3. Net interest payable

	Consolidated 1996 £m	Consolidated 1995 £m
Interest receivable		
On bank deposits and unlisted investments	1.7	1.8
Total interest receivable	1.7	1.8
Interest payable		
On loan capital, bank loans, overdrafts and other borrowings:		
repayable within five years, not by instalments	(3.1)	(3.2)
repayable within five years, by instalments	(0.2)	(0.2)
repayable wholly or partly in more than five years	(0.6)	(1.0)
Total interest payable	(3.9)	(4.4)
Net interest payable	(2.2)	(2.6)

Notes to the Financial Statements

continued

4. Taxation

	1996 £m	1995 £m
Consolidated UK corporation tax at 33% (1995: 33%)	11.5	10.4
Overseas taxes	26.8	27.9
Credit for overseas tax	(0.7)	(0.9)
Associated undertakings	2.0	1.7
Deferred taxation transfers: accelerated capital allowances	(0.2)	(0.3)
pension arrangements and other timing differences	0.2	(1.4)
Total taxation for year	39.6	37.4
Credited to other reserves	0.1	0.1
Taxation on profit on ordinary activities	39.7	37.5

Deferred taxation not accounted for in the year is £1.5m (1995: £0.4m) in respect of accelerated capital allowances and £nil (1995: £(1.1)m) in respect of other timing differences.

5. Dividends paid and proposed

	Per share 1996 1995	1996 £m	Total 1995 £m
Interim paid 2 January 1997	2.2p	2.0p	9.8
Proposed final payable 1 July 1997	4.1p	3.8p	18.3
	6.3p	5.8p	28.1
			25.7

6. Earnings per share

	1996	1995
Earnings per share calculated by dividing earnings of £72.9m (1995: £67.5m) by 445,388,426 (1995: 435,835,744), the weighted average of ordinary shares in issue:	16.4p	15.5p

The dilution in earnings per share, after taking account of the exercise of all outstanding options, would be less than 5%.

7. Tangible assets

	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
Consolidated:				
Cost or valuation				
Beginning of year	73.2	150.1	48.6	271.9
Acquisitions less divestments	0.9	6.1	0.7	7.7
Additions	2.4	21.0	14.2	37.6
Disposals and adjustments	(3.6)	(3.6)	(5.8)	(13.0)
Currency translation movement	(6.6)	(11.0)	(3.7)	(21.3)
End of year	66.3	162.6	54.0	282.9
Depreciation				
Beginning of year	10.5	83.7	31.2	125.4
Acquisitions less divestments	–	1.2	0.1	1.3
Charge in year	2.0	13.2	6.0	21.2
Disposals and adjustments	(0.4)	(4.9)	(3.6)	(8.9)
Currency translation movement	(1.1)	(6.7)	(2.4)	(10.2)
End of year	11.0	86.5	31.3	128.8
Net book value at 31 December 1996				
	55.3	76.1	22.7	154.1
Net book value at 31 December 1995	62.7	66.4	17.4	146.5

The net book value of fixed assets includes assets held under finance leases and hire purchase contracts totalling £0.4m (1995: £0.3m).
Accumulated depreciation of these assets amounts to £2.0m (1995: £1.3m).

The net book value of fixed assets at 31 December 1996 comprised:

	Land £m	Freehold buildings £m	Long leasehold £m	Short leasehold £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
Consolidated:							
At cost	4.4	8.7	4.9	5.3	162.6	54.0	239.9
At valuation in 1992	15.0	24.7	2.5	0.8	–	–	43.0
Cost or valuation	19.4	33.4	7.4	6.1	162.6	54.0	282.9
Depreciation	(0.1)	(4.6)	(3.5)	(2.8)	(86.5)	(31.3)	(128.8)
Net book value at 31 December 1996	19.3	28.8	3.9	3.3	76.1	22.7	154.1

Notes to the Financial Statements

continued

7. Tangible assets continued

The historical cost and the related depreciation of the tangible fixed assets are:

	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
Historical cost	70.7	162.6	54.0	287.3
Depreciation	(19.7)	(86.5)	(31.3)	(137.5)
Net book value at 31 December 1996	51.0	76.1	22.7	149.8
Net book value at 31 December 1995	53.1	66.4	17.4	136.9

	1996 £m	1995 £m
Future capital expenditure		
Commitments not provided for	2.7	4.0
Expenditure authorised but not contracted for	2.6	4.0
	5.3	8.0

	Land £m	Freehold buildings £m	Short leasehold £m	Fixtures, fittings and equipment £m	Total £m
Bunzl plc:					
Cost or valuation					
Beginning of year	6.8	1.5	0.4	0.5	9.2
Additions	-	0.1	-	0.4	0.5
End of year	6.8	1.6	0.4	0.9	9.7

Depreciation					
Beginning of year	-	-	0.1	0.3	0.4
Charge in year	-	0.1	-	0.2	0.3
End of year	-	0.1	0.1	0.5	0.7
Net book value at 31 December 1996	6.8	1.5	0.3	0.4	9.0
Net book value at 31 December 1995	6.8	1.5	0.3	0.2	8.8

8. Associated undertakings

	Consolidated	
	1996 £m	1995 £m
Share of post-acquisition reserves at beginning of year	8.9	7.5
Share of current year profit after taxation	2.0	2.3
Dividends paid in year	(0.7)	(0.9)
Transfer of associate's reserves on becoming a subsidiary	–	(0.2)
Currency translation and other movements	(0.9)	0.2
Share of post-acquisition reserves at end of year	9.3	8.9
Cost of investments	0.9	0.9
Investment in associated undertakings	10.2	9.8

The principal associated undertaking is shown on page 27. All associated undertakings were unlisted in 1996.

9. Investments held as fixed assets

Consolidated:	Own shares £m	Unlisted £m	Listed £m	Total £m
Beginning of year at cost less provisions	0.3	2.7	0.3	3.3
Movements	0.5	0.2	(0.3)	0.4
End of year at cost less provisions	0.8	2.9	–	3.7

Own shares are ordinary shares of the Company held by the Group in an employee benefit trust. The purpose of this trust is to hold shares in the Company for subsequent transfer to certain senior employees and the executive directors under the Long Term Incentive Plan and the Share Partnership Plan, details of which are set out in the Report of the Remuneration Committee on pages 29 to 33.

The assets, liabilities and expenditure of the trust have been incorporated in the Group's financial statements. At 31 December 1996 the trust held 935,269 (1995: 492,836) shares, upon which dividends have been waived, with an aggregate nominal value of £0.2m (1995: £0.1m) and a market value of £2.2m (1995: £1.0m).

At 31 December 1996 the market value of investments listed on overseas stock exchanges was £nil (1995: £0.3m).

Notes to the Financial Statements

continued

9. Investments held as fixed assets continued

	Own shares £m	Investments in subsidiary undertakings £m	Total £m
Bunzl plc:			
Beginning of year at cost less provisions	0.3	97.6	97.9
Additions	0.2	75.9	76.1
End of year at cost less provisions	0.5	173.5	174.0

The investments in subsidiary undertakings at 31 December 1996 are stated net of provisions of £3.5m (1995: £3.4m). Principal subsidiary undertakings are listed on page 27.

10. Stocks

	Consolidated 1996 £m	1995 £m
Raw materials and consumables	23.9	13.7
Work-in-progress	3.3	3.3
Finished goods and goods for resale	119.8	143.7
	147.0	160.7

11. Debtors

	Bunzl plc 1996 £m	1995 £m	Consolidated 1996 £m	1995 £m
Amounts receivable within one year	0.7	0.2	240.0	239.1
Trade debtors				
Amounts owed by subsidiary undertakings	286.1	274.0		
Other debtors	0.1	–	15.9	11.5
Prepayments and accrued income	0.6	0.4	18.0	16.5
Corporate taxes	0.1	–	8.1	6.0
	287.6	274.6	282.0	273.1

Amounts receivable after more than one year				
Amounts owed by subsidiary undertakings	4.4	86.9		
Pension fund prepayment	10.2	12.3	14.5	16.7
Advance corporation tax recoverable	5.0	4.3	–	–
Other debtors	–	1.3	1.1	2.3
Corporate taxes	–	–	0.2	0.2
	19.6	104.8	15.8	19.2
	307.2	379.4	297.8	292.3

12. Investments held as current assets

	Consolidated	
	1996 £m	1995 £m
Short term deposits		
With an original maturity of less than 90 days	15.0	10.5
With an original maturity of more than 90 days	-	0.5
	15.0	11.0

13. Creditors

	Bunzl plc		Consolidated	
	1996 £m	1995 £m	1996 £m	1995 £m
Amounts falling due within one year	5.0	19.7	18.2	28.9
Loans and overdrafts (Note 15)	-	-	0.1	0.4
Payments received on account	0.1	0.1	154.9	133.1
Trade creditors	12.1	11.1		
Amounts owing to subsidiary undertakings	28.1	25.7	28.1	25.7
Dividends proposed	7.0	6.4	22.4	18.0
Corporate taxes	0.2	0.4	5.2	7.9
Other taxation and social security contributions	-	-	11.1	8.9
Other creditors	1.9	2.9	32.2	35.6
Accruals and deferred income	54.4	66.3	272.2	258.5

14. Creditors

	Bunzl plc		Consolidated	
	1996 £m	1995 £m	1996 £m	1995 £m
Amounts falling due after more than one year	-	5.1	59.9	30.2
Loans (Note 15)	-	-	0.2	0.2
Accruals and deferred income	-	5.1	60.1	30.4

Notes to the Financial Statements

continued

15. Loans and overdrafts

	Bunzl plc				Consolidated	
	1996 £m	1995 £m	1996 £m	1995 £m		
Falling due after more than one year						
Wholly repayable within five years	-	0.1	15.6	23.7		
Wholly repayable in more than five years	-	-	43.3	-		
Repayable by instalments						
Instalments due within five years	-	5.0	0.6	5.7		
Instalments due after more than five years	-	-	0.3	0.7		
	-	5.0	0.9	6.4		
	-	-	0.1	0.1		
Obligations under finance leases						
Loans falling due after more than one year	-	5.1	59.9	30.2		
Loans falling due within one year	5.0	19.7	18.2	28.9		
Total loans and overdrafts	5.0	24.8	78.1	59.1		
The total borrowings are repayable:						
within one year	5.0	19.7	18.2	28.9		
between one and two years	-	5.1	1.0	6.1		
between two and five years	-	-	15.3	23.4		
after more than five years	-	-	43.6	0.7		
	5.0	24.8	78.1	59.1		
Obligations under finance leases included above are repayable:						
within one year	-	-	0.1	0.2		
between one and five years	-	-	0.1	0.1		
	-	-	0.2	0.3		

The aggregate of bank loans and overdrafts is £77.7m (1995: £58.6m). Loans amounting to £3.8m (1995: £2.2m) are secured by either fixed or floating charges on various assets of the relevant companies.

The bank loans are drawn for various periods and at various interest rates linked to US dollar LIBOR. Bank loans of £57.3m which are repayable within one year have been drawn under committed facilities and can be refinanced on maturity from these same facilities. Accordingly, dependent upon the term of the relevant facility under which they have been drawn, £14.0m of these loans has been classified as repayable between two and five years and £43.3m has been classified as repayable after more than five years.

16. Provisions for liabilities and charges

	Bunzl plc			Consolidated	
	1996 £m	1995 £m	1996 £m	1995 £m	
Pensions	–	–	0.9	1.6	
Discontinued operations	3.1	3.6	6.7	8.8	
Deferred taxation (Note 19)	1.4	1.5	9.2	12.1	
Other	4.0	4.3	7.3	7.0	
	8.5	9.4	24.1	29.5	
Movements	Consolidated				
Beginning of year	1.6	8.8	12.1	7.0	29.5
Charge/(release) in year	0.1	(0.3)	–	0.6	0.4
Acquired/(disposed)	–	–	(0.6)	2.2	1.6
Amounts utilised or transferred in year	(0.7)	(1.3)	(1.8)	(2.4)	(6.2)
Currency translation movement	(0.1)	(0.5)	(0.5)	(0.1)	(1.2)
End of year	0.9	6.7	9.2	7.3	24.1

17. Share capital

Authorised: 680 million (1995: 550 million) ordinary shares of 25p each	1996 £m	1995 £m
Issued and fully paid ordinary shares of 25p each	170.0	137.5
	111.9	111.1

Number of ordinary shares in issue

Beginning of year	444,324,142	425,623,093
Issued during year:		
acquisitions	552,187	–
loan stock conversion	–	13,687,481
option exercises	2,135,587	4,630,073
scrip dividends	653,623	383,495
End of year	447,665,539	444,324,142

Details of share options granted and exercised during 1996 and those outstanding at 31 December 1996 under the Company's Savings Related Share Option Scheme (1981), the Sharesave Scheme (1991), the Senior Executive Share Option Scheme, the Executive Share Option Scheme (No.2) and the 1994 Executive Share Option Scheme are set out in the following table:

Notes to the Financial Statements

continued

17. Share capital continued

	1996 Grants		1996 Exercises		Options outstanding at 31.12.96	
	Number	Price (p)	Number	Price (p)	Number	Price (p)
Savings Related Scheme (1981)			5,450	68	209,050	68-103
Sharesave Scheme (1991)	1,016,400	173-190	330,492	72-167	4,145,580	72-190
Senior Executive Scheme			269,117	111-147	-	-
Executive Scheme (No.2)			1,501,528	84-169	5,347,651	84-169
1994 Executive Scheme	2,336,000	236-239	29,000	212	4,524,263	170-239
	3,352,400		2,135,587		14,226,544	

The outstanding options are exercisable at various dates up to September 2006.

18. Movements on reserves

	Share Premium account £m	Revaluation reserve £m	Merger reserve £m	Profit and loss account £m
Consolidated:				
Beginning of year	28.2	9.6	91.6	63.3
Premium on share issues and on exercise of share options	2.5			
Scrip dividend adjustment	(0.2)			1.4
Revaluation reserve movement on disposal of properties		(0.7)		0.7
Goodwill written off on acquisitions			(66.7)	-
Merger relief			0.6	
Dividends from associated undertakings				0.7
Transfers	-	(0.2)	-	0.2
Currency translation movement		(0.9)		(6.7)
Retained profit (excluding associated undertakings)				42.8
End of year	30.5	7.8	25.5	102.4

As at 31 December 1996 the cumulative amount of goodwill written off to reserves in respect of acquisitions, net of goodwill attributable to subsidiary undertakings disposed of, was £206.7m (1995: £140.0m) and has been written off directly to the merger reserve.

Included within the merger reserve is £177.2m, being the special reserve of the Company. The £0.6m movement reflects the availability of merger relief on the acquisition of Alpha Supplies Ltd.

Currency profits/(losses) of £0.2m (1995: £(0.2)m) relating to foreign currency exchange contracts and borrowings to finance investment overseas have been included within the currency translation movement in the profit and loss account.

18. Movements on reserves continued

	Share premium account £m	Revaluation reserve £m	Special reserve £m	Profit and loss account £m
Bunzl plc:				
Beginning of year	28.2	0.5	177.2	88.3
Premium on share issues and on exercise of share options	2.5			
Scrap dividend adjustment	(0.2)			1.4
Loss for year before dividends receivable				(0.7)
Dividends receivable from subsidiary undertakings				45.9
Dividends paid and proposed				(28.1)
Other movements				0.4
End of year	30.5	0.5	177.2	107.2

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.

As permitted under paragraph 15 of Schedule 4 to the Companies Act 1985, the directors consider it appropriate to depart from paragraph 12(a) of Schedule 4 to the Companies Act 1985, having implemented SSAP24 – 'Accounting for Pension Costs'. As a result, cumulative unrealised profits of £6.9m (1995: £8.3m) relating to pension costs have been included in the profit and loss account. This amount is not considered to be distributable.

The special reserve arose from the cancellation of the share premium account in 1987 and 1988 and at the present time is not considered to be distributable.

19. Deferred taxation

	Bunzl plc		Consolidated	
	1996 £m	1995 £m	1996 £m	1995 £m
Accelerated capital allowances	–	–	4.4	5.3
Pension provisions and other timing differences	3.4	3.8	11.8	13.4
Advance corporation tax recoverable	(2.0)	(2.3)	(7.0)	(6.6)
	1.4	1.5	9.2	12.1
The potential liability for deferred taxation not provided above is:				
accelerated capital allowances	–	–	3.4	1.9
other timing differences	(0.6)	(0.5)	(2.9)	(2.7)
capital gains on disposal of properties	–	–	6.4	7.5
	(0.6)	(0.5)	6.9	6.7

Deferred taxation has been accounted for in respect of future remittances of the accumulated reserves of overseas subsidiary undertakings to the extent that such distributions are anticipated. No provision has been made for potential corporate taxation on the unrealised revaluation surpluses in respect of properties which are expected to be held for the foreseeable future.

Notes to the Financial Statements

continued

20. Contingent liabilities

	Bunzl plc		Consolidated	
	1996	1995	1996	1995
	£m	£m	£m	£m
Bank guarantees	59.3	25.0	1.8	3.2
Other items	-	-	5.8	7.6

The bank guarantees of the Company of £59.3m (1995: £25.0m) are provided solely on behalf of subsidiary undertakings. Other items principally comprise trade and other guarantees.

21. Directors' ordinary share interests

The interests of the directors at 31 December 1996 in the share capital of the Company were:

		Ordinary shares	
		31.12.96	1.1.96*
Ordinary shares			
A J Habgood	261,314	492,477	
A P Dyer	22,485	22,084	
L C McQuade	12,834	12,497	
D M Williams	60,920	50,149	
P E Cushing	5,500	5,500	
S G Williams	5,135	5,000	
J G Bason	5,000	-	
	373,188	587,707	

* or date of appointment (if later)

The share interests shown above include the non-beneficial interests of Mr A J Habgood in 84,000 ordinary shares and of Mr D M Williams in 1,273 ordinary shares. Details of directors' options over ordinary shares and awards made under the Company's Long Term Incentive Plan and Share Partnership Plan are set out in the Report of the Remuneration Committee on pages 29 to 33. Since 31 December 1996 Mr D M Williams has acquired and subsequently disposed of 265,336 ordinary shares as a result of an exercise of options and Mr A J Habgood, Mr L C McQuade, Mr D M Williams and Mr S G Williams have acquired interests in 172, 117, 557 and 47 ordinary shares respectively as a result of their having elected to take the scrip dividend alternative on 2 January 1997. No other changes to the directors' ordinary share interests shown in this Note and the Report of the Remuneration Committee have taken place between 31 December 1996 and 17 March 1997.

22. Pensions

The Group operates both defined benefit and defined contribution pension schemes throughout the world. The funds of the principal schemes are administered by trustees and are held independently from the Group.

The net pension cost for the Group was £8.9m (1995: £8.4m) of which £7.3m (1995: £6.7m) was in respect of principal defined benefit schemes, which provide benefits based on final pensionable salary, and is assessed in accordance with the advice of independent qualified actuaries.

The actuarial assumptions used in calculating the regular pension cost for the principal UK defined benefit schemes are in line with those used for the funding calculations. The regular pension cost of these schemes is adjusted for the amortisation of the difference between the actuarial surpluses and the prepayment on the balance sheet over the remaining service lives of current employees and is offset by interest arising on the surpluses.

The results of the most recent actuarial valuations of the principal defined benefit schemes were:

	UK	US
Date of most recent valuations	6.4.94	1.1.96
Method used	Projected unit method	Projected unit method
Main funding assumptions:		
Investment return/return on assets per annum	9.0%	~8.0%
Salary increases per annum	6.5%	5.0%
Market value of investments at last valuation date	£58.2m	£8.2m
Level of funding, being the actuarial value of assets expressed as a percentage of the accrued service liabilities after allowing for expected increases in earnings	108-112%	81%

The Group operates other schemes overseas in accordance with local practice and legislation. Some of these schemes are externally funded, while others are internally funded, the amount set aside being included in provisions for liabilities and charges.

Notes to the Financial Statements

continued

23. Directors and employees

The number of persons employed by the Group at 31 December 1996 and the average number employed during the year were:

	1996 Year end	1996 Average	1995 Year end	1995 Average
Paper and Plastic Disposables	3,040	2,835	2,512	2,527
Fine Paper	1,209	1,185	1,190	1,154
Filters and Tape	1,980	1,880	1,710	1,664
Plastic Products	2,107	2,120	2,106	2,157
Corporate activities	61	61	59	61
Continuing operations	8,397	8,081	7,577	7,563
Discontinued operations	737	750	756	747
	9,134	8,831	8,333	8,310

	Continuing operations 1996 £m	Discontinued operations 1996 £m	Total 1996 £m	Continuing operations 1995 £m	Discontinued operations 1995 £m	Total 1995 £m
Consolidated:						
Employee costs						
Wages and salaries	171.4	18.9	190.3	153.0	19.1	172.1
Social security costs	15.4	3.9	19.3	15.0	3.7	18.7
Other pension costs (Note 22)	8.8	0.1	8.9	8.2	0.2	8.4
	195.6	22.9	218.5	176.2	23.0	199.2

	1996 £m	1995 £m
The total emoluments of the directors of the Company included above were:		
Non-executive directors	0.1	0.1
Executive directors:		
remuneration excluding performance related elements	0.8	0.7
performance related elements	0.2	0.3
pension contributions	-	-
	1.1	1.1

More detailed information concerning directors' emoluments is set out in the Report of the Remuneration Committee on pages 29 to 33. The emoluments (excluding direct pension contributions) of the current Chairman (A J Habgood was appointed as Chairman on 1 July 1996) were £304,301 (1995: £nil) and of the previous Chairman (A P Dyer retired as Chairman on 1 July 1996) were £33,000 (1995: £65,244).

24. Operating lease commitments

At 31 December 1996 the Group had the following annual commitments

under non cancellable operating leases:	Land and buildings 1996 £m	Other 1996 £m	Land and buildings 1995 £m	Other 1995 £m
expiring within one year	1.0	1.2	1.9	1.7
expiring between one and five years	4.6	6.8	7.0	5.6
expiring after five years	10.4	0.8	9.3	0.3
	16.0	8.8	18.2	7.6

25. Reconciliation of operating profit to net cash inflow from operating activities

	Existing businesses 1996 £m	Acquisitions 1996 £m	Discontinued operations 1996 £m	Total 1996 £m	Consolidated 1995 £m
Operating profit	107.4	8.2	0.1	115.7	108.8
Adjustments for non-cash items:					
depreciation	18.4	0.8	2.0	21.2	19.7
share of profits of associated undertakings	(4.0)	–	–	(4.0)	(4.0)
others	1.0	–	–	1.0	0.9
Dividend from associate	0.7	–	–	0.7	0.9
Working capital movement:					
stocks	12.7	(7.8)	4.4	9.3	(13.7)
debtors	8.9	(17.5)	4.4	(4.2)	(10.4)
creditors	(2.4)	14.3	4.7	16.6	4.0
Other cash movements	(0.6)	–	–	(0.6)	(1.4)
Net cash inflow from operating activities	142.1	(2.0)	15.6	155.7	104.8

26. Analysis of net debt

	1.1.96 £m	Cash flow £m	Exchange movements £m	31.12.96 £m
Cash in hand and at bank	19.1	13.5	(2.6)	30.0
Overdrafts	(3.2)	(6.0)	0.4	(8.8)
	15.9	7.5	(2.2)	21.2
Debt due within one year	(25.5)	5.0	11.5	(9.0)
Debt due after one year	(30.1)	(35.4)	5.7	(59.8)
Finance leases	(0.3)	0.1	–	(0.2)
	(55.9)	(30.3)	17.2	(69.0)
Current asset investments	5.0	0.9	(0.6)	5.3
Total	(35.0)	(21.9)	14.4	(42.5)

Notes to the Financial Statements

27. Acquisitions

continued

	1996 £m
The fair value of assets and liabilities acquired was:	
Fixed assets	7.0
Stocks	8.2
Debtors	16.7
Creditors	(16.8)
Net bank overdrafts	(3.8)
Provisions for liabilities and charges	(2.2)
Additional minority interest acquired	0.3
Goodwill	9.4
Consideration	66.7
	76.1
Satisfied by:	
Shares allotted	1.1
Cash	75.0
	76.1

The principal acquisitions made during the year and their trading results in the previous financial year and the period up to the date of acquisition were:

	Date acquired	Previous year end	Operating profit in previous financial year £m	Operating profit from previous year end to acquisition date £m
Alpha Supplies Limited	1.5.96	31.3.96	3.5	0.4
P.P. Payne Limited	7.5.96	31.3.96	4.5	0.2

On acquisition the net assets and liabilities of the businesses acquired were accounted for under the acquisition method of accounting and were adjusted to reflect their fair values to the Group. A provision of £1.8m (net of £0.4m deferred tax) was established for future property costs, fixed assets were written down by £0.4m and stock was reduced by £0.4m.

	1996 £m
The net outflow of cash in respect of the acquisition of businesses was:	
Cash consideration	75.0
Net bank overdrafts of businesses acquired	3.8
Net outflow of cash in respect of the acquisition of businesses	78.8

Principal Subsidiary and Associated Undertakings

Subsidiary undertakings	Country of Incorporation
Paper and Plastic Disposables	
ACS Catering Supplies Ltd*	
Alpha Supplies Ltd*	
Bunzl Australia Ltd	Australia
Bunzl Distribution USA Inc	USA
Fine Paper	
Bunzl Fine Paper Ltd*	
G B Goldman Paper Co	USA
The Paper Group Inc (91.9%)	USA
Filters and Tape	
Cigarette Components Ltd	
Filtrona Filter GmbH	Germany
Filtrona International Ltd*	
Filtrona Ltd	
P.P. Payne Ltd*	
Plastic Products	
Bunzl Plastics Inc	USA
Bunzl Plastics Ltd*	
Filtrona Brasileira Industria e Comercio Ltda	Brazil
Corporate activities	
Bunzl Finance plc*	
Bunzl USA Inc	USA
Discontinued operations	
Bunzl Italia SpA*	Italy
Wilhelm Seiler GmbH	Germany
Associated undertakings	
Filters and Tape	
Filtrati SpA (49%)	Italy

The companies named above are the principal subsidiary and associated undertakings of Bunzl plc as at 31 December 1996 and are included in the consolidated financial statements of the Group. They are incorporated in England and Wales and are wholly owned, unless otherwise stated. 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 business areas are reviewed on pages 10 to 21 of the Annual Review and Summary Financial Statement. The Company has taken advantage of the provisions of Section 231(3) of the Companies Act 1985 in respect of a subsidiary undertaking.

* direct subsidiary undertakings of Bunzl plc

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss for that period. In preparing those 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;

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

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial

position of the Company and to enable them to ensure that the 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 prevent and detect fraud and other irregularities.

Auditors' Report

To the members of Bunzl plc

We have audited the financial statements on pages 4 to 27. We have also examined the amounts disclosed relating to the remuneration and share options and the long term incentive plan and share partnership plan interests of the directors which form part of the Report of the Remuneration Committee on pages 29 to 33.

Respective responsibilities of directors and auditors

As described above, the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with auditing standards 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. 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 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 1996 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

Chartered Accountants
Registered Auditor
London
17 March 1997

Terms of reference

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

Membership

The Committee comprises all of the non-executive directors and is chaired by the Deputy Chairman of the Company, Mr A P Dyer. 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 the Chairman of the Company, Mr A J Habgood, is not a member of the Committee, he normally attends meetings except when the Committee is considering matters concerning himself.

Compliance with the Code of Best Practice

The main provisions of the Code of Best Practice on Directors' Remuneration published by the Greenbury Committee in July 1995 have been incorporated in the Listing Rules of the London Stock Exchange.

Throughout the year under review the Company has complied with Section A of the best practice provisions annexed to the Listing Rules. In addition, in framing its remuneration policy,

the Remuneration Committee has given full consideration to the matters set out in Section B of those provisions.

Remuneration policy

The primary purpose of the remuneration policy is 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.

Base pay

Under the terms of the remuneration policy, the base pay of each executive director is intended to reflect the size and scope of that director's responsibilities undertaken on behalf of the Board, the level of overall performance achieved and experience in the post. Revisions to base pay also take account of relevant external survey data and the general movement of base pay within the Group. With regard to external 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 participation in reputable and reliable external surveys. The Committee seeks to maintain, wherever possible, a consistent and appropriate basis for comparison year on year, both in terms of the surveys in which the Company participates and the comparator companies on which such surveys are based.

The Group operates an Inland Revenue approved profit related pay scheme in the UK under which a proportion of salary is linked to Group profitability. This scheme is open to all UK employees and 97% of eligible employees, including Mr A J Habgood and Mr D M Williams, participated in the 1996 Scheme.

Annual bonus plan

The remuneration policy provides for the executive directors to participate in an annual bonus plan which sets meaningful and achievable targets and which seeks to focus attention on one or two key measures of short to medium term achievement. Through the Bunzl Share Partnership Plan (the 'BSP'), of which further details are given below, the executive directors are encouraged to invest part of any annual bonus award in Bunzl shares by depositing them in the Bunzl Group General Employee Benefit Trust (the 'Trust') for a period of three years. In 1996 the target for the annual bonus for the executive directors was linked to the Group's achievement of earnings per share ('eps'). Detailed terms of the plan were determined by the Committee and provided for a bonus to be awarded if the Group achieved, in 1996, 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. In accordance with the remuneration policy, a maximum bonus award was specified for the 1996 bonus plan at 70% of base salary earned during the year. Bonus awards are not pensionable.

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 plan approved for the executive directors.

Report of the Remuneration Committee

continued

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 Company. The Sharesave Scheme (1991) (the 'Sharesave Scheme') is approved by the Inland Revenue and is open to all UK employees, including the executive directors, who have completed at least one year of continuous service. It is linked to a contract for monthly savings of up to £250 per month over a period of either three, five or seven years. Under the Sharesave Scheme options are granted to participating employees at a discount of up to 20% to the market price prevailing on the day immediately preceding the date of invitation to apply for the option. Options are normally exercisable after either three or five years after they have been granted although some options granted before October 1996 are exercisable after seven years. The Group currently has no other scheme which will grant options over shares at a discount to the prevailing market price at the time of invitation for, or grant of, an option.

The Group also operates an Executive Share Option Scheme under which the executive directors and other senior executives in the Group may be granted options over Bunzl shares at the market price prevailing on the day immediately preceding the date of grant of the option or, if higher, the price on the date of grant. The 1994 Executive Share Option Scheme (the '1994 Scheme'), approved by shareholders at the 1994 Annual General Meeting, is consistent with principles expressed in guidelines by bodies representing institutional investors. The 1994 Scheme replaced the Executive Share Option Scheme (No.2) (the 'No.2 Scheme') which expired in 1994. In particular a Company performance condition, determined by the Committee, has to be satisfied before options may normally be exercised. Options granted to date under the 1994 Scheme may normally only be exercised if, during any three consecutive financial years since the option was granted, the increase in the eps of the Company is equal to or greater than the increase in the Retail Prices Index over that period, plus 6%.

The grant of executive share options is made on a discretionary basis, taking account of each individual executive's performance and job responsibilities. In normal circumstances options granted are exercisable, subject to satisfaction of the relevant performance condition as referred to above, not earlier than three years and not later than ten years after the date of grant. The table below shows the number of options held by the directors at 31 December 1996 under the No.2 Scheme and the Sharesave Scheme, both of which have been approved by shareholders. During the year no options were either granted to or exercised by the directors and none lapsed.

As stated in the 1995 Annual Report, it was the intention of the Committee that for 1996 awards under the Long Term Incentive Plan (the 'LTI') would replace grants of executive share options to the executive directors. Accordingly, the executive directors were not granted options during 1996 under the 1994 Scheme. It is the Committee's intention to apply the same policy in 1997.

	Number of options		Exercise price (p)	Date		
	1.1.96	31.12.96		from which exercisable	Expiry date	
A J Habgood	No.2 Scheme	136,792	136,792	106	8.6.95	7.6.02
	No.2 Scheme	147,058	147,058	136	25.3.96	24.3.03
	No.2 Scheme	79,470	79,470	151	23.6.97	22.6.04
	Sharesave Scheme	31,250	31,250	72	2.11.99	1.5.00
D M Williams	No.2 Scheme	100,000	100,000	98	7.10.94	6.10.01
	No.2 Scheme	49,528	49,528	106	8.6.95	7.6.02
	No.2 Scheme	115,808	115,808	136	25.3.96	24.3.03
	No.2 Scheme	94,370	94,370	151	23.6.97	22.6.04
Sharesave Scheme	26,041	26,041	72	2.11.97	1.5.98	

The exercise price of executive options under the No.2 Scheme is the mid-market price of an ordinary share on the date of grant of the option. For savings related options under the Sharesave Scheme, the exercise price is the mid-market price of an ordinary share on the day immediately preceding the date of invitation to apply for the option, less 20%.

The options granted under the No.2 Scheme are normally capable of being exercised on or after the third anniversary of the date of grant of the relevant option. As permitted by the amendments to the rules of the No.2 Scheme approved by shareholders at the 1992 Annual General Meeting, some of the options with exercise prices of 106p and above are also capable of being exercised at a price of 85% of the full exercise price stated on or after the fifth anniversary of the date of grant of the relevant option provided that, during any five consecutive financial years since the option was granted, the increase in the eps of the Company is equal to or greater than the increase in the Retail Prices Index over that period, plus 10%.

The mid-market price of an ordinary share at 31 December 1996 (the last dealing day of the year) was 234p and the range during 1996 was 191p to 245p.

The LTIP was adopted in 1994 for executive directors and certain other senior executives. It was designed with advice from independent remuneration consultants and was approved by the Committee. It is based on share rather than cash benefits to emphasise the commonality of interest of the participants and shareholders over the longer term. Under the LTIP participants are granted nil cost awards in respect of existing ordinary shares in the Company which are exercisable only if the performance condition,

which is determined on the grant of the award, is satisfied. The Company's performance is calculated by reference to its total shareholder return (being a measure which combines both share price and dividend performance) over a three, four or five year period relative to the Financial Times All-Share Index. If the Company outperforms the All-Share Index by an average of at least 3% per annum, all of the award granted will become exercisable. If the Company's performance equates to that of the All-Share Index, one quarter of the awards will become exercisable. For performance between these two points, the awards will become exercisable on a pro rata basis. Awards will not normally be exercisable at all if the Company's total shareholder return (as defined) underperforms the All-Share Index over the relevant period.

In the case of awards made prior to the end of 1996, if the performance condition is satisfied awards may not normally be exercised for a further period of two years, in the case of awards which have vested after performance periods of three or four years, and a further period of one year in the case of awards which have vested after a performance period of five years. Any awards which may be made after the end of 1996 may normally be exercised immediately following the satisfaction of the performance condition.

During 1996 awards in respect of 132,638, 71,875 and 39,045 ordinary shares were made to Mr A J Habgood, Mr D M Williams and Mr J G Bason respectively. Subject to satisfaction of the performance condition, these awards will not normally be exercisable earlier than 1 January 2001 and will expire on 31 December 2002. As stated in the Annual Reports for 1994 and 1995, awards in respect of 97,059 and 155,701 ordinary shares were made to Mr A J Habgood in 1994 and 1995 respectively and awards

in respect of 52,941 and 87,719 ordinary shares were made to Mr D M Williams in 1994 and 1995 respectively. Following measurement of the Company's performance by reference to its total shareholder return over the three year performance period 1994 to 1996 inclusive relative to the All-Share Index, those awards made to Mr A J Habgood and Mr D M Williams in 1994 have fully vested. These awards will now be normally exercisable from 1 January 1999 and will expire on 31 December 2000. Subject to satisfaction of the performance condition, those awards made in 1995 will not normally be exercisable earlier than 1 January 2000 and will expire on 31 December 2001.

As indicated earlier in this report, the Board approved in 1995 the establishment of the BSP to encourage more executives to hold Bunzl shares over a number of years. Under the BSP eligible executives, including the executive directors, are able to invest part of any annual bonus award in Bunzl shares and to deposit such shares with the Trust, normally for a period of three years, after which these deposited shares are transferred back to the executive together with additional shares, awarded at nil cost, on the basis of one such share for each four shares deposited with the Trust and held for the three year period. In 1996 Mr A J Habgood and Mr D M Williams, being the executive directors eligible to participate in the BSP during the year, deposited 18,518 and 9,259 ordinary shares respectively with the Trust, as a result of which awards were made in respect of 4,629 and 2,314 ordinary shares to Mr A J Habgood and Mr D M Williams respectively. These awards will not normally be exercisable before 19 March 1999.

Report of the Remuneration Committee

continued

Any shares required to fulfil entitlements under the LTP and the BSPP will be provided by the Trust from market purchases. Mr A J Habgood, Mr D M Williams and Mr J G Bason are deemed by virtue of the Companies Act 1985 to be interested in all the shares held by the Trust, which at 31 December 1996 amounted to 935,269 ordinary shares, because they are potential beneficiaries under the Trust together with all other directors and employees of the Group. These interests do not reflect the awards actually made to them individually through the Trust which are summarised above.

Retirement benefits

As stated in the Accounting Policies section of this Annual Report and elaborated in the relevant note to the financial statements, the Group utilises both defined benefit and defined contribution pension schemes throughout the world.

In the UK the Group operates as its main contributory scheme the Bunzl Retirement Income Scheme ('BRIS'). BRIS is supplemented for senior UK executives by the Bunzl Senior Pension Scheme ('BSPS'). BRIS and BSPS combined provide for members' contributions at the rate of 5.5% of pensionable salary (which is basic salary less the equivalent of a UK state pension for a single person) with the Company being responsible for the balance of the cost of providing the benefits as determined from time to time by the consulting actuaries to BRIS and BSPS. Subject to Inland Revenue limits, BSPS members are eligible for a pension which accrues at the rate of 3% per annum up to two thirds of pensionable salary, with a normal retirement age of 60 years. BRIS and BSPS also provide for payment of certain benefits in the event of death or disability. The executive directors may choose to be members of BRIS and BSPS or

to opt for a private pension scheme. In the event that a director opts for a private pension scheme the Company also contributes to lump sum life assurance cover equivalent to that provided under BRIS.

Because of the cap on pensionable salary introduced in the Finance Act 1989, the amount of direct contribution by the Company to pension schemes for the executive directors is limited and arrangements have therefore been made to provide the executive directors with an allowance which permits them to make provision of their choice in respect of that part of their salary which exceeds the cap.

Executive directors' service contracts

The executive directors each have service contracts which provide for one year's notice from the Company and six months' notice from themselves. There are no provisions for predetermined compensation in excess of one year's remuneration and benefits in kind.

Other taxable benefits for executive directors

In common with many senior executives in the Group, the executive directors are eligible for certain taxable benefits which include the provision of a company car and payment of its operating expenses including fuel, in line with prevailing Group policies, and private medical plan coverage under the Company's prevailing UK healthcare plan.

Non-executive directors

Non-executive directors are paid an annual fee for their services plus a daily fee for attending meetings of the Board and Board Committees. In addition, where relevant, they are paid a fee for chairing a Board Committee. The non-executive directors do not have service contracts, are not eligible for pension scheme membership or other employee benefits and do not participate in any of the Group's bonus, share option, long term incentive or share partnership plans. The pay of non-executive directors is reviewed annually based on external market survey data and is determined by the Board.

Directors' remuneration for 1996

The following table gives details of each director's remuneration for 1996.

	Salary/fees related elements 1996 £000	Performance related elements 1996 £000	Direct pension contributions 1996 £000	Pension allowance 1996 £000	Benefits 1996 £000	Total 1996 £000	Total 1995 £000
Executive							
A J Habgood	376.5	121.4	15.4	99.2	16.6	629.1	639.3
D M Williams	223.0	63.0	18.6	44.2	16.5	365.3	354.4
J G Bason	15.0	7.5	1.6	2.4	1.0	27.5	–
Non-executive							
A P Dyer	58.4	–	–	–	–	58.4	65.2
L C McQuade	28.8	–	–	–	–	28.8	28.2
P E Cushing	20.0	–	–	–	–	20.0	20.1
S G Williams	20.0	–	–	–	–	20.0	19.4

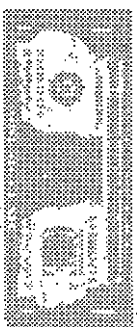
Notes

1. Benefits incorporate all taxable benefits arising from employment by the Company which principally relate to the provision of a company car.
2. The figures above represent remuneration earned as directors during the relevant financial year. Such remuneration is paid in the same financial year with the exception of performance related elements, which are paid in the year following that in which they are earned.
3. Mr J G Bason was appointed as a director on 1 December 1996. Remuneration shown for 1996 in respect of his appointment is for the period from his date of appointment to 31 December 1996.
4. The direct pension contribution for Mr A J Habgood is the amount paid to a personal pension scheme in his name. The direct pension contributions for Mr D M Williams and Mr J G Bason respectively are the values, in each case, of the contribution rate, as determined by the pension schemes' actuary at the last formal valuation of the funds as at 6 April 1994, applied to the maximum pensionable salary permitted under current Inland Revenue regulations.

A P Dyer

Chairman, Remuneration Committee
17 March 1997

Consolidated Profit and Loss Account in US \$



	1996 \$m	1995 \$m
Sales		
Existing businesses	2,372.0	2,365.2
Acquisitions	108.2	
Continuing operations	2,480.2	2,365.2
Discontinued operations	340.1	395.6
Total sales	2,820.3	2,760.8
Operating profit		
Existing businesses	168.6	164.2
Acquisitions	12.9	
Continuing operations	181.5	164.2
Discontinued operations	0.2	6.7
Profit on ordinary activities before interest	181.7	170.9
Net interest payable	(3.5)	(4.1)
Profit on ordinary activities before taxation	178.2	166.8
Taxation on profit on ordinary activities	(62.3)	(58.9)
Profit on ordinary activities after taxation	115.9	107.9
Profit attributable to minorities	(1.4)	(1.9)
Profit for the financial year	114.5	106.0
Dividends paid and proposed	(44.1)	(40.3)
Retained profit	70.4	65.7
Earnings per share	25.7¢	24.3¢
Dividends per share	9.9¢	9.1¢

Note

The above information is given for illustrative purposes only and has been prepared by translating the consolidated profit and loss account prepared in accordance with UK GAAP on page 4 into US dollars at the average exchange rate for the year of £1:\$1.57. The comparative figures for 1995 have been translated at the same exchange rate.



at 31 December 1996		1996 \$m	1995 \$m
Fixed assets			
Tangible assets		263.5	250.5
Associated undertakings		17.4	16.8
Investments		6.3	5.6
		287.2	272.9
Current assets			
Stocks		251.4	274.8
Debtors: amounts receivable within one year		482.2	467.0
Debtors: amounts receivable after more than one year		27.0	32.9
Investments		25.7	18.8
Cash at bank and in hand		35.2	22.4
		821.5	815.9
Current liabilities			
Creditors: amounts falling due within one year		(465.4)	(442.0)
Net current assets		356.1	373.9
Total assets less current liabilities		643.3	646.8
Creditors: amounts falling due after more than one year			
		(102.8)	(52.0)
Provisions for liabilities and charges			
		(41.2)	(50.5)
Net assets		499.3	544.3
Capital and reserves			
Called up share capital		191.3	190.0
Share premium account		52.2	48.2
Revaluation reserve		13.3	16.4
Merger reserve		43.6	156.7
Profit and loss account		175.1	108.2
Attributable share of associated undertakings' reserves		15.9	15.2
Shareholders' funds: equity interests		491.4	534.7
Minority equity interests		7.9	9.6
		499.3	544.3

Note

The above information is given for illustrative purposes only and has been prepared by translating the consolidated balance sheet prepared in accordance with UK GAAP on page 5 into US dollars at the closing exchange rate for the year of £1:\$1.71. The comparative figures for 1995 have been translated at the same exchange rate.

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
	115.7	108.8	86.9		86.9	64.2	57.3
Permanent diminution in goodwill*	-	-	(49.7)		(49.7)	-	-
Total operating profit	115.7	108.8	86.9	(49.7)	37.2	64.2	57.3
Loss on revaluation of fixed assets	-	-	-		-	-	(4.2)
(Loss)/profit on sale of discontinued operations	-	-	-	(35.0)	(35.0)	1.1	(1.4)
Profit on ordinary activities before interest	115.7	108.8	86.9	(84.7)	2.2	65.3	51.7
Net interest payable	(2.2)	(2.6)	(7.1)		(7.1)	(9.5)	(11.3)
Profit/(loss) on ordinary activities before taxation	113.5	106.2	79.8	(84.7)	(4.9)	55.8	40.4
Taxation on profit on ordinary activities	(39.7)	(37.5)	(28.0)		(28.0)	(20.5)	(16.9)
Profit/(loss) on ordinary activities after taxation	73.8	68.7	51.8	(84.7)	(32.9)	35.3	23.5
Profit attributable to minorities	(0.9)	(1.2)	(0.9)		(0.9)	(1.0)	(0.7)
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
Shareholders' funds per share	64.2p	70.4p			57.3p	55.0p	52.6p
Net assets employed							
Fixed assets	168.0	159.6			145.7	143.6	142.6
Net current assets and other liabilities	124.0	158.7			103.8	94.8	78.1
Net assets	292.0	318.3			249.5	238.4	220.7
Financed by							
Shareholders' funds: equity interests	287.4	312.7			243.9	232.8	215.3
Minority equity interests	4.6	5.6			5.6	5.6	5.4
	292.0	318.3			249.5	238.4	220.7

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

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