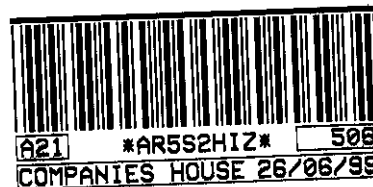
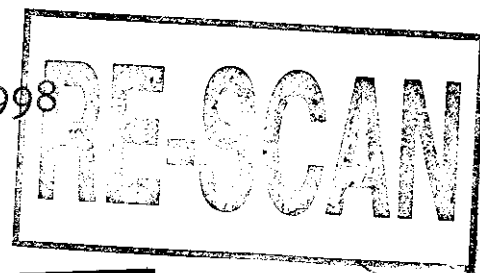




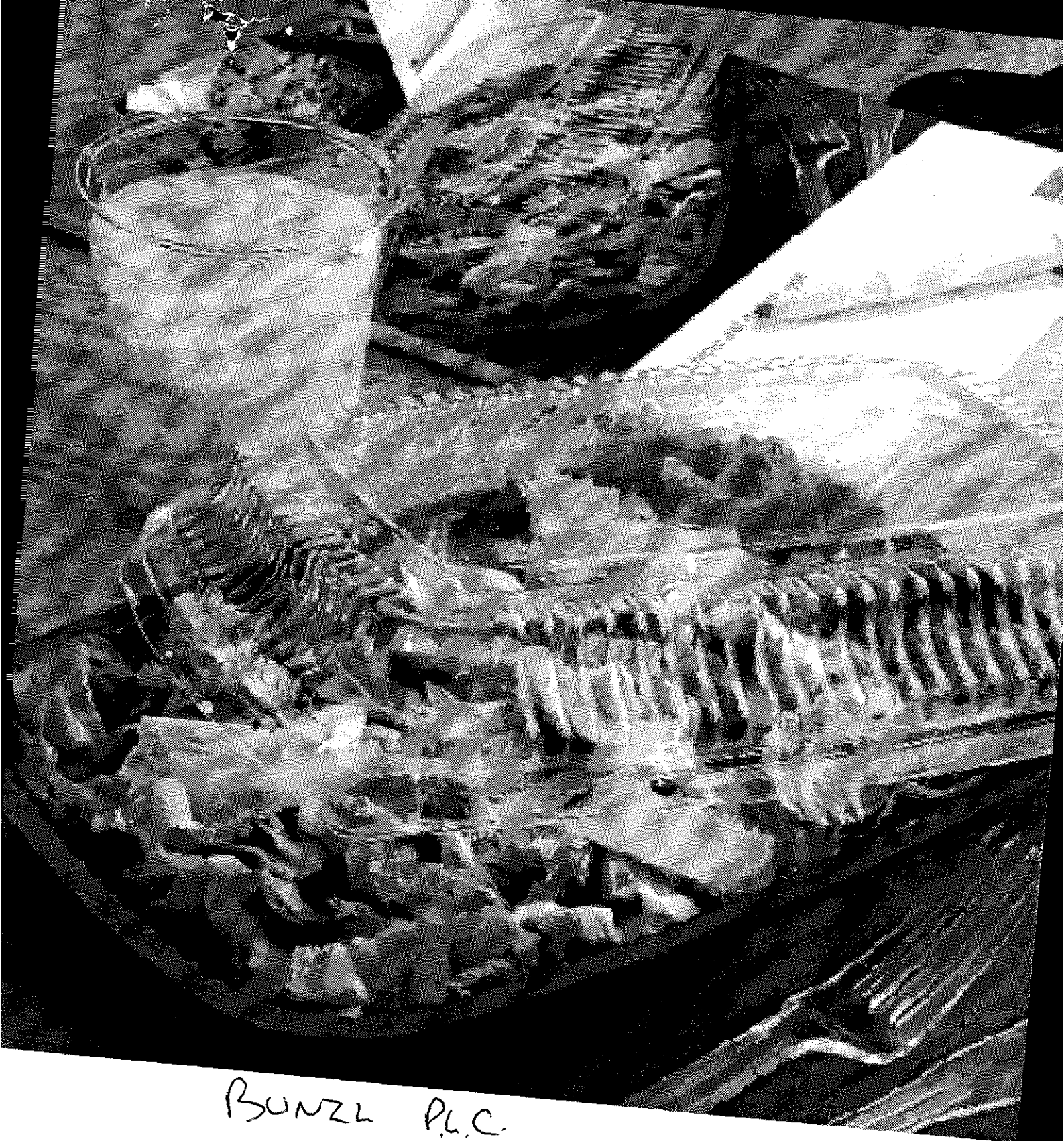
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Annual Review and Summary Financial Statement 1998



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Directors' Report and Accounts 1998

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Directors' report

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The directors have pleasure in submitting their report and the audited financial statements of the Company and its subsidiary and associated undertakings for the year ended 31 December 1998.

Principal activities and developments

The principal activities of the Group are set out on page 7 of the Annual Review and Summary Financial Statement. The Chairman's Statement and the Operating and Financial Review on pages 4 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 operating 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 2.5p was paid in respect of the year and the directors recommend a final dividend of 4.85p per share, making a total for the year of 7.35p. This compares to a dividend of 6.8p for the year ended 31 December 1997. Dividend details are given in Note 5 to the financial statements. Subject to confirmation by the shareholders at the Annual General Meeting on 19 May 1999, the final dividend will be paid on 1 July 1999 to those shareholders on the

register at the close of business on 21 May 1999. With the abolition of foreign income dividends with effect from April 1999, the dividend will be paid as an ordinary dividend but the Board has decided to introduce a dividend reinvestment plan which will enable shareholders to elect to receive additional shares in the Company in lieu of the cash dividend. Further details will be circulated to shareholders with the notice of Annual General Meeting.

Share capital

Details of the Company's share capital, including shares issued during the year, are set out in Note 19 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

Mr P E Cushing resigned as a non-executive director on 14 April 1998 to take up a position as an outside director elsewhere. Mr P Heiden and Mr O H J Stocken were appointed as non-executive directors on 1 July and 9 December 1998 respectively and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting in accordance with the Articles of Association. All of the other directors, who are named on page 23 of the Annual Review and Summary Financial Statement, served throughout the year.

Mr D M Williams and Mr A P Dyer 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 23 to the financial statements.

Information relating to the directors' remuneration for the year and details of the directors' share options under the Company's share option schemes and awards under the Long Term Incentive Plan and Share Partnership Plan are set out in the Directors' Remuneration Report 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 its employees in the performance of the business in which they are employed and aims to achieve a sense of shared commitment. In addition to a quarterly magazine which provides a variety of information on activities and developments within the Group and incorporates interim and annual financial reports, 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 and training.

Directors' report

continued

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Substantial shareholdings

As at 9 March 1999 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 for the named shareholders.

Shareholder	Date of notification	% of issued share capital
Deutsche Bank AG (including non-material interests)	23.2.99	10.02
Prudential Corporation plc	1.12.97	4.59
Allied Zurich plc	8.9.98	3.74
Norwich Union plc	18.2.99	3.01

Corporate governance

In June 1998 the combined code on corporate governance ('the Code') was published and subsequently became effective for listed companies in respect of accounting periods ending on or after 31 December 1998.

The Company is committed to high standards of corporate governance and supports and has complied throughout 1998 with the principles contained in the Code and which are annexed to the London Stock Exchange's Listing Rules.

The Board currently comprises three executive and five independent non-executive directors each of whom has wide experience. Information relating to the conduct of Board meetings and the procedures implemented to ensure that the Board retains overall control and accountability for all strategic, financial, operational and compliance issues are set out in the internal financial control report below and in the Financial Review on pages 20 and 21 of the Annual Review and Summary Financial Statement. The Board has Audit, Remuneration

and Nomination Committees which comply with the provisions of the Code.

Detailed information concerning directors' remuneration is given in the Directors' Remuneration Report on pages 29 to 33.

The Chairman and Finance Director have regular meetings with representatives of institutional shareholders and all shareholders are encouraged to participate in the Annual General Meeting.

In relation to all provisions of the Code other than those mentioned below, the Company complied throughout the period under review. Where non-compliance is reported, this is because the requirement itself did not exist throughout the period and consequently the Company has reviewed its procedures following the publication of the Code.

The Code requires companies at their Annual General Meetings to count all proxy votes and announce the vote after each resolution has been dealt with on a show of hands. This procedure was not adopted at the Company's 1998 Annual General Meeting which preceded the publication of the Code but will be implemented at future meetings.

The Articles of Association of the Company require that one third of the directors must retire by rotation each year. In practice this has meant that the directors of the Company have been subject to re-election at least every three years as is now required by the Code. However the Board has in addition resolved that each director will retire at least every three years even if this is not strictly required by the application of the Articles of Association.

Like other listed companies, the Company is awaiting clarification from the Institute of Chartered Accountants in England and Wales on how to apply the provision of the Code concerning internal controls other than financial controls. In accordance with the practice suggested by the London Stock Exchange, the Company has therefore reported on its system of internal financial control pursuant to the guidance previously issued in December 1994. This report is set out below.

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 which are 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 1998.

Environmental 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 policy.

Creditor payment policy

Group operating companies are responsible for agreeing the terms and conditions under which

business transactions with their suppliers are conducted. It is Group policy that suppliers are made aware of these terms and that payments to suppliers are made in accordance with them, provided that suppliers also comply with all relevant terms and conditions.

The number of days billings from the Company's suppliers outstanding at the end of the financial year was 32 (1997: 32).

Donations

During 1998, amongst other worldwide charitable donations, the Group contributed £165,000 to UK charities (1997: £153,000). No contributions were made for political purposes.

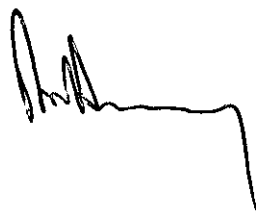
Annual General Meeting

The Annual General Meeting will be held at The Thistle Hotel, Bryanston Street, Marble Arch, London W1A 4UR on Wednesday 19 May 1999 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 determined by the directors.

P N Hussey
Secretary
9 March 1999



Consolidated profit and loss account

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for the year ended 31 December 1998

	Notes	1998 £m	1997 £m
Sales			
Continuing operations			
Existing businesses		1,822.5	1,627.7
Acquisitions		40.2	
Ongoing operations		1,862.7	1,627.7
Business to be discontinued		74.3	76.3
		1,937.0	1,704.0
Discontinued operations		2.3	49.2
Total sales	1	1,939.3	1,753.2
Operating profit			
Continuing operations			
Existing businesses		136.7	122.4
Acquisitions		3.0	
Ongoing operations		139.7	122.4
Business to be discontinued		(0.5)	2.6
		139.2	125.0
Discontinued operations		0.2	2.3
Total operating profit	1, 2	139.4	127.3
Profit on sale of discontinued operations	30	0.5	2.2
Provision for loss on business to be discontinued	31	(17.9)	—
Profit on ordinary activities before interest		122.0	129.5
Net interest payable	3	(8.2)	(3.6)
Profit on ordinary activities before taxation		113.8	125.9
Profit before taxation, goodwill amortisation and exceptional items		132.3	123.7
Taxation on profit on ordinary activities	4	(41.6)	(44.6)
Profit on ordinary activities after taxation		72.2	81.3
Profit attributable to minorities		(0.3)	(1.1)
Profit for the financial year		71.9	80.2
Dividends paid and proposed	5	(33.3)	(30.7)
Retained profit for the financial year	20	38.6	49.5
Earnings per share	6	15.9p	17.9p
Adjusted earnings per share	6	19.0p	17.6p
Diluted earnings per share	6	15.8p	17.7p
Adjusted diluted earnings per share	6	18.8p	17.5p
Dividends per share	5	7.35p	6.8p

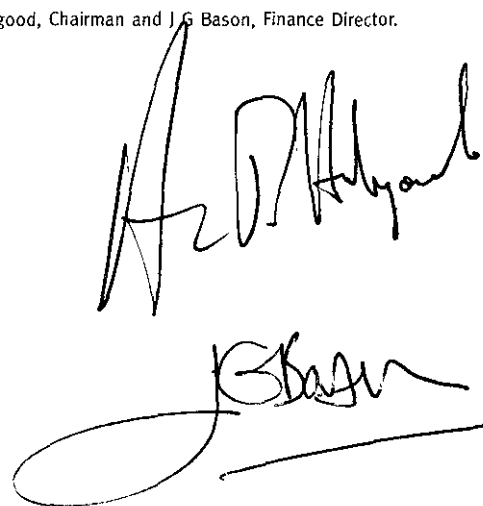
Movements on consolidated reserves are shown in Notes 9 and 20. The Accounting Policies and Notes on pages 9 to 27 form part of these financial statements.

Consolidated balance sheet

at 31 December 1998

	Notes	1998 £m	1997 £m
Fixed assets			
Intangible assets – goodwill	7	28.5	
Tangible assets	8	169.3	174.4
Associated undertakings	9	13.4	11.1
Investments	10	6.5	4.9
		217.7	190.4
Current assets			
Stocks	11	165.9	170.0
Debtors: amounts receivable within one year	12	303.5	296.6
Debtors: amounts receivable after more than one year	12	15.7	13.2
Investments	13	8.7	9.3
Cash at bank and in hand		27.2	20.8
		521.0	509.9
Current liabilities			
Creditors: amounts falling due within one year	14	(306.9)	(309.7)
Net current assets		214.1	200.2
Total assets less current liabilities		431.8	390.6
Creditors: amounts falling due after more than one year	15	(119.9)	(117.0)
Provisions for liabilities and charges	18	(43.2)	(47.2)
Net assets		268.7	226.4
Capital and reserves			
Called up share capital	19	113.4	113.0
Share premium account	20	40.3	37.3
Revaluation reserve	20	1.9	5.7
Attributable share of associated undertakings' reserves	9	12.5	10.2
Profit and loss account	20	98.8	56.4
Shareholders' funds: equity interests		266.9	222.6
Minority equity interests		1.8	3.8
		268.7	226.4

Approved by the Board of Bunzl plc on 9 March 1999 and signed on its behalf by A J Habgood, Chairman and J G Bason, Finance Director.



Consolidated cash flow statement

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for the year ended 31 December 1998

	Notes	1998 £m	1997 £m
Net cash inflow from operating activities	27	153.7	131.0
Returns on investments and servicing of finance			
Interest received		1.4	3.2
Interest paid		(10.7)	(4.2)
Dividends paid to minority shareholders		(0.5)	(0.3)
Other cash flows		(1.8)	(2.2)
Net cash outflow for returns on investments and servicing of finance		(11.6)	(3.5)
Tax paid		(40.9)	(42.5)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(39.2)	(39.9)
Sale of tangible fixed assets		7.0	4.8
Net cash outflow for capital expenditure and financial investment		(32.2)	(35.1)
Acquisitions and disposals			
Purchase of businesses	29	(42.6)	(160.3)
Disposal of businesses	30	17.1	57.8
Other acquisition and disposal cash flows		0.3	(0.2)
Net cash outflow for acquisitions and disposals		(25.2)	(102.7)
Equity dividends paid		(30.7)	(28.0)
Net cash inflow/(outflow) before use of liquid resources and financing		13.1	(80.8)
Net cash (outflow)/inflow from management of liquid resources*		(5.0)	4.3
Financing			
(Decrease)/increase in short term loans		(10.9)	6.5
Increase in long term loans		1.5	55.0
Increase/(decrease) in finance leases		0.1	(0.2)
Shares issued for cash		3.4	5.4
Net cash (outflow)/inflow from financing		(5.9)	66.7
Increase/(decrease) in cash in the financial year	28	2.2	(9.8)

* 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

for the year ended 31 December 1998

	Consolidated	
	1998 £m	1997 £m
Profit for the financial year	71.9	80.2
Revaluation of properties	(3.8)	—
Currency translation differences on foreign currency net investments	(4.7)	(4.5)
Total recognised gains and losses for the year	63.4	75.7

Reconciliation of movements in shareholders' funds

for the year ended 31 December 1998

	Consolidated	
	1998 £m	1997 £m
Profit for the financial year	71.9	80.2
Dividends paid and proposed	(33.3)	(30.7)
Transfer of goodwill on disposals	12.7	1.9
Net transfer to reserves from the profit and loss account	51.3	51.4
Scrip dividend adjustment	—	0.1
Goodwill written off on acquisitions	(1.1)	(117.8)
Issue of share capital	2.6	6.3
Revaluation of properties	(3.8)	—
Currency translation and other movements	(4.7)	(4.8)
Net addition/(deduction) to shareholders' funds	44.3	(64.8)
Opening shareholders' funds	222.6	287.4
Closing shareholders' funds	266.9	222.6

Company balance sheet

at 31 December 1998

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	Notes	1998 £m	1997 £m
Fixed assets			
Tangible assets	8	7.4	9.1
Investments	10	244.0	180.0
		251.4	189.1
Current assets			
Stocks	11	1.6	—
Debtors: amounts receivable within one year	12	218.7	235.2
Debtors: amounts receivable after more than one year	12	69.5	83.1
Cash at bank and in hand		0.1	0.2
		289.9	318.5
Current liabilities			
Creditors: amounts falling due within one year	14	(56.6)	(45.8)
Net current assets		233.3	272.7
Total assets less current liabilities		484.7	461.8
Creditors: amounts falling due after more than one year	15	(1.5)	(4.0)
Provisions for liabilities and charges	18	(12.1)	(11.2)
Net assets		471.1	446.6
Capital and reserves			
Called up share capital	19	113.4	113.0
Share premium account	20	40.3	37.3
Revaluation reserve	20	—	0.5
Special reserve	20	177.2	177.2
Profit and loss account	20	140.2	118.6
Shareholders' funds: equity interests		471.1	446.6

Approved by the Board of Bunzl plc on 9 March 1999 and signed on its behalf by A J Habgood, Chairman and J G Bason, Finance Director.

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

A. J. Habgood

J. G. Bason

Accounting policies

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 20 to the financial statements. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements except as noted in paragraph c below.

b Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of the Company and its subsidiary undertakings at 31 December 1998 and their results for the periods during 1998 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 arising on acquisitions made after 31 December 1997 has been capitalised and is being amortised through the profit and loss account over a period of 20 years. Goodwill arising on acquisitions made prior to 1 January 1998 remains eliminated against reserves. 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 or by amortisation, is transferred to the profit and loss 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 Foreign currencies

The results of overseas subsidiary and associated undertakings have been translated into 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.

f Tangible 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.

g Depreciation

Tangible 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.

h 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 tangible fixed 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.

i Sales

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

j 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.

k 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.

l 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

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for the year ended 31 December 1998

	Sales		Operating profit		Net operating assets	
	1998	1997	1998	1997	1998	1997
1 Segmental analysis	£m	£m	£m	£m	£m	£m
Continuing operations						
Outsourcing Services	1,211.3	1,068.3	86.7	74.4	145.9	150.4
Filtrona	205.6	179.3	27.8	24.4	79.6	76.1
Paper Distribution	268.1	258.5	17.5	17.8	90.5	81.7
Plastics	177.7	121.6	20.9	17.0	101.6	96.5
Goodwill*			(1.1)		28.5	
Corporate activities			(12.1)	(11.2)	10.0	(3.6)
	1,862.7	1,627.7	139.7	122.4	456.1	401.1
Business to be discontinued	74.3	76.3	(0.5)	2.6	6.5	14.9
Discontinued operations	2.3	49.2	0.2	2.3	0.1	11.4
	1,939.3	1,753.2	139.4	127.3	462.7	427.4
Country of operation						
UK	502.5	502.1	35.5	39.9	177.9	167.0
Rest of Europe	87.1	79.9	9.1	6.7	23.8	20.2
North America	1,255.8	1,059.9	99.8	82.6	180.9	201.4
Rest of the world	93.9	111.3	8.2	9.3	41.6	42.4
Goodwill			(1.1)		28.5	
Corporate activities			(12.1)	(11.2)	10.0	(3.6)
	1,939.3	1,753.2	139.4	127.3	462.7	427.4
Geographical market supplied						
UK	459.4	448.2				
Rest of Europe	115.4	109.1				
North America	1,254.5	1,071.4				
Rest of the world	110.0	124.5				
	1,939.3	1,753.2				
Reconciliation to consolidated balance sheet						
Net operating assets as above					462.7	427.4
Interest bearing cash and investments					15.2	12.0
Interest bearing debt (Note 16)					(136.4)	(145.7)
Dividends and corporate taxes (Notes 12 and 14)					(48.2)	(44.2)
Provisions for deferred taxation, discontinued operations and business to be discontinued					(24.6)	(23.1)
Net assets					268.7	226.4

* Goodwill amortisation in 1998 comprised Outsourcing Services £0.1m, Paper Distribution £0.5m and Plastics £0.5m. Unamortised goodwill at 31 December 1998 comprised Outsourcing Services £6.7m, Filtrona (£0.6m), Paper Distribution £9.9m and Plastics £12.5m.

	Existing businesses	Acquisitions	Business to be discontinued	Discontinued operations	Total	Existing businesses	Business to be discontinued	Discontinued operations	Total
	1998	1998	1998	1998	1998	1997	1997	1997	1997
	£m	£m	£m	£m	£m	£m	£m	£m	£m
2 Net operating charges									
Operating profit is stated after net operating charges of £1,799.9m (1997: £1,625.9m) analysed as follows:									
Changes in stock of finished goods and work-in-progress	(3.0)	(0.1)	—	(0.9)	(4.0)	6.5	—	(14.3)	(7.8)
Purchases of finished goods and goods for resale	1,180.8	23.8	—	1.9	1,206.5	1,060.3	—	37.6	1,097.9
Raw materials and consumables	111.0	3.8	56.8	0.2	171.8	90.0	54.9	7.9	152.8
Employee costs (Note 25)	224.3	5.5	8.5	0.6	238.9	193.3	9.5	6.7	209.5
Depreciation	23.1	1.1	0.9	0.1	25.2	19.5	0.9	1.3	21.7
Auditors' remuneration for statutory audit	1.3	—	—	—	1.3	1.2	—	—	1.2
Hire of plant and machinery and operating lease costs	11.5	0.2	0.1	—	11.8	10.1	0.1	—	10.2
Property rentals	20.7	0.2	0.4	—	21.3	18.6	0.5	0.4	19.5
Share of profits of associated undertakings	(4.1)	—	—	—	(4.1)	(3.6)	—	—	(3.6)
Goodwill amortisation	—	1.1	—	—	1.1	—	—	—	—
Profit on sale of fixed assets	(0.6)	—	—	—	(0.6)	(1.0)	—	—	(1.0)
Other operating expenses	120.8	1.6	8.1	0.2	130.7	110.4	7.8	7.3	125.5
Net operating charges	1,685.8	37.2	74.8	2.1	1,799.9	1,505.3	73.7	46.9	1,625.9

Fees for non-audit work performed by the Company's auditors and their associates were £0.6m (1997: £0.6m) for the Company and its UK subsidiary undertakings and £0.8m (1997: £0.3m) for its non-UK subsidiary undertakings. Auditors' remuneration for the Company's statutory audit was £0.2m (1997: £0.2m).

Share of profits of associated undertakings has not been disclosed on the face of the profit and loss account on the grounds of immateriality.

	Consolidated	
	1998	1997
	£m	£m
3 Net interest payable		
Interest receivable		
On bank deposits and unlisted investments	2.1	2.4
Total interest receivable	2.1	2.4
Interest payable		
On loan capital, bank loans and overdrafts:		
repayable within five years	(10.3)	(4.6)
repayable wholly or partly in more than five years	—	(1.4)
Total interest payable	(10.3)	(6.0)
Net interest payable	(8.2)	(3.6)

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	Consolidated	
	1998 £m	1997 £m
4 Taxation		
Consolidated UK corporation tax at 31.0% (1997: 31.5%)	8.1	48.7
Overseas taxes	38.2	32.1
Credit for overseas tax	(0.5)	(40.0)
Associated undertakings	1.4	1.2
Deferred taxation transfers:		
accelerated capital allowances	0.4	—
pension arrangements and other timing differences	(5.9)	1.2
Total taxation for the year	41.7	43.2
(Debited)/credited to reserves	(0.1)	1.4
Taxation on profit on ordinary activities	41.6	44.6

Deferred taxation not accounted for in the year is £(0.5)m (1997: £0.6m) in respect of accelerated capital allowances and £0.4m (1997: £0.4m) in respect of other timing differences.

	Per share		Total	
	1998	1997	1998 £m	1997 £m
5 Dividends paid and proposed				
Interim paid 2 January 1999	2.5p	2.3p	11.3	10.4
Proposed final payable 1 July 1999	4.85p	4.5p	22.0	20.3
	7.35p	6.8p	33.3	30.7

	1998 £m	1997 £m
6 Earnings per share		
Profit for the financial year	71.9	80.2
Adjustments*	13.7	(1.0)
Adjusted profit for the financial year	85.6	79.2
Basic weighted average ordinary shares in issue (million)	451.1	449.0
Dilutive effect of share incentive schemes (million)	4.4	3.9
Diluted weighted average ordinary shares (million)	455.5	452.9
Earnings per share	15.9p	17.9p
Adjusted earnings per share	19.0p	17.6p
Diluted earnings per share	15.8p	17.7p
Adjusted diluted earnings per share	18.8p	17.5p

* Adjustments comprise goodwill amortisation of £(1.1)m, profit on sale of discontinued operations, net of taxation, of £1.1m (1997: £1.0m) and provision for loss on business to be discontinued, net of taxation, of £(13.7)m (1997: £nil).

7 Intangible assets -- goodwill	£m
Consolidated:	
Cost	
Additions	29.3
Currency translation movement	0.3
End of year	29.6
Amortisation	
Charge in year	1.1
End of year	1.1
Net book value at 31 December 1998	28.5

	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
8 Tangible fixed assets				
Consolidated:				
Cost or valuation				
Beginning of year	62.8	206.7	61.1	330.6
Acquisitions less divestments	2.0	(2.7)	(0.2)	(0.9)
Additions	3.2	21.3	14.7	39.2
Disposals	(3.8)	(10.4)	(2.6)	(16.8)
Revaluations and adjustments	(9.4)	(2.1)	(0.4)	(11.9)
Currency translation movement	(0.1)	(3.2)	(0.9)	(4.2)
End of year	54.7	209.6	71.7	336.0
Depreciation				
Beginning of year	12.4	109.9	33.9	156.2
Acquisitions less divestments	0.5	0.6	(0.2)	0.9
Charge in year	1.6	17.9	5.7	25.2
Disposals	(0.3)	(7.9)	(2.2)	(10.4)
Revaluations and adjustments	(3.4)	(0.5)	(0.1)	(4.0)
Currency translation movement	—	(0.9)	(0.3)	(1.2)
End of year	10.8	119.1	36.8	166.7
Net book value at 31 December 1998	43.9	90.5	34.9	169.3
Net book value at 31 December 1997	50.4	96.8	27.2	174.4

The net book value of tangible fixed assets includes assets held under finance leases and hire purchase contracts totalling £0.2m (1997: £0.2m). Accumulated depreciation of these assets amounts to £0.8m (1997: £0.8m).

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continued

8 Tangible fixed assets continued	Land £m	Freehold buildings £m	Long leasehold £m	Short leasehold £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
The net book value of tangible fixed assets at 31 December 1998 comprised:							
Consolidated:							
At cost	7.0	17.6	5.8	5.9	209.6	71.7	317.6
At valuation	9.0	6.8	2.6	–	–	–	18.4
Cost or valuation	16.0	24.4	8.4	5.9	209.6	71.7	336.0
Depreciation	–	(3.5)	(4.0)	(3.3)	(119.1)	(36.8)	(166.7)
Net book value at 31 December 1998	16.0	20.9	4.4	2.6	90.5	34.9	169.3

	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
The historical cost and the related depreciation of the tangible fixed assets are:				
Historical cost	52.8	209.6	71.7	334.1
Depreciation	(10.8)	(119.1)	(36.8)	(166.7)
Net book value at 31 December 1998	42.0	90.5	34.9	167.4
Net book value at 31 December 1997	44.7	96.8	27.2	168.7

Future capital expenditure at 31 December 1998 consisted of commitments not provided for of £0.7m (1997: £2.3m).

	Land £m	Freehold buildings £m	Short leasehold £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
Bunzl plc:						
Cost or valuation						
Beginning of year	7.0	1.6	0.4	–	1.0	10.0
Additions	–	–	–	–	0.2	0.2
Transfers	–	–	–	2.0	0.1	2.1
Disposals	–	–	–	–	(0.1)	(0.1)
Revaluations and adjustments	(2.5)	–	–	–	–	(2.5)
End of year	4.5	1.6	0.4	2.0	1.2	9.7
Depreciation						
Beginning of year	–	–	0.2	–	0.7	0.9
Transfers	–	–	–	1.0	0.1	1.1
Charge in year	–	–	–	0.2	0.2	0.4
Disposals	–	–	–	–	(0.1)	(0.1)
End of year	–	–	0.2	1.2	0.9	2.3
Net book value at 31 December 1998	4.5	1.6	0.2	0.8	0.3	7.4
Net book value at 31 December 1997	7.0	1.6	0.2	–	0.3	9.1

	Consolidated	
	1998 £m	1997 £m
9 Associated undertakings		
Share of post-acquisition reserves at beginning of year	10.2	9.3
Share of current year profit after taxation	2.7	2.4
Dividend paid in year	(0.7)	(0.6)
Currency translation and other movements	0.3	(0.9)
Share of post-acquisition reserves at end of year	12.5	10.2
Cost of investments	0.9	0.9
Investment in associated undertakings	13.4	11.1

The principal associated undertaking is shown in Note 33. All associated undertakings were unlisted in 1998.

	Own shares £m	Unlisted £m	Total £m
10 Investments held as fixed assets			
Consolidated:			
Beginning of year at cost less provisions	1.2	3.7	4.9
Additions	0.5	1.1	1.6
End of year at cost less provisions	1.7	4.8	6.5

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, full details of which are set out in the Directors' Remuneration Report 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 1998 the trust held 2,043,717 (1997: 1,475,835) shares with an aggregate nominal value of £0.5m (1997: £0.4m) and market value of £4.8m (1997: £3.5m).

	Own shares £m	Investments in subsidiary undertakings £m	Total £m
Bunzl plc:			
Beginning of year at cost less provisions	0.7	179.3	180.0
Additions	0.4	66.8	67.2
Disposals	-	(3.2)	(3.2)
End of year at cost less provisions	1.1	242.9	244.0

The investments in subsidiary undertakings at 31 December 1998 are stated net of provisions of £30.4m (1997: £10.9m). Principal subsidiary undertakings are listed in Note 33.

Notes to the financial statements

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continued

	Bunzl plc		Consolidated	
	1998 £m	1997 £m	1998 £m	1997 £m
11 Stocks				
Raw materials and consumables	1.3	–	23.6	28.5
Work-in-progress	–	–	4.7	4.5
Finished goods and goods for resale	0.3	–	137.6	137.0
	1.6	–	165.9	170.0

	Bunzl plc		Consolidated	
	1998 £m	1997 £m	1998 £m	1997 £m
12 Debtors				
Amounts receivable within one year				
Trade debtors	3.0	1.6	246.6	246.4
Amounts owed by subsidiary undertakings	215.1	232.9		
Other debtors	0.1	0.1	26.1	21.2
Prepayments and accrued income	0.5	0.5	20.3	20.5
Corporate taxes	–	0.1	10.5	8.5
	218.7	235.2	303.5	296.6

Amounts receivable after more than one year				
Amounts owed by subsidiary undertakings	59.8	73.3		
Pension fund prepayment	9.7	9.8	14.0	11.2
Other debtors	–	–	1.6	1.9
Corporate taxes	–	–	0.1	0.1
	69.5	83.1	15.7	13.2
	288.2	318.3	319.2	309.8

	Consolidated	
	1998 £m	1997 £m
13 Investments held as current assets		
Short term deposits repayable on demand	2.9	5.7
Liquid resources	5.8	0.7
Unlisted investments	—	2.9
	8.7	9.3

	Bunzl plc		Consolidated	
	1998 £m	1997 £m	1998 £m	1997 £m
14 Creditors				
Amounts falling due within one year				
Loans	—	—	2.6	13.7
Overdrafts	—	—	16.5	15.6
Payments received on account	—	—	0.1	0.2
Trade creditors	1.3	0.2	161.2	157.8
Amounts owing to subsidiary undertakings	15.8	12.8		
Dividends proposed	33.3	30.7	33.3	30.7
Corporate taxes	3.0	—	25.5	22.1
Other taxation and social security contributions	0.2	0.1	4.2	4.0
Other creditors	—	—	14.7	20.8
Accruals and deferred income	3.0	2.0	48.8	44.8
	56.6	45.8	306.9	309.7

	Bunzl plc		Consolidated	
	1998 £m	1997 £m	1998 £m	1997 £m
15 Creditors				
Amounts falling due after more than one year				
Loans (Note 16)	1.5	3.7	117.3	116.4
Accruals and deferred income	—	0.3	2.6	0.6
	1.5	4.0	119.9	117.0

Notes to the financial statements

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continued

	Bunzl plc		Consolidated	
	1998 £m	1997 £m	1998 £m	1997 £m
16 Loans and overdrafts				
Falling due after more than one year				
Wholly repayable within five years	1.5	–	117.3	66.0
Wholly repayable in more than five years	–	–	–	46.1
Repayable by instalments				
Instalments due within five years	–	–	–	0.4
Instalments due after more than five years	–	3.7	–	3.9
	–	3.7	–	4.3
Obligations under finance leases	–	–	0.1	–
Loans falling due after more than one year	1.5	3.7	117.3	116.4
Loans falling due within one year	–	–	19.1	29.3
Total loans and overdrafts	1.5	3.7	136.4	145.7
The total borrowings are repayable:				
within one year	–	–	19.1	29.3
between one and two years	1.5	–	2.4	1.0
between two and five years	–	–	114.9	65.4
after more than five years	–	3.7	–	50.0
	1.5	3.7	136.4	145.7

The aggregate of bank loans and overdrafts is £136.4m (1997: £141.8m). Loans amounting to £0.7m (1997: £1.5m) 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 £114.5m (1997: £110.3m) 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, £114.5m (1997: £64.2m) of these loans has been classified as repayable between two and five years and £nil (1997: £46.1m) has been classified as repayable after more than five years.

Obligations under finance leases of £0.1m (1997: £nil) are repayable within one year.

17 Currency and interest rate analysis of net assets and borrowings	Net assets by currency of operation £m	Gross borrowings £m	Forward foreign exchange contracts £m	Net investments £m
The Group's borrowings and net assets (excluding borrowings) by currency at 31 December 1998 were:				
Sterling	160.8	(4.6)	80.2	236.4
US dollar	156.4	(118.4)	(36.7)	1.3
Other	86.5	(13.4)	(43.9)	29.2
	403.7	(136.4)	(0.4)	266.9

The borrowings are at floating rates and include sterling and US dollar denominated bank borrowings that bear interest at rates based on LIBOR. The interest rate exposure is managed by using interest rate options.

	Bunzl plc		Consolidated	
18 Provisions for liabilities and charges	1998 £m	1997 £m	1998 £m	1997 £m
Pensions	–	–	0.9	0.8
Discontinued operations	5.6	2.4	12.9	14.4
Deferred taxation (Note 21)	3.0	1.9	5.7	8.7
Other	3.5	6.9	23.7	23.3
	12.1	11.2	43.2	47.2

£10.8m (1997: £17.9m) of other provisions at 31 December 1998 relate to acquisitions.

	Consolidated				
	Pensions £m	Discontinued operations £m	Deferred taxation £m	Other £m	Total £m
Movements					
Beginning of year	0.8	14.4	8.7	23.3	47.2
Charge/(release) in year	0.1	–	(5.5)	5.8	0.4
Acquired	–	–	–	2.5	2.5
Utilised or transferred in year	–	(1.5)	1.4	(8.0)	(8.1)
Currency translation movement	–	–	1.1	0.1	1.2
End of year	0.9	12.9	5.7	23.7	43.2

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continued

	1998 £m	1997 £m
19 Share capital		
Authorised: 680 million (1997: 680 million) ordinary shares of 25p each	170.0	170.0
Issued and fully paid ordinary shares of 25p each	113.4	113.0
Number of ordinary shares in issue		
Beginning of year	451,978,538	447,665,539
Issued during year:		
acquisitions	28,236	1,097,421
option exercises	1,770,792	3,095,384
scrip dividends	–	120,194
End of year	453,777,566	451,978,538

Details of share options granted and exercised during 1998 and those outstanding at 31 December 1998 under the Company's Sharesave Scheme (1991), the Executive Share Option Scheme (No.2) and the 1994 Executive Share Option Scheme are set out in the following table:

	1998 Grants		1998 Exercises		Options outstanding at 31.12.98	
	Number	Price (p)	Number	Price (p)	Number	Price (p)
Sharesave Scheme (1991)	1,774,386	160 – 230	497,862	72 – 198	4,335,101	72 – 230
Executive Scheme (No.2)			929,578	84 – 169	2,491,957	84 – 169
1994 Executive Scheme	2,913,000	229 – 287	343,352	170 – 239	8,433,500	222 – 287
	4,687,386		1,770,792		15,260,558	

The outstanding options are exercisable at various dates up to October 2008.

	Share premium account £m	Revaluation reserve £m	Profit and loss account £m
20 Movements on reserves			
Consolidated:			
Beginning of year	37.3	5.7	56.4
Premium on share issues and on exercise of share options	3.0		(0.8)
Transfer of goodwill on disposals			12.7
Goodwill written off on acquisitions			(1.1)
Dividend from associated undertaking			0.7
Revaluation of properties		(3.8)	
Currency translation movement			(5.0)
Retained profit for the financial year (excluding associated undertakings – see Note 9)			35.9
End of year	40.3	1.9	98.8

20 Movements on reserves continued

As at 31 December 1998 the cumulative amount of goodwill written off directly to reserves in respect of acquisitions made prior to 1 January 1998, net of goodwill attributable to subsidiary undertakings disposed of, was £311.0m (1997: £322.6m).

Included within the profit and loss reserve is £177.2m, being the special reserve of the Company.

Currency gains/(losses) of £0.2m (1997: £(2.7)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.

	Share premium account £m	Revaluation reserve £m	Special reserve £m	Profit and loss account £m
Bunzl plc:				
Beginning of year	37.3	0.5	177.2	118.6
Premium on share issues and on exercise of share options	3.0			
Revaluation of properties		(0.5)		
Retained profit				21.6
End of year	40.3	—	177.2	140.2

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.

The profit attributable to shareholders included in the accounts of the Company is £54.9m (1997: £42.0m).

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 SSAP 24 – 'Accounting for Pension Costs'. As a result, cumulative unrealised profits of £6.8m (1997: £6.8m) 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.

	Bunzl plc		Consolidated	
	1998 £m	1997 £m	1998 £m	1997 £m
21 Deferred taxation				
Accelerated capital allowances	0.1	—	3.5	4.1
Pension provisions and other timing differences	2.9	3.0	2.2	7.3
Advance corporation tax recoverable	—	(1.1)	—	(2.7)
	3.0	1.9	5.7	8.7
The potential liability for deferred taxation not provided above is:				
accelerated capital allowances	—	—	3.6	4.1
other timing differences	—	(0.6)	(1.2)	(2.0)
capital gains on disposal of properties	—	—	1.2	1.6
	—	(0.6)	3.6	3.7

Deferred tax 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.

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continued

	Bunzl plc		Consolidated	
	1998 £m	1997 £m	1998 £m	1997 £m
22 Contingent liabilities				
Bank guarantees	117.0	113.1	1.2	0.8
Other items	–	–	1.4	1.8
	117.0	113.1	2.6	2.6

The bank guarantees of the Company are guarantees provided on behalf of subsidiary undertakings. Other items principally comprise trade and other guarantees.

	Ordinary shares	
	31.12.98	1.1.98
23 Directors' ordinary share interests		
The interests of the directors at 31 December 1998 in the share capital of the Company were:		
Ordinary shares		
A J Habgood	242,873	265,473
A P Dyer	22,485	22,485
L C McQuade	13,195	13,195
D M Williams	83,491	64,450
S G Williams	5,279	5,279
J G Bason	7,685	5,037
P Heiden	3,000	–
O H J Stocken	10,000	–
	388,008	375,919

The share interests shown above include the non-beneficial interests of Mr A J Habgood in 66,400 ordinary shares and of Mr D M Williams in 7,808 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 Directors' Remuneration Report on pages 29 to 33. There have been no changes to the directors' ordinary share interests shown in this Note and the Directors' Remuneration Report between 31 December 1998 and 9 March 1999.

24 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 £12.8m (1997: £10.4m) of which £9.3m (1997: £8.4m) was in respect of principal defined benefit schemes which provide benefits based on final pensionable salary. This cost is assessed in accordance with the advice of independent qualified actuaries.

Valuations of the principal UK defined benefit schemes were carried out as at 6 April 1997. The actuarial assumptions used in calculating the regular pension cost for these schemes are in line with those used for the funding calculations. The regular pension cost of the principal UK defined benefit 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.

24 Pensions continued

UK

US

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

Date of most recent valuations	6.4.97	1.1.98
Method used	Projected unit method	Projected unit method
Main assumptions:		
Investment return/return on assets per annum	8.5%	7.5%
Salary increases per annum	6.0%	5.0%
Market value of investments at last valuation date	£87.5m	£37.0m
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	101 – 103%	84 – 123%

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 shown in provisions for liabilities and charges.

25 Directors and employees

1998 Year end	1998 Average	1997 Year end	1997 Average
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The number of persons employed by the Group at 31 December 1998 and the average number employed during the year were:

Continuing operations

Outsourcing Services	3,735	3,666	3,685	3,281
Filtrona	2,272	2,125	2,269	2,041
Paper Distribution	944	945	908	899
Plastics	2,686	2,687	2,536	1,920
Corporate activities	63	63	62	62

Business to be discontinued

Business to be discontinued	267	304	372	331
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Discontinued operations

Discontinued operations	–	190	212	454
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	9,967	9,980	10,044	8,988
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	Continuing operations 1998 £m	Discontinued operations 1998 £m	Total 1998 £m	Continuing operations 1997 £m	Discontinued operations 1997 £m	Total 1997 £m
Consolidated:						
Employee costs						
Wages and salaries	207.3	0.6	207.9	177.1	6.2	183.3
Social security costs	18.2	–	18.2	15.5	0.3	15.8
Pension costs (Note 24)	12.8	–	12.8	10.2	0.2	10.4
	238.3	0.6	238.9	202.8	6.7	209.5

Notes to the financial statements

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	1998 £m	1997 £m
25 Directors and employees continued		
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	1.2	1.1
performance related elements	0.3	0.4
pension contributions	—	—
	1.6	1.6

More detailed information concerning directors' emoluments is set out in the Directors' Remuneration Report on pages 29 to 33. The aggregate of the amount of gains made by directors on the exercise of share options during the year was £49,738 (1997: £283,701).

	Land and buildings 1998 £m	Other 1998 £m	Land and buildings 1997 £m	Other 1997 £m
26 Operating lease commitments				
At 31 December 1998 the Group had the following annual commitments under non-cancellable operating leases:				
expiring within one year	2.4	2.8	2.5	1.2
expiring between one and five years	14.0	7.1	8.2	6.3
expiring after five years	22.0	1.2	23.3	0.6
	38.4	11.1	34.0	8.1

	Consolidated	
	1998 £m	1997 £m
27 Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	139.4	127.3
Adjustments for non-cash items:		
depreciation	25.2	21.7
goodwill amortisation	1.1	—
share of profits of associated undertakings	(4.1)	(3.6)
others	(1.8)	(1.5)
Working capital movement:		
stocks	4.3	(5.5)
debtors	(5.4)	(10.0)
creditors	0.2	5.0
Other cash movements	(5.2)	(2.4)
Net cash inflow from operating activities	153.7	131.0

	1.1.98 £m	Cash flow £m	Exchange movements £m	31.12.98 £m
28 Analysis of net debt				
Cash at bank and in hand	26.5	3.6	-	30.1
Overdrafts	(15.6)	(1.4)	0.5	(16.5)
	10.9	2.2	0.5	13.6
Debt due within one year	(13.7)	10.9	0.2	(2.6)
Debt due after one year	(116.4)	(1.5)	0.6	(117.3)
Finance leases	-	(0.1)	-	(0.1)
	(130.1)	9.3	0.8	(120.0)
Current asset investments	0.7	5.0	0.1	5.8
	(118.5)	16.5	1.4	(100.6)

29 Acquisitions

Acquisitions have been accounted for under the acquisition method of accounting and contributed £3.0m to operating profit in 1998.

On acquisition the net assets and liabilities of the businesses acquired were adjusted to reflect their fair values to the Group. The fair value adjustments are provisional and will be finalised in the 1999 financial statements.

		Provisional fair value adjustments			Fair value of assets acquired
	Book value at acquisition £m	Revaluation £m	Consistency of accounting policy £m	Other £m	£m
A summary of the effect of the acquisitions is detailed below:					
Tangible fixed assets	4.6	(0.3)			4.3
Stocks	6.3		(0.2)		6.1
Debtors	9.0		(0.4)		8.6
Creditors	(6.6)			(0.5)	(7.1)
Net bank overdrafts	(3.3)				(3.3)
Provisions for liabilities and charges	(1.2)			(1.3)	(2.5)
Taxation	(0.6)			0.6	-
Minority interest	1.8				1.8
	10.0	(0.3)	(0.6)	(1.2)	7.9
Goodwill capitalised					29.3
Goodwill written off to reserves					1.1
Consideration					38.3
Satisfied by:					
Shares allotted					0.1
Cash consideration					36.4
Deferred consideration					1.8
					38.3
The net outflow of cash in respect of the acquisition of businesses was:					
Cash consideration					36.4
Overdrafts of businesses acquired					3.3
Payment of prior year deferred consideration					2.9
Net outflow of cash in respect of the acquisition of businesses					42.6

Notes to the financial statements

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29 Acquisitions continued

The principal fair value adjustments are as follows:

The adjustment in respect of fixed assets comprises the revaluation of freehold properties which have been valued on an open market, existing use basis by qualified valuers.

The adjustments to stocks and debtors reflect the write down to their estimated realisable value.

The adjustments to creditors and provisions for liabilities and charges include amounts relating to the reassessment of potential liabilities that were not fully recognised on acquisition.

The taxation adjustment includes the recognition of a deferred tax asset for anticipated relief on fair value adjustments partially offset by a reassessment of tax liabilities.

30 Disposals

£m

Stag Plastics Ltd and Webster Plastics Inc were sold in January and February 1998 respectively and the business of Filpac Inc was sold in August 1998.

The effect of the disposals on the net assets of the Group at 31 December 1998 was:

Tangible fixed assets	(6.1)
Stocks	(1.5)
Debtors	(3.6)
Investments	(2.9)
Creditors	4.2
Net bank overdrafts	0.6
Net assets disposed of	(9.3)
Goodwill previously written off to reserves	(6.7)
Cash proceeds	16.5
Profit on sale of discontinued operations	0.5

£m

The net inflow of cash in respect of disposals was:

Cash proceeds	16.5
Net bank overdrafts disposed of	0.6
Net inflow of cash in respect of the disposals	17.1

Apart from the disposal proceeds, the contribution to the Group's results for the year from the businesses disposed of in 1998 was not material.

31 Provision for loss on business to be discontinued

It was decided in 1998 to exit the job-lot converting business in the United States. This represents the final break with the Group's paper making and converting past and underlines the fundamental shift in the emphasis of the Group's business towards greater service orientation. Purchasers were actively sought for the business but, based on offers received, it was concluded that the termination of operations by a controlled wind down and liquidation of assets had to be pursued. As a result, in the second half of the year, the assets were reduced significantly. The Chicago site will close by mid 1999 and, in the meantime, the Company continues to search for purchasers.

A provision of £17.9m has been taken as an exceptional item for the cost of termination. The net cash impact of this decision is expected to be positive.

32 Year 2000

The Group has had in place since 1997 a formal programme which is designed to achieve year 2000 compliance.

The programme covers all Group locations and key management in each business area have ensured that all systems, equipment and facilities have been addressed. Group management have established minimum standards for the compliance work and the BSI definition of year 2000 compliance has been adopted. The programme comprises a series of commonly defined milestones and achievement of each stage requires approval by the senior management of the business area. Progress is reported to the Audit Committee and the Board. The Group's internal auditors regularly review adherence to the programme in the business areas.

There is no dependence on a single, critical system within the Group. A review of internal systems, equipment and facilities in each business has been completed and testing or replacement programmes are either complete or well advanced. Remaining work is scheduled to be completed by mid 1999. Suppliers have been contacted and will remain under review to ensure so far as is possible the continuity of key supplies and services and contingency plans are being prepared. However, given the general uncertainty inherent in the year 2000 problem, including possible failures in even the best run programmes and the potential inability of third parties to deal with the issue, the Group is unable to give categorical assurances as to its year 2000 compliance.

The total cost of the programme is not expected to exceed £4m, of which £3m has been spent to date. This includes both internal and external revenue and capital costs. No material costs are currently projected for the year 2000 or beyond.

33 Principal subsidiary and associated undertakings	Country of incorporation
Subsidiary undertakings:	
Outsourcing Services	
Bunzl Disposables UK Ltd*	
Bunzl Australia Ltd	Australia
Bunzl Distribution USA Inc	USA
Filtrona	
Filtrona Filter GmbH	Germany
Filtrona International Ltd*	
P.P. Payne Ltd*	
Filtrona Holdings Corp	USA
Paper Distribution	
Bunzl Fine Paper Ltd*	
Plastics	
Bunzl Plastics Inc	USA
Bunzl Plastics Ltd*	
Filtrona Brasileira Indústria e Comércio Ltda	Brazil
Corporate activities	
Bunzl Finance plc*	
Bunzl USA Holdings Corp	USA
Associated undertakings:	
Filtrona	
Filtrati SpA (49%)	Italy

The companies named above are the principal subsidiary and associated undertakings of Bunzl plc as at 31 December 1998 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 7 to 19 of the Annual Review and Summary Financial Statement.

* direct subsidiary undertakings of Bunzl plc

Statement of directors' responsibilities

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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.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report and accounts including the financial statements as described above. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Company is not disclosed.

We review whether the statements on pages 2 and 3 reflect the Company's compliance with those

provisions of the Combined Code specified for our review by the London Stock Exchange and we report if it does not. We are not required to form an opinion on the effectiveness of the Company's corporate governance procedures or its internal controls.

We read the other information contained in the annual report and accounts, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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 1998 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
KPMG Audit Plc
Chartered Accountants
Registered Auditor
London
9 March 1999

Directors' remuneration report

for the year ended 31 December 1998

Terms of reference of the Remuneration Committee

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

Membership

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.

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 97.3% of eligible employees, including Mr A J Habgood, Mr D M Williams and Mr J G Bason, participated in the 1998 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. In 1998 the target for the annual bonus for the executive directors was linked to the Group's achievement of

adjusted 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 1998, 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 1998 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.

Directors' remuneration report

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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 or five 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 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') replaced the Executive Share Option Scheme (No.2) (the 'No.2 Scheme'), which expired in 1994, and was approved by shareholders at the 1994 Annual General Meeting. The 1994 Scheme is consistent with principles expressed in guidelines by bodies representing institutional investors. 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 adjusted eps of the Group is equal to or greater than the increase in the Retail Prices Index over that period, plus 6%. This condition has been satisfied in respect of options granted in 1995 and 1996 under the 1994 Scheme.

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.

As stated in the 1997 Remuneration Committee Report it was the intention of the Committee that, for 1998, awards under the Long Term Incentive Plan ('LTIP') would once again replace grants of executive share options to the executive directors. Accordingly, the executive directors were not granted options during 1998 under the 1994 Scheme.

The table below shows the number of options held by the directors at 31 December 1998 and options granted to and exercised by the directors during 1998 under the No.2 Scheme and the Sharesave Scheme, both of which have been approved by shareholders. During the year no options lapsed. The directors do not hold any options under the 1994 Scheme.

		1.1.98	Granted during year	Exercised during year	31.12.98	Exercise price (p)	Market price at exercise (p)	Date from which exercisable	Expiry date
A J Habgood	No.2 Scheme	136,792		—	136,792	90.1		8.6.97	7.6.02
	No.2 Scheme	147,058		—	147,058	115.6		25.3.98	24.3.03
	No.2 Scheme	79,470		—	79,470	151		23.6.97	22.6.04
	Sharesave Scheme	31,250	—	—	31,250	72		1.11.99	1.5.00
	Sharesave Scheme	8,712	—	—	8,712	198		1.11.02	1.5.03
D M Williams	No.2 Scheme	94,370		—	94,370	151		23.6.97	22.6.04
	Sharesave Scheme	26,041	—	26,041	—	72	263	1.11.97	1.5.98
	Sharesave Scheme	4,924	—	—	4,924	198		1.11.00	1.5.01
J G Bason	Sharesave Scheme	—	7,500	—	7,500	230		1.6.03	30.11.03

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 an exercise price of 151p are also capable of being exercised at a price of 85% of the full exercise price, 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 Group is equal to, or greater than, the increase in the Retail Prices Index over that period, plus 10%. This condition has already been satisfied in respect of the options granted in 1992 and 1993 which may now be exercised at prices of 90.1p and 115.6p respectively.

The mid-market price of an ordinary share on 31 December 1998 was 235.5p and the range during 1998 was 199p to 343p.

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 a specified performance

condition is satisfied. The Group'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 a similar measure derived from the Financial Times All-Share Index. If the Group outperforms that measure by an average of at least 3% per annum, all of the awards granted will become exercisable. If the Group's performance equates to that measure, 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 for underperformance.

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. Any awards made after the end of 1996 may normally be exercised immediately following the satisfaction of the performance condition.

During 1998, awards in respect of 141,000, 89,000 and 61,000 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 2004. As stated in the Remuneration Committee Reports for 1996 and 1997, awards in respect of 132,638 and 139,887 ordinary shares were made to Mr A J Habgood in 1996 and 1997 respectively, awards in respect of 71,875 and 89,326 ordinary shares were made to Mr D M Williams in 1996 and 1997 respectively and awards in respect of 39,045 and 60,674 ordinary shares were made to Mr J G Bason in 1996 and 1997 respectively.

Following measurement of the Group's performance by reference to its total shareholder return over the three year performance period

1996 to 1998 inclusive relative to the measure, as described above, 40% of those awards made to Mr A J Habgood, Mr D M Williams and Mr J G Bason in 1996 have vested. Accordingly, 53,055, 28,750 and 15,618 ordinary shares have vested in respect of Mr A J Habgood, Mr D M Williams and Mr J G Bason respectively. These awards will now normally be exercisable from 1 January 2001 and will expire on 31 December 2002. The Group's performance will be measured again over the four year performance period 1996 to 1999 inclusive relative to the measure, as described above, to assess whether further shares will vest at 31 December 1999.

Subject to satisfaction of the performance condition, those awards made in 1997 will not normally be exercisable before 1 January 2000 and will expire on 31 December 2003.

As stated in the 1997 Remuneration Committee Report, awards in respect of 97,059 and 52,941 ordinary shares made to Mr A J Habgood and Mr D M Williams respectively in 1994, having fully vested, are now exercisable from 1 January 1999 and will expire on 31 December 2000. As also stated in the 1997 Remuneration Committee Report, awards in respect of 155,701 and 87,719 ordinary shares made to Mr A J Habgood and Mr D M Williams respectively in 1995 have fully vested and will now normally be exercisable from 1 January 2000 and will expire on 31 December 2001.

The 1997 Remuneration Committee Report stated that the Committee was reviewing the LTIP in the light of developing practice. Notwithstanding the success of the LTIP in terms of the rewards it has delivered to participants, reflecting the Group's performance, the Committee has been concerned that the LTIP does not readily permit an ongoing understanding of a clear connection

Directors' remuneration report

continued

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between the Group's performance and the delivery of rewards under the plan. Accordingly, the Committee has decided not to grant any awards under the LTIP for 1999 but intends instead to grant executive share options under the 1994 Scheme. Options granted to the executive directors in 1999 will be in respect of market purchased shares which will be held through the Bunzl Group General Employee Benefit Trust ('the Trust') rather than options in respect of new issue shares to be allotted at the time the options are exercised.

The Board approved in 1995 the establishment of the Bunzl Share Partnership Plan ('BSPP') to encourage more executives to hold Bunzl shares over a number of years. Under the BSPP eligible executives, including the executive directors, are able to invest part of an 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 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, which become exercisable on 19 March 1999. In 1997 Mr A J Habgood and Mr D M Williams deposited 3,629 and 1,814 ordinary shares respectively with the Trust, as a result of which awards were made in respect of 907 and 453 ordinary shares to Mr A J Habgood and Mr D M Williams respectively, which will not normally be exercisable before 27 March 2000.

Any shares required to fulfil entitlements under the LTIP and 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 1998 amounted to 2,043,717 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 the financial statements and elaborated upon in the relevant note thereto, 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 for senior executives the Bunzl Senior Pension Scheme ('BSPS'). BSPS provides for members' contributions at the rate of 5% of pensionable salary (which is basic salary) with the Group being responsible for the balance of the cost of providing the benefit as determined from time to time by the consulting actuaries to BSPS. Subject to inland Revenue limits, BSPS members are eligible for a pension which accrues at a maximum rate of 3% per annum up to two thirds of pensionable salary, with a normal retirement age of 60 years. BSPS also provides for payment of certain benefits in the event of death or disability. The executive directors may choose to be members of 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 BSPS.

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

The 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 non-executive directors' pay is reviewed annually, based on external market survey data, and is determined by the Board.

Directors' remuneration

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

	Salary/fees	Performance related elements	Pension allowance	Benefits	Total	Total
	1998	1998	1998	1998	1998	1997
	£000	£000	£000	£000	£000	£000
Executive						
A J Habgood	449.6	170.8	110.0	18.0	748.4	709.6
D M Williams	283.7	94.6	59.5	21.2	459.0	439.0
J G Bason	192.5	65.1	32.5	12.7	302.8	288.8
Non-executive						
A P Dyer	53.2	—	—	—	53.2	50.7
L C McQuade	29.1	—	—	—	29.1	26.4
P E Cushing	6.4	—	—	—	6.4	20.0
S G Williams	21.6	—	—	—	21.6	19.2
P Heiden	11.1	—	—	—	11.1	
O H J Stocken	1.9	—	—	—	1.9	

Notes

- Benefits incorporate all taxable benefits arising from employment by the Company which principally relate to the provision of a company car.
- The figures above represent remuneration earned as directors during the relevant financial year including some payments due under the Company's Inland Revenue approved profit related pay scheme. The other performance related elements are paid in the year following that in which they are earned.
- Mr P E Cushing resigned as a director on 14 April 1998 and his remuneration shown for 1998 is for the period from 1 January 1998 to the date of his resignation. Mr P Heiden and Mr O H J Stocken were appointed as directors on 1 July 1998 and 9 December 1998 respectively. Remuneration shown for 1998 in respect of their appointments is for the period from the date of appointment to 31 December 1998.
- The fees paid in respect of Mr S G Williams' services are paid to his employer, Unilever plc, and not to Mr S G Williams personally.
- As Mr A J Habgood is not a member of the Company pension scheme, the Company makes a direct pension contribution to a personal pension scheme in his name. In 1998 this amounted to £24,960 (1997: £20,888). For Mr D M Williams and Mr J G Bason the value of their pension benefits earned during 1998 is shown in the table below. The amount of the direct pension contribution, in the case of Mr A J Habgood, and the value of the pension benefits in the cases of Mr D M Williams and Mr J G Bason, are not included in the directors' remuneration table above.

	Increase in accrued pension during the year £	Transfer value of increase £	Accumulated total accrued pension at 31.12.98 £
D M Williams	2,690	33,904	18,857
J G Bason	2,616	18,453	5,419

Notes

- The increase in accrued pension during the year excludes the effect of inflation on the accrued pension as at the start of the year.
- Accrued pension is the annual amount which would be paid on retirement at the normal retirement age of 60 based on service to 31 December 1998.
- The above figures do not take account of any Additional Voluntary Contributions which all members of BSPS have the option to make.
- The transfer value of increase has been calculated on the basis of actuarial advice in accordance with actuarial Guidance Note 11 (GN 11) and is net of the director's contributions in each case.

US GAAP information

for the year ended 31 December 1998

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The Group's financial statements are prepared in accordance with United Kingdom Generally Accepted Accounting Principles ('UK GAAP'), which differ in certain significant respects from United States Generally Accepted Accounting Principles ('US GAAP'). These differences, together with the approximate effects of the adjustments on net profit and shareholders' funds, relate principally to the items set out below:

a Goodwill and other intangible assets

Under UK GAAP goodwill arising on acquisitions made after 31 December 1997 has been capitalised and is being amortised through the profit and loss account over a period of 20 years. Goodwill arising on acquisitions made prior to 1 January 1998 remains eliminated against equity reserves. Under US GAAP the excess of the fair value of the consideration paid over the fair value of the net assets acquired is first allocated to identifiable intangible assets with the remaining amount assigned to goodwill. Identifiable intangible assets which are immaterial and goodwill are capitalised and amortised over their estimated useful lives. For the purposes of calculating the amortisation of goodwill a life ranging from 20 to 40 years has been assumed, with the principal life adopted being 40 years.

In the application of purchase accounting the fair value of certain assets acquired and liabilities assumed is measured differently under UK GAAP and US GAAP, resulting in a difference in the recorded amounts of these assets, liabilities and resulting goodwill.

Under UK GAAP the profit or loss on disposal of a business acquired prior to 1 January 1998 is calculated after taking account of any goodwill written off to reserves. Under US GAAP an adjustment to the UK GAAP profit or loss is made in respect of goodwill previously amortised.

b Own shares

The Company recognises as an asset the cost of acquiring its own shares to satisfy the requirements of the Long Term Incentive Plan and the Share Partnership Plan. Under US GAAP this is presented as a reduction of equity shareholders' funds.

c Ordinary dividends

Proposed dividends on ordinary shares, as recommended by the directors, are deducted

from shareholders' funds and shown as a liability in the Group's balance sheet at the end of the year to which they relate. Under US GAAP such dividends are deducted from shareholders' funds at the date of declaration of the dividend.

d Property revaluations

The Group revalues certain land and buildings and depreciation is based on such revalued amounts. The calculation of the gain or loss on sale is based on the depreciated revalued amount. The surplus on revaluation is credited directly to shareholders' funds. Under US GAAP revaluations of fixed assets are not permitted and depreciation is calculated based on historical cost. The calculation of the gain or loss on sale is based on the depreciated cost.

e Pension costs

Under UK GAAP the expected cost of pensions is charged to the Group's profit and loss account so as to spread the cost of pensions over the expected service lives of employees. Surpluses arising from the actuarial valuation are similarly spread. Under US GAAP costs and surpluses are also spread over the expected service lives but based on prescribed actuarial assumptions, allocation of costs and valuation methods which differ from those used for UK GAAP.

f Provisions for liabilities and charges and deferred consideration

The Group recognises a provision for liabilities and charges when a liability or loss is certain or likely to be incurred but uncertainty exists as to the amount or date on which it will arise. Under US GAAP a provision is made if it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated.

The Group also recognises a liability for deferred consideration on acquisitions expected to be payable in the future. Under US GAAP such consideration is only recognised when any such liability actually arises.

g Deferred taxation

The Group provides for deferred taxation under the liability method unless there is reasonable certainty that such deferred taxation will not become payable in the foreseeable future. Under US GAAP deferred taxation is recognised for all temporary differences which result in

taxable or tax deductible amounts in future years, subject to a valuation allowance, to reduce the deferred tax asset if it is more likely than not that the related tax benefit will not be realised. Deferred taxation also arises in relation to the tax effects of certain other US GAAP differences.

h Share option schemes

The Group recognises a compensation cost for only the cost of its own shares acquired to satisfy the requirements of the Long Term Incentive Plan and the Share Partnership Plan. US GAAP requires a compensation cost to be recorded for all of the Group's performance based executive share schemes and for the discount provided to employees in respect of the Sharesave Scheme.

i Discontinued operations

UK GAAP and US GAAP have different criteria for determining discontinued operations. The businesses presented as discontinued operations under UK GAAP would be presented as continuing operations under US GAAP. The business presented as to be discontinued within continuing operations under UK GAAP would be presented as a discontinued operation under US GAAP.

j Cash flows

The principal difference between UK GAAP and US GAAP is in respect of classification. Under UK GAAP the Group presents its cash flows from operating activities, returns on investments and servicing of finance, tax paid, capital expenditure and financial investment, acquisitions and disposals, equity dividends paid, management of liquid resources and financing. US GAAP requires only three categories of cash flow activities which are operating, investing and financing.

Cash flows arising from tax paid and returns on investments and servicing of finance under UK GAAP are, with the exception of dividends paid to minority shareholders, included as operating activities under US GAAP. Dividend payments are included as a financing activity under US GAAP. In addition capital expenditure and financial investment and acquisitions and disposals under UK GAAP are presented as investing activities under US GAAP. Furthermore under UK GAAP cash includes overdrafts, movements in which, under US GAAP, are presented as financing activities.

	1998 £m	1997 £m
Net profit for the year ended 31 December		
Net profit for the financial year in accordance with UK GAAP	71.9	80.2
US GAAP adjustments:		
Amortisation of goodwill and other intangibles	(8.8)	(6.6)
Disposal of businesses	6.3	0.3
Depreciation and disposal of revalued properties	0.1	1.7
Pension costs	0.9	0.4
Share option expense	(0.1)	(0.8)
Provisions for liabilities and charges	(1.3)	3.9
Deferred taxation	0.5	(1.4)
Other	0.1	(0.9)
Taxation on above adjustments	(0.6)	-
Net profit for the financial year in accordance with US GAAP	69.0	76.8
Earnings per share in accordance with US GAAP	15.3p	17.1p
Diluted earnings per share in accordance with US GAAP	15.2p	17.0p

	1998 £m	1997 £m
Equity shareholders' funds at 31 December		
Equity shareholders' funds in accordance with UK GAAP	266.9	222.6
US GAAP adjustments:		
Goodwill and other intangibles	249.1	258.7
Own shares	(1.7)	(1.2)
Ordinary dividend	22.0	20.3
Property revaluations	(1.9)	(5.7)
Pension costs	(3.1)	(4.0)
Deferred consideration	3.3	6.2
Provisions for liabilities and charges	5.0	10.0
Deferred taxation	(4.9)	(5.1)
Taxation on above adjustments	0.6	(0.4)
Equity shareholders' funds in accordance with US GAAP	535.3	501.4

	1998 £m	1997 £m
Consolidated cash flow statement for the year ended 31 December		
Net cash inflow from operating activities	102.7	85.3
Net cash outflow from investing activities	(57.4)	(133.5)
Net cash (outflow)/inflow from financing activities	(41.7)	45.4
Net increase/(decrease) in cash and cash equivalents per US GAAP	3.6	(2.8)
Exchange adjustments	-	(0.7)
Cash and cash equivalents at beginning of year	26.5	30.0
Cash and cash equivalents at end of year	30.1	26.5

Five year review

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	1998 £m	1997 £m	1996 £m	1995 £m	1994 £m
Sales					
Ongoing operations	1,862.7	1,627.7	1,478.8	1,374.5	1,199.0
Business to be discontinued	74.3	76.3	81.4	112.2	91.2
Discontinued operations	2.3	49.2	236.2	271.8	332.0
Total sales	1,939.3	1,753.2	1,796.4	1,758.5	1,622.2
Operating profit					
Ongoing operations	139.7	122.4	112.1	95.6	75.1
Business to be discontinued	(0.5)	2.6	2.5	7.5	5.3
Discontinued operations	0.2	2.3	1.1	5.7	6.5
	139.4	127.3	115.7	108.8	86.9
Permanent diminution in goodwill	—	—	—	—	(49.7)
Total operating profit	139.4	127.3	115.7	108.8	37.2
Profit/(loss) on sale of discontinued operations	0.5	2.2	—	—	(35.0)
Provision for loss on business to be discontinued	(17.9)	—	—	—	—
Profit on ordinary activities before interest	122.0	129.5	115.7	108.8	2.2
Net interest payable	(8.2)	(3.6)	(2.2)	(2.6)	(7.1)
Profit/(loss) on ordinary activities before taxation	113.8	125.9	113.5	106.2	(4.9)
Profit before taxation, goodwill amortisation and exceptional items	132.3	123.7	113.5	106.2	79.8
Taxation on profit on ordinary activities	(41.6)	(44.6)	(39.7)	(37.5)	(28.0)
Profit/(loss) on ordinary activities after taxation	72.2	81.3	73.8	68.7	(32.9)
Profit attributable to minorities	(0.3)	(1.1)	(0.9)	(1.2)	(0.9)
Profit/(loss) for the financial year	71.9	80.2	72.9	67.5	(33.8)
Earnings per share	15.9p	17.9p	16.4p	15.5p	(8.0)p
Adjusted earnings per share	19.0p	17.6p	16.4p	15.5p	12.0p
Dividends per share	7.35p	6.8p	6.3p	5.8p	5.0p
Shareholders' funds per share	58.8p	49.3p	64.2p	70.4p	57.3p
Net assets employed					
Intangible assets – goodwill	28.5	—	—	—	—
Tangible fixed assets	189.2	190.4	168.0	159.6	145.7
Net current assets and other liabilities	51.0	36.0	124.0	158.7	103.8
Net assets	268.7	226.4	292.0	318.3	249.5
Financed by					
Shareholders' funds: equity interests	266.9	222.6	287.4	312.7	243.9
Minority equity interests	1.8	3.8	4.6	5.6	5.6
	268.7	226.4	292.0	318.3	249.5

Bunzl plc

As an international company we have developed sound partnerships with both suppliers and customers by providing specialist services including outsourcing, distribution and light manufacture, primarily of plastic and paper based products.

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The 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 W1P 3PB. 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 1997 have been filed at Companies House and the full accounts for 1998 will be filed after they have been approved at the Annual General Meeting.

FRONT COVER: Outsourcing Services: factory to eat container and disposable tableware; Filtrona: ink reservoirs; Paper Distribution: Annual report paper; Plastics: Desk cable tray

Financial highlights

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Sales of ongoing operations increased by 14%

Operating profit of ongoing operations up 14%

– before 1998 goodwill amortisation up 15%

Adjusted earnings per share up 8%

	1998	1997	
Sales £m	1,939.3	1,753.2	+ 11%
Sales of ongoing operations £m	1,862.7	1,627.7	+ 14%
Operating profit* £m	140.5	127.3	+ 10%
Operating profit of ongoing operations* £m	140.8	122.4	+ 15%
Profit before tax £m	113.8	125.9	- 10%
Profit before tax and exceptionals* £m	132.3	123.7	+ 7%
Earnings per share p	15.9	17.9	- 11%
Adjusted earnings per share p	19.0	17.6	+ 8%
Dividends per share p	7.35	6.8	+ 8%
Gearing %	37.7	53.2	

* before 1998 goodwill amortisation



To continue the successful pattern of organic growth, the senior management team meets regularly on both sides of the Atlantic to exchange ideas and review trends. The team is made up of key managers responsible for their respective businesses and central functions.

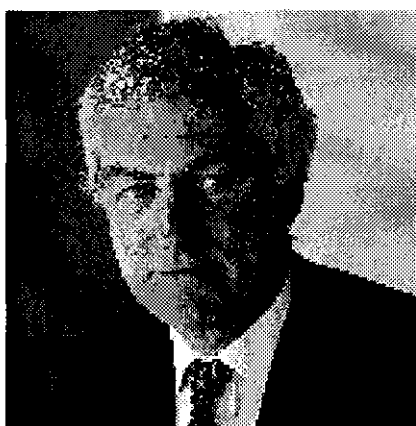
1	2	3	7	8	9
4	5	6	10	11	



- 1 John Bason
Finance Director
- 2 Peter Dick
Managing Director, Paper Distribution
- 3 Paul Lorenzini
Chairman, Outsourcing Services
- 4 Christoph Sander
Managing Director, Outsourcing Services
Europe and Australia
- 5 Rick Snellings
President, Outsourcing Services North America
- 6 Anthony Habgood
Chairman
- 7 David Williams
Group Managing Director
- 8 Andrew Jones
Director of Corporate Development
- 9 Paul Twigden
Managing Director, Plastics
- 10 Mark Harper
Managing Director, Filtrona
- 11 Arnold Wagner
Director of Group Personnel

From regular discussions comes focus to the overall strategy of the business, keeping Bunzl targeted on growth, improving profitability and seeking new opportunities.

Excellent results around the world, the successful integration of acquisitions and the positive effects of further reshaping the Group as a service oriented company concentrating on outsourcing enable me to report substantial increases in both sales and operating profit.



Results

Excellent operating results from our subsidiaries around the world, the successful integration of acquisitions and the positive effects of further reshaping the Group as a service oriented company concentrating on outsourcing, distribution and light manufacture, more than offset deflationary pressures to enable me once again to report substantial increases in both sales and operating profit. Sales of ongoing operations rose 14% to £1,862.7 million (1997: £1,627.7 million) while overall sales increased 11% to £1,939.3 million (1997: £1,753.2 million). Operating profit on ongoing operations was up 14% to £139.7 million (1997: £122.4 million) and before 1998 goodwill amortisation rose 15% to £140.8 million, while total operating profit increased 10% to £139.4 million (1997: £127.3 million). The £17.9 million provision for the loss, including goodwill, on exiting our job-lot converting business and higher interest charges caused profit before tax to be 10% lower at £113.8 million (1997: £125.9 million). Earnings per share fell 11% to 15.9p (1997: 17.9p) while adjusted earnings per share, after eliminating the effect of the profit on the sale of discontinued operations, the one off cost of exiting the job-lot business and 1998 goodwill amortisation, rose 8% to 19.0p (1997: 17.6p).

Notwithstanding £43 million spent on acquisitions and £17 million raised from disposals, net debt fell to £100.6 million (1997: £118.5 million) as

the underlying businesses continued to generate cash. With higher shareholders' funds and lower debt, gearing fell from 53.2% to 37.7%.

Dividend

The Board has decided to raise the final dividend to 4.85p (1997: 4.5p). This brings the total dividend for the year to 7.35p (1997: 6.8p), an increase of 8%.

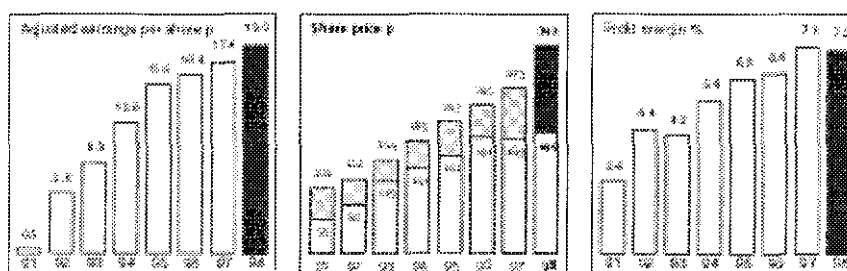
This year we have decided to introduce a new dividend reinvestment plan for shareholders. Further details will be sent with the notice of Annual General Meeting.

New York Stock Exchange listing

In an important development for the Group in October, we began trading American Depositary Receipts (ADRs) on the New York Stock Exchange. Reflecting our sizeable US interests, the New York listing not only makes it easier to invest in Bunzl from the US but also provides the 45% of our employees who are in North America access to a more visible dollar-denominated stock. Each ADR represents five Bunzl ordinary shares.

Sector reclassification

For many years Bunzl was listed in the Paper, Packaging and Printing sector of FTSE International. In August the abolition of that sector was announced thereby making it necessary for companies to be reclassified.



The major changes in our business over recent years have moved Bunzl away from being a paper company towards a service oriented supply systems company concentrating on outsourcing, distribution and light manufacture. This had made the Paper, Packaging and Printing sector no longer appropriate for Bunzl in any event. With the predominance of outsourcing in our two largest business areas we were reclassified into the Business Support Services sector in December. As a result, and in order to reflect the underlying nature of our businesses, our business areas are now known as Outsourcing Services, Filtrona, Paper Distribution and Plastics.

Board changes

In July Paul Heiden joined the Board as a non-executive director. Paul is a director of Rolls-Royce plc with responsibility for their Industrial Businesses. He replaced Philip Cushing who resigned to take up a position as an outside director elsewhere. In December Oliver Stocken also joined the Board as a non-executive director. Oliver is Finance Director of Barclays Bank plc as well as being a non-executive director of a number of other companies. We welcome Paul and Oliver to the Board and thank Philip for his service and wish him every success in the future.

Operating performance

Despite a deflationary pricing environment, the operating companies performed strongly. This was reflected in both the sales and operating profits of existing businesses, that is before acquisitions and disposals, increasing by 12%. Group margin on ongoing operations was constant at 7.5% as both sales and operating profit grew by 14%, while, before 1998 goodwill amortisation, margin rose to 7.6%. Return on capital employed without goodwill for the Group as a whole rose from 30.5% to 32.6%.

Excellent results were achieved in Outsourcing Services where organic growth combined with the highly successful integration of acquisitions more than offset deflationary pressures to increase profits by 17% on sales up 13%. This result once more reflected the service orientation of the business as ever more customers chose Bunzl as their natural partner, often on a total outsourcing basis. Filtrona also had a first rate result with profits up 14% on sales up 15% reflecting good organic growth, especially of the tear tape business, and the successful integration of AFC. Once again the increasing service orientation and outsourcing nature of this business was reflected in its continued growth and success. Paper Distribution's profits were down 2% on sales up 4% as severe price deflation took its toll. Nevertheless service levels remained high and volumes continued to increase. In Plastics, profits rose by 23% on sales that were 46% higher. The purchase of the historically somewhat lower margin extrusion businesses and the sale of a number of smaller plastics companies make direct like-for-like comparisons in this business area difficult.

The sales and operating results of the job-lot business are included in continuing operations as a business to be discontinued and the small sales and profits made by the plastics companies which were disposed of during the period are in discontinued operations.

Acquisitions

During the year £43 million was spent on acquisitions. In January 1998 we acquired The Paper Company, a specialist distributor of carbonless reels and continuous stationery to printers in the UK. The Paper Company complements our existing activities in Paper Distribution. In March we purchased Enitor, an

extruder of plastic profiles in the Netherlands. Enitor represents our first move into Europe in plastic profiles following the purchase of Bunzl Extrusion in the US in September 1997 and its subsequent successful expansion. In November we purchased the grocery supply business of the xpedx division of International Paper. With annual sales of about \$80 million, this business supplies the grocery industry with disposable products across the US and its acquisition follows the highly successful integration of Unisource's Grocery Supply Systems business which was acquired in October 1997.

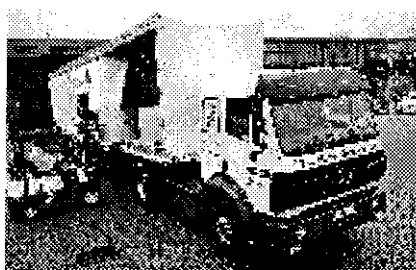
In March 1999 we announced a recommended cash offer of approximately £28.5 million for Provend Group PLC. This will add a substantial disposable supplies business in the UK and provide us with the opportunity of becoming a leading operator in the closely related vending sector.

Disposals

Following the purchase of Bunzl Extrusion in September 1997, it was decided to sell a number of smaller plastics companies. As a result Stag and Webster were sold in January and February 1998 respectively and Filpac in August. Disposals raised £17 million in cash during the period. A charge of £17.9 million was taken to the profit and loss account to cover the expected asset and goodwill loss on exiting the job-lot business although the overall cash impact is expected to be positive. This represents Bunzl's final break with paper converting as we concentrate our resources further on service oriented outsourcing, distribution and light manufacture.



Jan KÖve-Pac extends coverage in Outsourcing Services across Germany and into Eastern Europe.



Jan Acquisition of The Paper Company strengthens our position in the distribution of reels.



Mar Enitor, a Dutch extruder of custom plastic profiles for the European market, joins the Group.

The continuing objective of both the acquisition and disposal activity has been to concentrate the Group further in areas where it has real competitive edge.

Investment

Once again we have invested capital in excess of depreciation in order to strengthen our businesses. Substantial investment has continued to be made in computer systems throughout our operations which has helped improve our ability to service our customers, enhance our market position and contribute to productivity gains. This spend is also directed towards making our systems year 2000 compliant and meeting the requirements of the euro. Investment in systems, as well as maintaining an up to date asset base, remains a priority and we regard it as an important source of competitive advantage.

Health, safety and the environment

We continue to be active in the field of health and safety. Most of this activity is directed towards the creation of a safer work environment through the assessment of risks, action plans in the light of risks so identified, training and regular audits. The Group's Environment Health & Safety Committee meets quarterly and is advised by a Technical Sub-Committee of health and safety specialists.

All 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.

Providing opportunities for employees

We seek to identify and develop the potential of all Bunzl employees. This is achieved through a number of initiatives. Our management development programme, now in its sixth year, has been extended to more of our middle managers. Technical training continues to play an important role in ensuring employees have up to date skills and our graduate recruitment and training scheme continues to add to the Group's longer term managerial strengths. A number of our UK operations have secured Investors in People accreditation.

Our European Information and Consultation Forums, now established for almost three years, have continued to meet in order to provide information to, and consult with, employee representatives on Group and business area policies, strategy and performance.

The teamworking, dedicated effort and hard work of our employees around the world is one of the vital sources of our continued strength. Their contribution is greatly appreciated.

Prospects

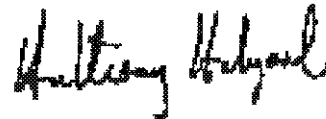
The strength of the US economy has continued through the year end and into the early months of 1999 while the UK has experienced somewhat more difficult trading conditions.

With over half of our business in the US and our strong service and outsourcing orientation in the US, the UK and elsewhere, Bunzl is continuing to enjoy good organic volume growth in its major businesses. We have been successfully managing the effects of deflationary pressures in the past three years but they have nevertheless taken

their toll on sales growth. These pressures appear to be easing in 1999 although prices for most products are well below their early 1998 levels.

Adverse movements of sterling against the dollar and European currencies, which have impacted our results through translation, presently look less likely in 1999. While only impacting a minor part of our sales, the translation effect of major weaknesses of other currencies, most recently in Brazil, will inevitably have some impact on our results.

Against this background, the strength of our businesses and the organic volume growth in their markets, supplemented by acquisition activity, enable us to look forward to the future with confidence.



Anthony Habgood
Chairman
9 March 1999



Apr Integration of GSS into Outsourcing Services across the US is completed in six months.



Oct New products from Filtrona are successfully launched at the prestigious TABEXPO exhibition.



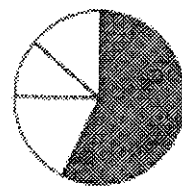
Oct Original listing of Bunzl's American Depositary Receipts on the New York Stock Exchange takes place.

Operating and financial review

Outsourcing services

Operating across North America, Europe and Australia, Bunzl is a leading supplier of outsourced food packaging, disposable supplies and cleaning and hygiene products for supermarkets, caterers, hotels and contract cleaners.

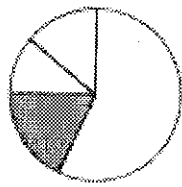
57% of Group
operating profit
3,700 employees



Filtrona

Filtrona is the world's leading supplier of outsourced cigarette filters especially for the growing low tar market while Supastrip® is the leading brand of self-adhesive tear tape used for the easy opening of film over-wrapped consumer products.

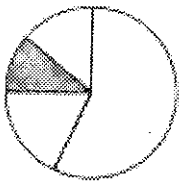
18% of Group
operating profit
2,300 employees



Paper distribution

Bunzl is one of the largest independent fine paper merchants in the UK and Ireland distributing a wide range of high quality printing, writing and copier papers primarily to printers.

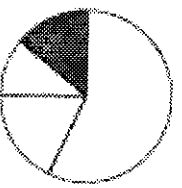
11% of Group
operating profit
900 employees



Plastics

Bunzl is a world leader in plastic caps and plugs for protecting engineered products whether in manufacture or transit and is also a leading US extruder of custom plastic profiles used in transportation, lighting, retail and other end uses.

14% of Group
operating profit
2,700 employees



In our 220 locations in 21 countries, Bunzl employs around 10,000 people in four business areas. We are among the world leaders in outsourced paper and plastic disposables, cigarette filters, tear tapes and plastic protection parts. We are also one of the UK's largest independent distributors of fine paper and one of the US's leading extruders of custom plastic profiles.

Unless otherwise stated the profits for each of the business areas for 1998 and the percentage change from 1997 are stated before the effect of 1998 goodwill amortisation.

Operating across North America, Europe and Australia, Bunzl is a leading supplier of outsourced food packaging, disposable supplies and cleaning and hygiene products for supermarkets, caterers, hotels and contract cleaners.

Once again, our largest and most successful business area achieved record results, with sales rising 13% and profits up 17%. This performance is all the more impressive given the emphasis during the period which was placed on integrating GSS, the loss making US business acquired in October 1997, and also the impact of continued price deflation and the strength of sterling.

North America forges ahead

Sales in North America were ahead strongly as a result of excellent organic growth and full year contributions from the acquisitions we made in the last few months of 1997. At the same time we continued to achieve increases in efficiency which fuelled healthy profits growth and, in November, purchased the grocery supply business of International Paper's xpedx division.

Successfully integrating acquisitions

In 1998 we continued to integrate the acquisitions made in 1997. In particular GSS was rapidly brought onto our systems and the entire organisation is now fully controlled and integrated across all of our regions. This was a major achievement and much to the credit of our systems team. GSS added significant sales in North America and to accommodate this increased volume of business we expanded and upgraded our warehouse network, a programme which we completed by the end of the first half of the year. We opened new outlets in Greensboro

(North Carolina) and Kansas City (Missouri) and incorporated additional warehouses from GSS into the existing Bunzl network in Valley Forge (Pennsylvania), Seattle (Washington), Rochester (New York), Canton (Ohio) and Billings (Montana). We also enlarged some facilities, such as our Atlanta operation. These substantial changes to our distribution network have improved customer service and brought us further operating efficiencies which will enhance our profitability.

Specialised packaging solutions

An important growth area for Bunzl is provided by the changing lifestyle pattern of consumers in North America. In recent years there has been a dramatic swing away from time consuming cooking at home from raw ingredients towards high quality, freshly prepared meals which can be purchased in supermarkets and grocery stores. These 'ready to eat' or 'ready to heat' meals are now an established takeaway food option. Consumers can select from a variety of savoury dishes and desserts, prepared daily in-store, to create their own hot or cold meal which can be either consumed immediately or may be heated at home.

We supply the specialist packaging which might need to be microwavable, ovenable, freezable or heat retentive and often needs to be attractive enough to be put on the dining table. Through its design and labelling it also plays a vital role

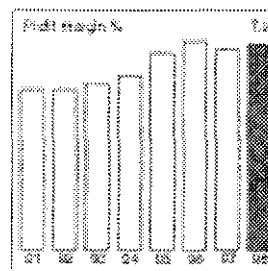
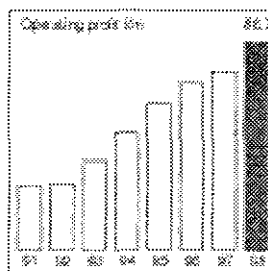
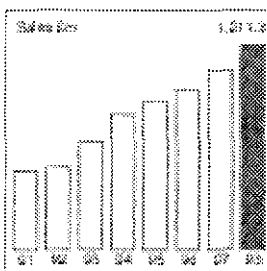
in merchandising these value added products. We are the largest supplier of this type of packaging in the United States and have been working alongside supermarket and grocery store customers as well as food manufacturers to develop tailor-made packaging solutions. We have also built up expertise in labelling and merchandising, all of which has made us a valuable and respected supplier in this area. According to food industry indications of growing consumer popularity, sales to this 'home meal replacement' market look set to continue to increase.

Home meal replacement packaging is only a small part of the comprehensive range of products which we supply to supermarkets. We distribute all kinds of paper and plastic packaging, labels, bags, accessories and cleaning materials used throughout the store but especially in the delicatessen, in-store bakery and meat and fresh fruit sections. In fact we distribute virtually all the supplies the supermarket needs to operate but does not sell and we often supply these on a total outsourcing basis. Supermarkets and grocery outlets represent about half of our North American sales of disposables.

Sophisticated distribution programmes

It is our specialist expertise and success in providing a comprehensive range of these non-retailable items ('disposables') which

Financial summary	
Sales	£1,214.3m
Operating profit	£66.7m
Profit margin	7.2%





Disposable food containers are supplied to supermarkets and grocery stores for the fast growing home meal replacement market in North America.



Ready to eat: attractive branded packaging is supplied for the specialist takeaway market.



Ready to heat: microwavable compartmentalised trays have been developed for home use.



Takeaway: specialist coffee shops are supplied with cups, trays and cutlery.



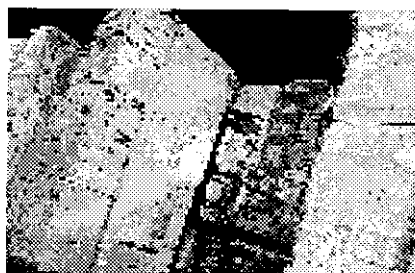
A wide range of attractive disposable tableware is supplied for the American and European markets.



1.30pm Staff confirm that all items on a customer's cross-dock order match Bunzl's item codes and are in stock.



1.50pm The customer's transportation department is advised on how many trucks to send for retail store pallets.



4.00pm Products are selected by individual store for each warehouse's order and the selector loads the customer's pallets.

enable us to be a one stop shop for our customers with whom we develop long term relationships and work in partnership. Customers do not want valuable storage space either at their stores or the distribution warehouse taken up with these often bulky disposables, preferring to maximise space for the groceries instead.

With our state-of-the-art warehousing, distribution systems and product flow monitoring technology, we can streamline customers' needs and deliver supplies in the form most applicable to their requirements on a just-in-time basis. Our distribution programmes can be tailor-made to take away as much of the burden of managing the supply and storage of these products as the customer wishes. We operate three distribution programmes: direct-store-door, where deliveries are made to individual user locations, warehouse replenishment, where we restock the customer's warehouse on a planned basis, and cross-docking.

Cross-docking is our most sophisticated distribution programme. Orders are picked for individual stores of a supermarket chain and pallets are prepared, labelled by store, which we deliver to the customer's warehouse. The products which we deliver are not stored in that warehouse but simply cross from the inward dock to the outward dock for immediate loading onto the customer's truck with the groceries for each store. Sometimes cross-docking customers collect the pallets of disposables from our warehouse, but the principle of cross-docking remains the same – that the product is not stored in their warehouse.

Growing organically in Canada and Mexico
Our specialisation and innovative reputation has continued to attract new customers to our existing, loyal customer base. In particular

significant new accounts have been won and valuable customer partnerships have been established in Canada following our entry into the region through acquisitions in mid 1996 and early 1997. Our Mexican operation also increased profits substantially and the Monterrey warehouse has been doubled in size to cope with the influx of new business.

Adding strength through acquisition

In November we acquired the grocery supply business of the xpedx division of International Paper. The business had annual sales of about \$80 million and supplies disposables to the grocery trade across the United States and will add strength to the core of the business area.

Excellent results in Europe

All companies within Europe had an excellent year with overall sales and profits growth well up into double figures. Our rapid growth record has been maintained despite the strength of sterling reducing the value of results from the mainland European operations. These figures were boosted by the contribution from Köve-Pac, the German distributor which we acquired in December 1997. Increases in efficiency have helped to improve further our profitability. We have also increased the standardisation of systems and integration of purchasing across Europe, enhancing our position as the logical partner for pan-European customers and suppliers.

Our experience in the United States has played an important role in the new business drive both sector by sector and in promoting cross-docking distribution programmes. Sales in the period were enhanced by significant new business coming on stream particularly in the contract catering, hotel, leisure and supermarket sectors. In January 1998 we began our first major cross-docking contract



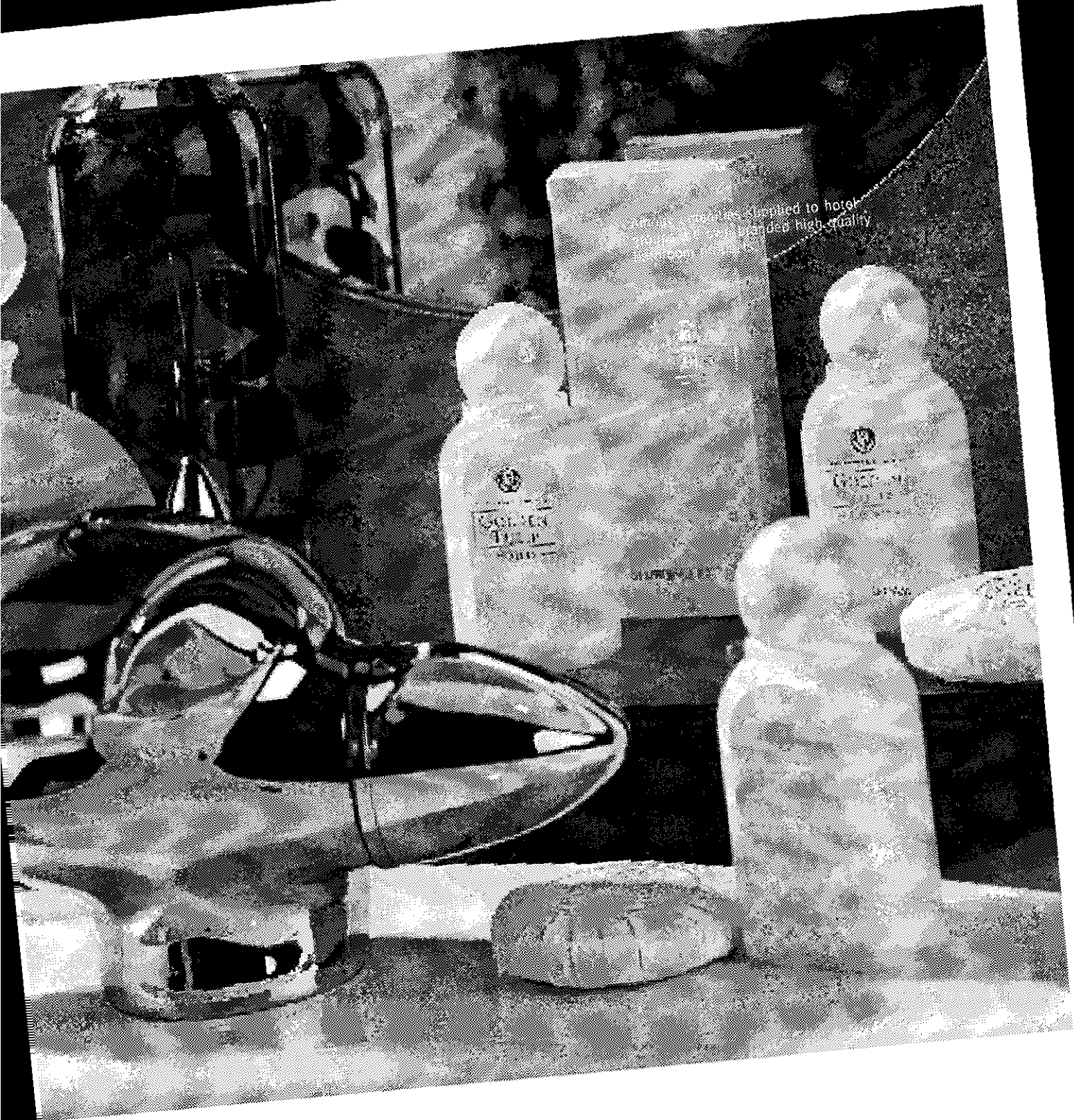
4.45pm Pallets destined for each store are wrapped and labelled for fast identification when they arrive at the customer's warehouse.



6.00pm Trucks destined for the customer's warehouse collect and carry products for retail stores.



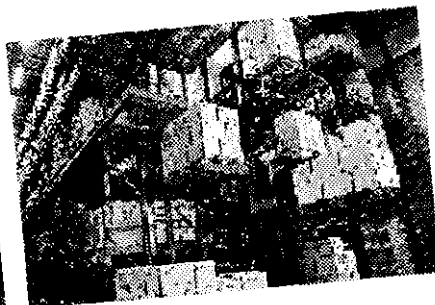
11.00pm Invoices are generated electronically from product shipment.



Golden Thread soap is supplied to hotels and is a branded high-quality product.



Customer orders are received and processed electronically.



Products are located and picked in the newly extended warehouse in Amsterdam.



Trucks leave the warehouse in the early morning for fast and efficient delivery to customers.

to supply one of the UK's biggest supermarket chains. This and other new retail business positions us well for future growth in this sector.

Improving service infrastructure at ACS Whittaker
We continued the reorganisation and integration process at a local level within ACS Whittaker. This has improved efficiency as distribution, marketing and customer support activities have been harmonised and streamlined. A national call centre has been set up to improve customer service, especially within the growing national accounts area, and complement local telesales activities. A new warehouse was opened in Clapham in January 1999 in order to serve customers in the growing London area market, where business was previously serviced from the Enfield and Basingstoke hubs.

Alpha marks third successful year

Alpha, our UK distributor of 'away from home' cleaning and hygiene products acquired in 1996, had another good year. Our customer service was recognised for the third year running with a Distributor Service Excellence Award given by the cleaning and hygiene industry.

HOPA grows in Benelux

Netherlands based HOPA continued its rapid development of our business in Benelux distributing hotel amenities and catering disposables. The extension to the Amsterdam warehouse which was completed in 1997 accommodated increased sales volumes. Both sales and profits reported in sterling were strongly ahead of 1997 despite the adverse currency translation effect.

Significant presence in Germany

In Germany Köve-Pac has continued its good record of growth and profitability under Bunzl ownership. Sales of disposables and food packaging supplies grew both within Germany and into Eastern Europe, increasing our market penetration. The company has now been integrated and is fitting well into our European network.

A resilient performance in Australia

Our Australian business was affected by the currency turmoil in Asia which hit trade generally and tourism and the hotel business in particular. The Australian dollar also devalued against sterling by 16%.

Our resilient performance in such difficult conditions was achieved by our continuing emphasis on improving the quality of the business and the service levels provided to our customers. The national accounts and centralised buying functions benefited customers with improved service and competitive pricing. Our Australian business is now working more closely with our European businesses which further assists in purchasing through the commonality of suppliers.

A new computer system is being installed which will bring about substantial improvements in transaction processing and reporting and in turn deliver savings both to Bunzl and our customers.

Increasingly our customers prefer to concentrate their resources by focusing on what they do best. We help them to reduce their inventory, warehousing space and/or manufacturing needs by providing a wide range of specialist products, often on a total outsourcing basis, and a fast efficient service.

Filtrona is the world's leading supplier of outsourced cigarette filters especially for the growing low tar market while Supastrip® is the leading brand of self-adhesive tear tape used for the easy opening of film over-wrapped consumer products.

Filtrona achieved sales and profits growth of 15% and 14% respectively in the period. This impressive performance was due to the full year's contribution from the bonded fibres business of AFC acquired in September 1997, which has been successfully integrated as Filtrona Richmond, and an overall increase in volumes.

Strong growth in the Americas

Filtrona USA, the entity uniting Richmond and Greensboro, had a strong first trading period. The two operations have complementary customer bases and together they represent a comprehensive outsourcing solution for special filter needs in North America. The larger cigarette companies usually produce basic monoacetate filters in house but often prefer to outsource the supply of specials which are more complex in design and manufacture, incorporating other filter media such as carbon and paper. We are also major suppliers of fibre wicks and ink reservoirs for writing instruments. Collaboration between Richmond and Hamburg to share information is bearing fruit both for ink reservoirs and other newer applications. In Brazil domestic sales and exports continued to progress strongly in spite of the country's worsening economic situation.

Mixed results in Asia

Despite the currency turmoil in Asia, our Indonesian operation traded well, although results were mixed elsewhere in the region.

We closed our small Australian operation in July as the market failed to develop satisfactorily.

Increased productivity in the UK

Sales from Jarrow were lower as we transferred our remaining production for the North American market to our facilities in the United States and the strength of sterling adversely impacted exports. We have improved the plant's competitiveness, however, by increasing productivity. Filters featuring new shapes and colours have been launched which are of particular interest to customers for brand differentiation. FILTECH, Filtrona's specialist engineering arm based in Jarrow, introduced a new generation of more effective filter making machines during the year.

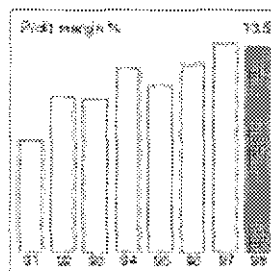
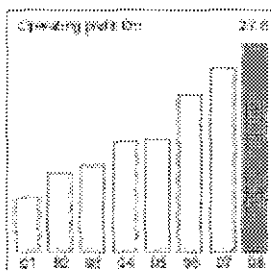
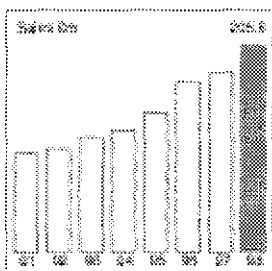
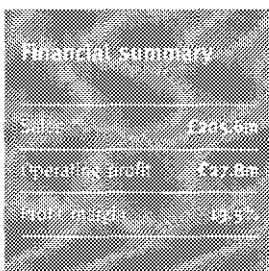
Instruments ahead

Our quality control and measurement instrumentation business, FIAL, had another successful year with increased sales and profits, despite difficult trading conditions in Asia. Our instruments are used both on line and within laboratories for the measurement of various product characteristics. We introduced new software which provides manufacturing control and statistical analysis for effective factory management. A new tube packaging machine has enjoyed strong demand and a new smoking machine was launched. After sales service was enhanced with the opening of an Indian office to service this increasingly important market.

Tear tape benefits from closer integration

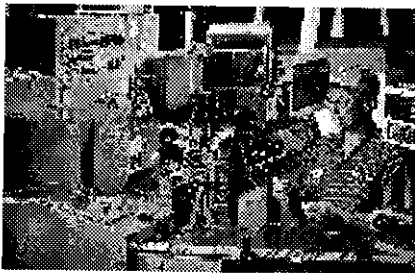
Sales and profits of P.P. Payne, our manufacturer of tear tape for cigarette and other consumer product packaging, were higher in spite of the effect of the strong pound. We moved the company's plastic strapping operation into the Plastics business area at the end of the year which will allow us to focus on continuing to develop the tear tape operations within the Filtrona network.

Once again we invested to increase production capacity in the UK and in finishing plants in the Americas and Asia. New tear tapes were introduced during the period, including Supastrip®XL, offering manufacturers greater productivity and innovative applications. Improved printing technology has enabled us to launch Impact™ which can incorporate multicoloured messages for brand promotion and protection from counterfeiting.





Quadrifed filters, tear tapes and ink reservoirs are leading products supplied by Filtronic.



Acetate base rods are produced for use in special dual filters.



Acetate and charcoal base rods are combined and the resulting filter rods prepared for shipping.



Testing selected batches of finished product forms part of the rigorous quality assurance process.

Bunzl is one of the largest independent fine paper merchants in the UK and Ireland distributing a wide range of high quality printing, writing and copier papers primarily to printers.

The business area has been significantly reshaped with the decision to exit the US based job-lot paper converting business which will allow us to concentrate our resources on fine paper distribution and focus on building on our strong position in the UK and Ireland. This position was further strengthened with the purchase of The Paper Company in January 1998.

Showing our resilience

The strength of the pound against the German mark, in particular, caused paper price deflation which impacted profitability and put pressure on sales growth, making a 4% increase in sales a very creditable achievement. Paper prices have been falling between 6% to 8% per annum for the last three years and are now close to mainland European levels, while demand for fine paper has been growing.

Responsive service in a demanding marketplace

We stock a vast range of paper and board in different sizes, weights, colours and finishes in both sheet and reel form. The end uses for our products are diverse, ranging from annual reports and restaurant menus to retail point-of-sale material and signage. Our main customers are printers who sometimes require specific brands in a matter of hours. The printing market is highly fragmented and nationally based rather than international. In order to offer excellent service, we are therefore focused on an

extensive national network of 33 branches, with the majority of items delivered from stock on a just-in-time basis and often within 24 hours. It is this responsiveness of service and the broad product range combined with the continuing search for operating efficiencies which makes us so competitive and keeps the business growing.

During the year we have continued to invest in upgrading facilities and information systems to enhance service to customers and cater for future growth. Our Leeds warehouse has been refurbished and extended to provide greater stock holding capacity and more efficient throughput of stock. Our Newcastle branch has moved into new premises yielding some 40% more warehouse space and our Dublin operation now has a new, purpose-built warehouse.

Specialist distribution for market niches

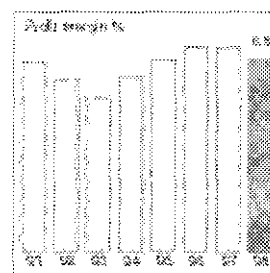
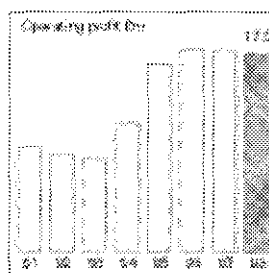
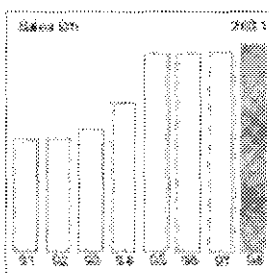
We made good progress in the carbonless reel and continuous stationery market. In January 1998 we purchased The Paper Company, a reel distributor based in Nottingham, which complements RapidReel, the growing reel business which we set up in 1995. This acquisition has given us national coverage and improved our overall presence in the market. It is integrating successfully into the business and sits well alongside our network of outlets for sheets.

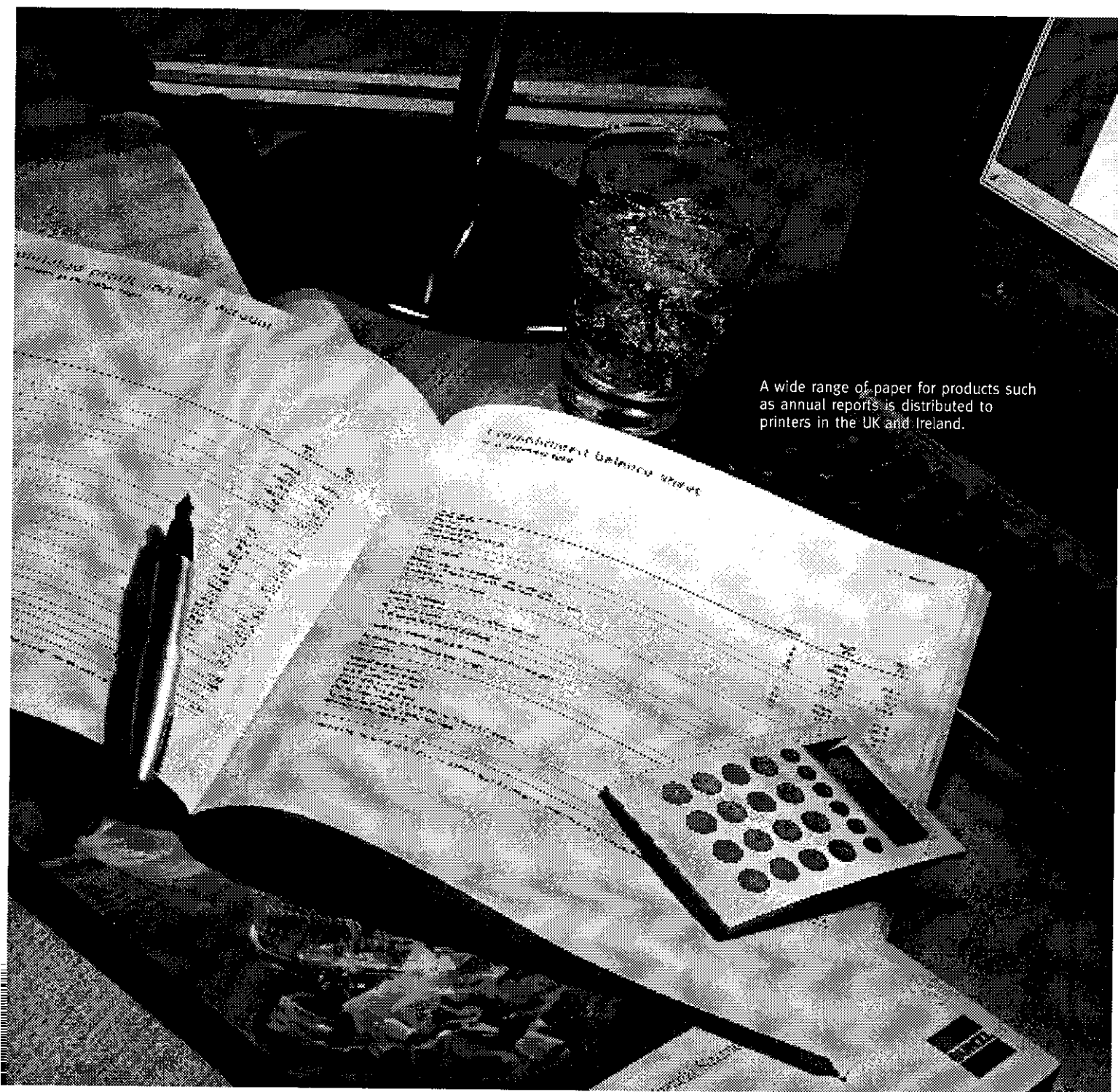
Europoint, our distributor of plastic and vinyl products to the screen and display printing market for retail point-of-sale signs and displays, had another good year. The business has continued to grow and has been further strengthened by the acquisition in January 1999 of Caxton's screen and display business.

Bunzl Digital Papers, established in early 1997, has again performed well, serving the relatively new and fast growing area of digital printing. Digital printing technology makes short run, high quality colour printing affordable and demand is growing as customers realise its potential. Papers suitable for digital printing, which is an electronic rather than traditional ink on paper process, must meet specific technical criteria, hence the creation of our specialist operating division to cater for the market's needs with cut sheets and reels.

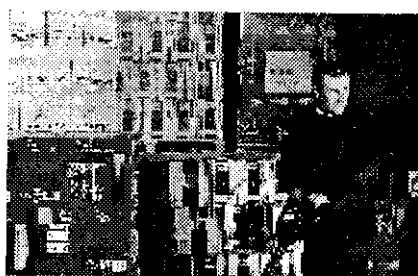
Another growth area has been in the supply of stationery items such as writing and copier paper for desktop publishing within professional firms and for other high volume users. Paramount, our London based specialist distributor in this sector, has continued to succeed on the strength of its highly responsive service.

Financial summary	
Sales	£68.4m
Operating profit	£11.7m
Profit margin	6.9%





A wide range of paper for products such as annual reports is distributed to printers in the UK and Ireland.



Products from a wide range of office papers are selected for delivery to a customer.



Sheet-fed paper is loaded for distribution, often on a just-in-time basis.



Paper for this annual report is put on press at a customer's premises.

Bunzl is a world leader in plastic caps and plugs for protecting engineered products whether in manufacture or transit and is also a leading US extruder of custom plastic profiles used in transportation, lighting, retail and other end uses.

Over the last 18 months the nature of the business area has changed significantly. In March 1998 we acquired Enitor following our entry into custom profile extrusion through the acquisition of AFC in September 1997. Webster, Stag and Filpac were sold during the year and we are now focused on the two large businesses on both sides of the Atlantic, protection caps and plugs and custom profile extrusion, plus a number of smaller, more specialised businesses in the UK and Brazil. Sales grew 46% and profits advanced 23% against a background of a continuing strong pound and difficult economic conditions in some of our markets. At the end of the year Payne Strapping Systems, the successful extruded plastic strapping business of P.P. Payne, was moved into Plastics from Filtrona to give both it and the tear tape business greater focus on their very different markets and technologies.

Expanding in extrusion

Following the successful integration and further development of Bunzl Extrusion in the United States, the purchase of Enitor represented our first step into the European custom extrusion market. Enitor is a leading Dutch extruder of plastic profiles for uses such as signage and display in supermarkets. The company is meeting our expectations with good results and is integrating well into Bunzl. Enitor and Bunzl Extrusion are already enjoying the benefits of sharing technical and customer information,

which will become more important as we expand in Europe and the United States.

We are investing substantially in Bunzl Extrusion's operations across the United States to ensure we can deliver a premium service to customers as cost effectively as possible. We moved into a new facility in Yakima, Washington State, in March and a new, highly efficient co-extrusion line is being installed at our Columbia, South Carolina plant. In January 1998 we consolidated a small complementary acquisition into our operation in Athol, Massachusetts.

Sales of caps and plugs advance

Despite difficult trading conditions our injection and dip moulding businesses succeeded in growing sales and continued to expand operations. Both Moss and Alliance were affected by the slowdown in the oil industry and Moss also had to contend with the persistent strength of sterling. These businesses have a balanced customer base of small and large customers, an extensive range of proprietary products sold from stock and a leading share of their market niche, all of which has underpinned their robust performance.

In January 1998 we made a small acquisition to complement Alliance's injection moulding business in Santa Fe Springs, California, itself acquired during the previous year. Dip moulding has continued to perform well and facilities at

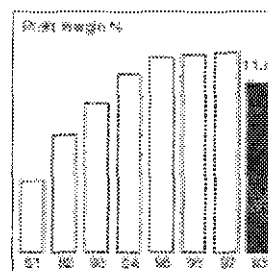
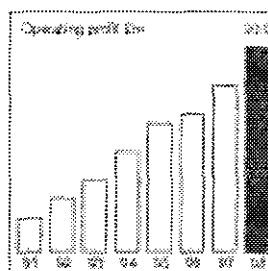
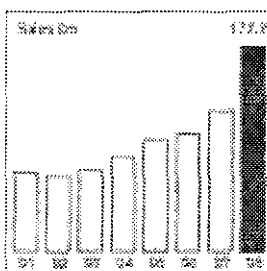
Alliance have been extended as significant new business has been won. We opened our fifth sales and distribution facility in the Americas for Alliance and in Europe Moss opened an office in Poland to enhance sales to the rapidly growing local customer base. This is a significant step for Moss and provides a platform for developing business further afield in Eastern Europe.

Progress in other markets

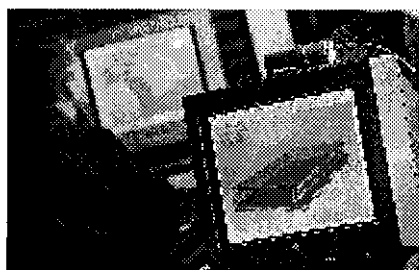
The Brazilian market remained weak with severe price deflation impacting sales and high real interest rates slowing demand. Nevertheless Filtrona Brasileira secured substantial new business with toiletries and cosmetics multinationals and installed improved production equipment to enhance capabilities and increase efficiency.

Fortunes were mixed in the UK. Stewart and Morane, which export to mainland Europe, continued to suffer from the strong pound. However sales of new rotationally moulded and water garden products from Stewart offset the effects of the wet weather in April and June on the gardening market.

Financial summary	
Sales	£177.7m
Operating profit	£20.9m
Profit margin	11.8%



A special offer is displayed at the point-of-sale to attract profile from Enitor.



Computer aided design is used to develop profiles to customers' specifications.



Precision dies are produced using spark erosion technology.



Custom profiles are produced at Enitor's plant in Buitenpost.

Group performance

Sales of ongoing operations increased by 14%, or £235.0 million, to £1,862.7 million with businesses acquired during the year contributing £40.2 million of this increase. Sales of existing businesses rose by 12% as a full year's contribution from 1997 acquisitions and strong volume gains more than offset price deflation and the translation effects of the strength of sterling. Sales of the job-lot converting business, treated as a business to be discontinued, declined marginally from £76.3 million to £74.3 million and sales of discontinued operations were £2.3 million compared to £49.2 million in 1997. For the Group as a whole sales increased by 11% to £1,939.3 million.

Operating profit of ongoing operations increased by 14%, or £17.3 million, to £139.7 million with businesses acquired during the year contributing £3.0 million of this increase. Operating profit of existing businesses rose by 12%. All business areas contributed to the improvement with the exception of Paper Distribution which, in difficult market conditions, produced a profit marginally below last year. The job-lot converting business moved from a profit of £2.6 million in 1997 to a loss of £0.5 million in 1998 and profits from discontinued operations were £0.2 million compared to £2.3 million in 1997. For the Group as a whole operating profit increased by 10% to £139.4 million.

After accounting for the exceptional provision of £17.9 million for the loss, including the goodwill write-off, on exiting the job-lot converting business, a lower profit on the sale of discontinued operations of £0.5 million and higher interest charges of £8.2 million, profit before tax was £113.8 million, 10% lower than in 1997.

The net interest charge increased to £8.2 million from £3.6 million as a result of higher borrowings

mainly reflecting the acquisition spend in late 1997. Interest cover was 17 times.

Profit before tax, excluding 1998 goodwill amortisation of £1.1 million and exceptional items of £17.4 million, increased by 7% to £132.3 million.

The margin for ongoing operations, excluding 1998 goodwill amortisation, increased to 7.6% from 7.5%. Group margin reduced from 7.3% to 7.2% after including the operating results of the job-lot converting business and discontinued operations.

Although to a lesser extent than in 1997, the strengthening of sterling during 1998 again adversely affected both sales and profits. The impact of currency was largely translational though there was also a transaction effect on certain of our businesses.

Tax

The tax charge of £41.6 million represents an effective rate of 35.1% (1997: 35.0%) on the profit on underlying operations excluding goodwill amortisation. After accounting for the 1998 goodwill amortisation charge, on which there is no tax relief, and a tax credit of £4.8 million on the provision for the loss on exiting the job-lot converting business and the profit on sale of discontinued operations, the overall rate was 36.6% (1997: 35.4%). The effective rate is higher than the nominal UK tax rate of 31.0% 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. Advance corporation tax payments have been abolished with effect from April 1999 and the Group is not expected to have any surplus advance corporation tax at that date.

Earnings and dividends

After the effect of 1998 goodwill amortisation and the exceptional charges, earnings decreased

by 10% to £71.9 million. The weighted average number of shares in issue rose to 451.1 million from 449.0 million in 1997 due mainly to the exercise of employee share options and therefore earnings per share decreased 11% to 15.9p. However, after adjusting for the profit on sale of discontinued operations, the loss on exiting the job-lot converting business and 1998 goodwill amortisation, earnings per share were 19.0p, an increase of 8%. An interim dividend of 2.5p and a proposed final dividend of 4.85p will deliver an 8% increase for the year, at a total cost of £33.3 million, with dividend cover remaining at 2.6 times. £38.6 million is to be transferred to reserves.

With the abolition of foreign income dividends from April 1999, the final dividend will be paid as an ordinary dividend.

Balance sheet

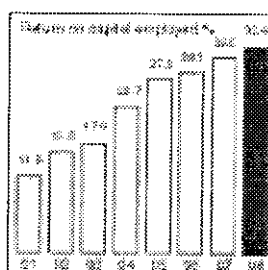
Total assets less current liabilities increased by £41.2 million to £431.8 million. This increase was largely accounted for by unamortised goodwill of £28.5 million relating to 1998 acquisitions.

The return on capital employed rose from 30.5% to 32.6%. Net debt reduced by £17.9 million to £100.6 million and shareholders' funds increased by £44.3 million to £266.9 million. Gearing fell from 53.2% to 37.7% and the balance sheet remains strong.

Cash flow

Net cash inflow from operating activities was £153.7 million, a £27.7 million improvement compared to 1997 due mainly to a higher operating profit. Gross capital expenditure was £39.2 million which was used both to improve capacity and efficiency in our facilities and to enhance our information systems. Sale of fixed assets generated a cash inflow of £7.0 million resulting in a net capital expenditure of £32.2 million. An acquisition spend of £42.6 million, net disposal proceeds of

Exchange rates	98	97
Average		
US\$: £	1.65	1.58
DM : £	2.93	2.25
Four week		
US\$: £	1.68	1.55
DM : £	3.77	2.98



Return on capital employed %	98	97
Operating Services	33.5	35.3
Finance	32.7	36.7
Paper Distribution	20.0	27.1
Plastics	21.1	28.8

£17.1 million and other acquisition and disposal cash flows of £0.3 million resulted in a net cash outflow of £25.2 million on acquisitions and disposals.

Net cash inflow before financing of £13.1 million, combined with cash from share issues of £3.4 million and a translation movement on exchange of £1.4 million, resulted in the £17.9 million reduction in net debt.

Goodwill

Following the introduction of FRS 10 – 'Goodwill and Intangible Assets', goodwill relating to 1998 acquisitions has been capitalised and is being amortised over a period of 20 years. The amortisation charge in 1998 was £1.1 million and the unamortised goodwill on the balance sheet at the year end was £28.5 million.

In compliance with the Standard, goodwill relating to acquisitions made in previous years remains written off against reserves. The change in the treatment of goodwill this year makes profit and shareholders' funds, and the ratios derived from these, not strictly comparable between 1998 and previous years. As a result the profits for 1998 for each of the business areas in the Chairman's Statement and the Operating Review have been stated before the effects of goodwill amortisation to ensure comparability with 1997 and previous years.

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 exposure 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 activities are reviewed by the executive directors. Controls over exposure changes and transaction authenticity are in place and dealings are restricted to those banks with the relevant combination of geographic presence and suitable credit rating.

Funding

The Group is funded by a mixture of five and seven year multi-currency committed credit facilities from 11 banks totalling £322.3 million of which £114.5 million was drawn down at the year end. These facilities mature between 2001 and 2003.

Foreign currency

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. The Group's policy is to limit the translation exposure and resulting impact on shareholders' funds by borrowing in those currencies in which the Group has significant non-sterling net assets and by using forward foreign exchange contracts. 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 borrowings. Interest rate swaps and interest rate options are used to minimise the risk of adverse movements.

Year 2000

The Group has had in place since 1997 a formal programme which is designed to achieve year 2000 compliance. There is no dependence on a single, critical system within the Group. A review of internal systems, equipment and facilities in each business has been completed and testing or replacement programmes are either complete or well advanced. Suppliers

have also been contacted and will remain under review to ensure, so far as is possible, the continuity of key supplies and services. However, given the general uncertainty inherent in the year 2000 problem, including possible failures in even the best run programmes and the potential inability of third parties to deal with the issue, the Group is unable to give categorical assurances as to its year 2000 compliance.

The total cost of the programme is not expected to exceed £4 million, of which £3 million has been spent to date. This includes both internal and external revenue and capital costs. Additionally there are some major information technology projects in progress throughout the Group driven by operational, rather than year 2000, requirements, the costs of which are not included in this charge.

Euro

Preparations for the introduction of the euro were made by businesses in those countries which adopted the euro in January 1999 and in those countries, principally the UK, which may adopt the euro at a later date.

The affected businesses are capable of dealing with the evolving euro requirements of the Group's customers and suppliers and plans are in place to ensure that their systems will be upgraded as necessary.

Financial reporting standards and accounting policies

FRS 9 – 'Associates and Joint Ventures', FRS 10 – 'Goodwill and Intangible Assets', FRS 11 – 'Impairment of Fixed Assets and Goodwill' and FRS 14 – 'Earnings per Share' have been adopted in the 1998 accounts. There have been no other changes to the accounting policies of the Group from the previous year. The Group will adopt FRS 12 – 'Provisions, Contingent Liabilities and Contingent Assets' and FRS 13 – 'Derivatives and other Financial Instruments: Disclosures' in the 1999 accounts.

Directors

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Our reclassification into the Business Support Services sector more accurately reflects the change in our business emphasis over many years towards being a service oriented company supplying our customers with products and services, often on a total outsourcing basis.

576	
32814	

1 Anthony Habgood ^a (Age 52)

Chairman since 1996, having joined as Chief Executive in 1991. He was formerly a director of The Boston Consulting Group and Chief Executive of Tootal Group PLC. He is a non-executive director of PowerGen plc, Schroder Ventures International Investment Trust plc and National Westminster Bank Plc.

2 Alexander (Pat) Dyer ^{†§} (Age 66)

Deputy Chairman since 1996, having been Chairman from 1993. Previously a director of Air Products and Chemicals Inc, he joined The BOC Group plc in 1989 and subsequently became Chief Executive and Deputy Chairman until his retirement in 1996. He is a non-executive director of BWAY Corporation.

3 David Williams (Age 53)

Group Managing Director since 1996 having been Finance Director from 1991. He joined the Tootal Group PLC in 1982 where he held a number of financial and operating roles including Group Finance Director. He is a non-executive director of Dewhirst Group plc and Medeva PLC.

4 John Bason (Age 41)

Finance Director since 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 his roles included Group Chief Accountant, Finance Director of McVitie's Group and a senior management position in the US.

5 Lawrence McQuade ^{†§} (Age 71)

Non-executive director since 1991. He was formerly a director of W R Grace & Co and Vice Chairman of Prudential Mutual Fund Management Inc. He is a non-executive director of Oxford Analytica Inc, Quixote Corporation and a founding partner of River Capital International LLC.

6 Stephen Williams ^{†§} (Age 51)

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. In 1986 he joined Unilever as Joint Secretary and was appointed General Counsel in 1993.

7 Paul Heiden ^{†§} (Age 42)

Non-executive director since July 1998. After a period with Mercury Communications he held a number of financial positions at Hanson plc before joining Rolls-Royce plc in 1992 as Finance Director of their Aerospace division. In 1997 he became a director of Rolls-Royce plc, responsible for their Industrial Businesses.

8 Oliver Stocken ^{†§} (Age 57)

Non-executive director since December 1998. He joined Barclays Bank plc in 1979 where he held a number of positions in its investment banking division before becoming Finance Director in 1993. He is also a non-executive director of MEPC plc, Pilkington plc and The Rank Group plc.

[†] Member of the Audit Committee

[§] Member of the Remuneration Committee

^a Member of the Nomination Committee

It is quality, service and innovation which continue to win us new business and to maintain strong relationships with our customers.

Shareholder information

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Financial calendar	1999
Annual General Meeting	19 May
Results for the half year to 30 June 1999	31 August

	2000
Results for the year to 31 December 1999 (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 1998 the Company had 5,314 (1998: 5,702) shareholders who held 453.8 million (1997: 452.0 million) ordinary shares between them, analysed as follows:

Size of holding	Number of shareholders	% of issued share capital
0 – 10,000	4,625	2
10,001 – 100,000	403	3
100,001 – 500,000	161	8
500,001 – 1,000,000	46	7
1,000,001 and over	79	80
	5,314	100

Registered office
110 Park Street, London W1Y 3RB
Telephone 0171 495 4950, Facsimile 0171 495 4953
Website www.bunzl.com
Registered in England No 358948

Secretary
P N Hussey

Registrar
Computershare Services PLC
PO Box 82, Caxton House, Redcliffe Way, Bristol BS99 7NH
Telephone 0117 930 6666, Facsimile 0117 930 6509

Auditors
KPMG Audit Plc

Stockbrokers
Cazenove & Co
WestLB Panmure Ltd

Merchant bankers
Warburg Dillon Read

Principal bankers
Midland Bank plc
National Westminster Bank Plc
Westdeutsche Landesbank Girozentrale

Summary financial statement

Summary directors' report

Principal activities and developments

The principal activities of the Group are set out on page 7. The Chairman's Statement and the Operating and Financial Review on pages 4 to 21 give details of the Group's activities, developments and performance for the year and an indication of likely future developments.

Directors

Mr P E Cushing resigned as a non-executive director on 14 April 1998. Mr P Heiden and Mr O H J Stocken were appointed as non-executive directors on 1 July and 9 December 1998 respectively and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting in accordance with the Articles of Association. All the other directors who are named on page 23 served throughout the year.

Mr D M Williams and Mr A P Dyer 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 23 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 1998.

Dividends

An interim dividend of 2.5p was paid in respect of the year and the directors recommend a final dividend of 4.85p, making a total for the period of 7.35p. This compares with 6.8p for the year ended 31 December 1997.

Corporate governance

The Company complied throughout the period under review in relation to all provisions of the combined code on corporate governance ('the Code'), other than in relation to certain provisions of the Code relating to the announcement of proxy votes at the Annual General Meeting, where the requirement itself did not exist throughout the period, and the review of internal controls, where compliance is not required pending the issue of formal guidance.

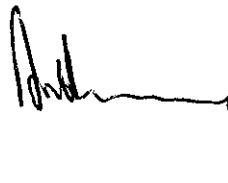
Annual General Meeting

The Annual General Meeting will be held at The Thistle Hotel, Bryanston Street, Marble Arch, London W1A 4UR on Wednesday 19 May 1999 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 determined by the directors.

P N Hussey
Secretary
9 March 1999



Consolidated profit and loss account
 for the year ended 31 December 1998

	1998 £m	1997 £m
Sales		
Continuing operations		
Existing businesses	1,822.5	1,627.7
Acquisitions	40.2	—
Ongoing operations	1,862.7	1,627.7
Business to be discontinued	74.3	76.3
	1,937.0	1,704.0
Discontinued operations	2.3	49.2
Total sales	1,939.3	1,753.2
Operating profit		
Continuing operations		
Existing businesses	136.7	122.4
Acquisitions	3.0	—
Ongoing operations	139.7	122.4
Business to be discontinued	(0.5)	2.6
	139.2	125.0
Discontinued operations	0.2	2.3
Total operating profit	139.4	127.3
Profit on sale of discontinued operations	0.5	2.2
Provision for loss on business to be discontinued	(17.9)	—
Profit on ordinary activities before interest	122.0	129.5
Net interest payable	(8.2)	(3.6)
Profit on ordinary activities before taxation	113.8	125.9
Profit before taxation, goodwill amortisation and exceptional items	132.3	123.7
Taxation on profit on ordinary activities	(41.6)	(44.6)
Profit on ordinary activities after taxation	72.2	81.3
Profit attributable to minorities	(0.3)	(1.1)
Profit for the financial year	71.9	80.2
Dividends paid and proposed	(33.3)	(30.7)
Retained profit for the financial year	38.6	49.5
Earnings per share	15.9p	17.9p
Adjusted earnings per share	19.0p	17.6p
Dividends per share	7.35p	6.8p

Directors' total emoluments for the year ended 31 December 1998 were £1.6m (1997: £1.6m).

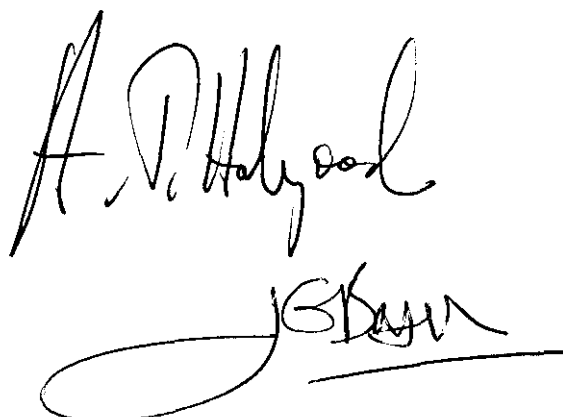
Summary consolidated balance sheet
 at 31 December 1998

	1998 £m	1997 £m
Intangible assets – goodwill	28.5	—
Tangible assets	189.2	190.4
Fixed assets	217.7	190.4
Current assets	521.0	509.9
Current liabilities	(306.9)	(309.7)
Net current assets	214.1	200.2
Total assets less current liabilities	431.8	390.6
Creditors: amounts falling due after more than one year	(119.9)	(117.0)
Provisions for liabilities and charges	(43.2)	(47.2)
Net assets	268.7	226.4
Capital and reserves		
Called up share capital	113.4	113.0
Share premium and other reserves	153.5	109.6
Shareholders' funds: equity interests	266.9	222.6
Minority equity interests	1.8	3.8
	268.7	226.4

Approved by the Board of Bunzl plc on 9 March 1999 and signed on its behalf by A J Habgood, Chairman and J G Bason, Finance Director.

Consolidated statement of total recognised gains and losses
 for the year ended 31 December 1998

	1998 £m	1997 £m
Profit for the financial year	71.9	80.2
Revaluation of properties	(3.8)	—
Currency translation differences on foreign currency net investments	(4.7)	(4.5)
Total recognised gains and losses for the year	63.4	75.7



Summary consolidated cash flow statement
for the year ended 31 December 1998

	1998 £m	1997 £m
Operating profit	139.4	127.3
Adjustment for non-cash items	20.4	16.6
Working capital movements	(0.9)	(10.5)
Other cash movements	(5.2)	(2.4)
Net cash inflow from operating activities	153.7	131.0
Net cash outflow for returns on investments and servicing of finance	(11.6)	(3.5)
Tax paid	(40.9)	(42.5)
Net cash outflow for capital expenditure and financial investment	(32.2)	(35.1)
Acquisitions and disposals	(25.2)	(102.7)
Equity dividends paid	(30.7)	(28.0)
Net cash inflow/(outflow) before use of liquid resources and financing	13.1	(80.8)
Net cash (outflow)/inflow from management of liquid resources	(5.0)	4.3
Net cash (outflow)/inflow from financing	(5.9)	66.7
Increase/(decrease) in cash	2.2	(9.8)

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 1998

	Sales		Operating profit	
	1998 £m	1997 £m	1998 £m	1997 £m
Continuing operations				
Outsourcing Services	1,211.3	1,068.3	86.7	74.4
Filtrona	205.6	179.3	27.8	24.4
Paper Distribution	268.1	258.5	17.5	17.8
Plastics	177.7	121.6	20.9	17.0
Goodwill			(1.1)	
Corporate activities			(12.1)	(11.2)
	1,862.7	1,627.7	139.7	122.4
Business to be discontinued	74.3	76.3	(0.5)	2.6
Discontinued operations	2.3	49.2	0.2	2.3
Total	1,939.3	1,753.2	139.4	127.3

Summary US GAAP information
for the year ended 31 December 1998

	1998	1997
Profit for the financial year £m		
UK GAAP	71.9	80.2
US GAAP	69.0	76.8
Earnings per share p		
UK GAAP	15.9	17.9
US GAAP	15.3	17.1
Shareholders' funds: equity interests £m		
UK GAAP	266.9	222.6
US GAAP	535.3	501.4

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 auditors' 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 1998 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
9 March 1999

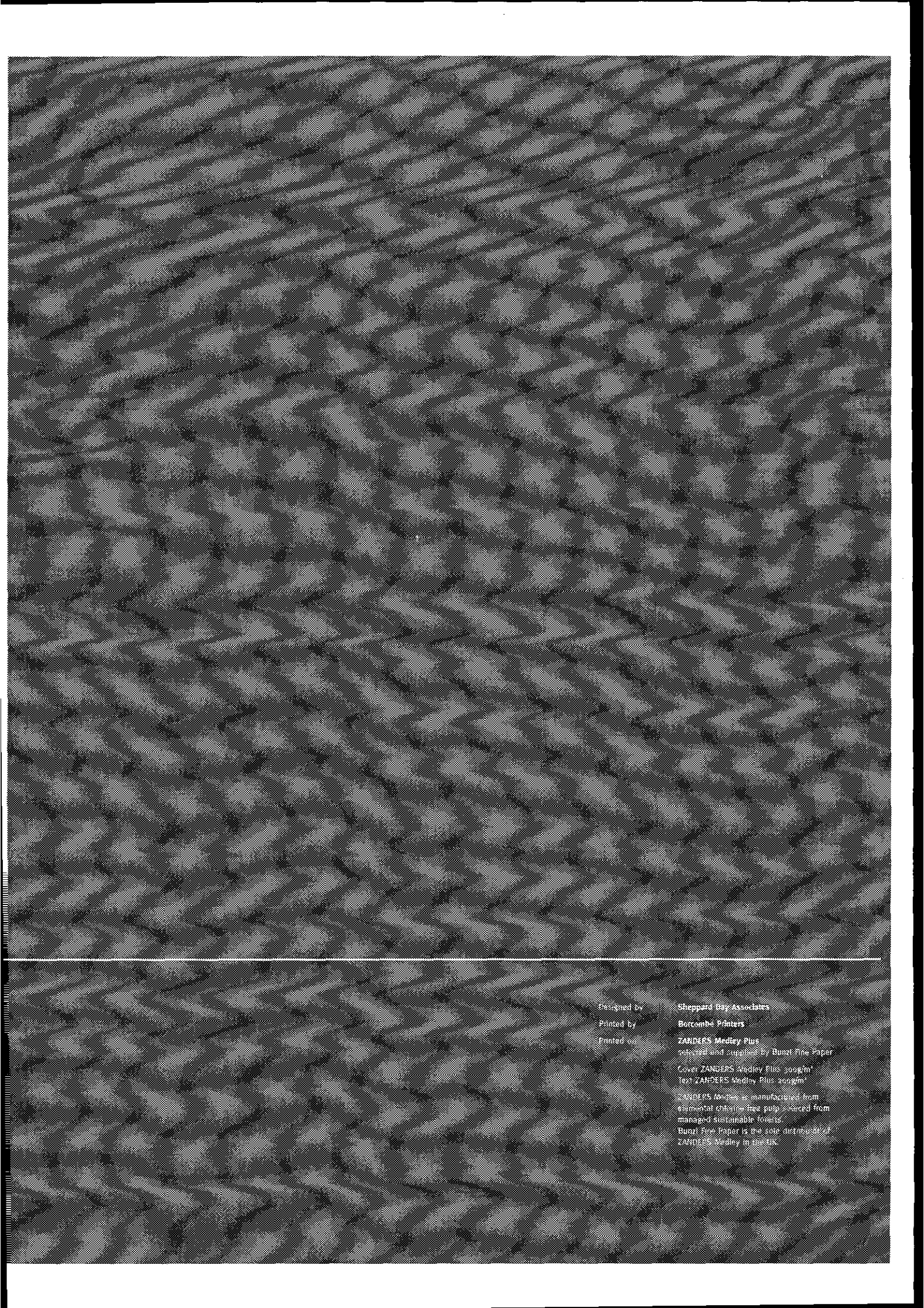
The auditors have issued an unqualified report on the full financial statements containing no statement under Section 237(2) or Section 237(3) of the Companies Act 1985.

Summary five year review

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	1998 £m	1997 £m	1996 £m	1995 £m	1994 £m
Sales					
Ongoing operations	1,862.7	1,627.7	1,478.8	1,374.5	1,199.0
Business to be discontinued	74.3	76.3	81.4	112.2	91.2
Discontinued operations	2.3	49.2	236.2	271.8	332.0
Total sales	1,939.3	1,753.2	1,796.4	1,758.5	1,622.2
Operating profit					
Ongoing operations	139.7	122.4	112.1	95.6	75.1
Business to be discontinued	(0.5)	2.6	2.5	7.5	5.3
Discontinued operations	0.2	2.3	1.1	5.7	6.5
Total operating profit	139.4	127.3	115.7	108.8	86.9*
Exceptional items	(17.4)	2.2	–	–	(84.7)
Profit on ordinary activities before interest	122.0	129.5	115.7	108.8	2.2
Profit/(loss) on ordinary activities before taxation	113.8	125.9	113.5	106.2	(4.9)
Profit before taxation, goodwill amortisation and exceptional items	132.3	123.7	113.5	106.2	79.8
Profit/(loss) on ordinary activities after taxation	72.2	81.3	73.8	68.7	(32.9)
Profit/(loss) for the financial year	71.9	80.2	72.9	67.5	(33.8)
Earnings per share	15.9p	17.9p	16.4p	15.5p	(8.0)p
Adjusted earnings per share	19.0p	17.6p	16.4p	15.5p	12.0p
Dividends per share	7.35p	6.8p	6.3p	5.8p	5.0p

* before exceptional charge of £49.7m included within total exceptional item of £84.7m.



Designed by Sheppard Bay Associates
Printed by Botcombe Printers
Printed on ZANDERS Medley Plus
selected and supplied by Bunzl Fine Paper
Cover ZANDERS Medley Plus 300g/m²
Text ZANDERS Medley Plus 200g/m²
ZANDERS Medley is manufactured from
elemental chlorine free pulp, sourced from
managed sustainable forests.
Bunzl Fine Paper is the sole distributor of
ZANDERS Medley in the UK.

Designed by: **Chippendale Design House**
Printed by: **Chippendale Printers**
Printed on: **200 GSM recycled paper**
selected and supplied by **Bird Free Paper**
CONVULSIONS Media Group's
not CONVULSION Media Group's
CONVULSION Media is manufactured from
chemical-free pulp derived from
responsible sustainable forests.
Bird Free Paper is the sole distributor of
CONVULSION Media in the UK.

