

ANNUAL REVIEW AND
SUMMARY FINANCIAL
STATEMENT 2001



358 out 8

BUNZL

As an international company Bunzl has developed sound partnerships with both suppliers and customers by providing outsourcing solutions and customer service oriented distribution and light manufacture, primarily of plastic and paper based products.

OUTSOURCING SERVICES

Operating across North America, Europe and Australia, Bunzl is the leading supplier of a range of business to business consumable products including outsourced food packaging, disposable supplies and cleaning and hygiene products for supermarkets, caterers, food processors, hotels, contract cleaners and other industrial users.

Sales	£2,129.1m
Operating profit	£161.9m
Profit margin	7.6%

70% of Group operating profit
6,700 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. We are also the world's leading supplier of ink reservoirs and certain other bonded fibre products.

Sales	£224.5m
Operating profit	£29.6m
Profit margin	13.2%

13% of Group operating profit
2,200 employees

Bunzl operates in four business areas; Outsourcing Services, Filtrona, Paper Distribution and Plastics. From 280 locations in 23 countries our 12,500 employees provide an efficient service to our business customers.

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.

Sales	£318.2m
Operating profit	£15.5m
Profit margin	4.9%

7% of Group operating profit
1,000 employees

PLASTICS

Bunzl is a world leader in plastic caps and plugs for protecting engineering products in manufacture or transit. We are also a leading extruder of custom plastic profiles for a range of uses including transport, lighting and retail.

Sales	£204.7m
Operating profit	£22.7m
Profit margin	11.1%

10% of Group operating profit
2,500 employees

OUTSOURCING SERVICES

PLASTICS

FILTRONA

PAPER DISTRIBUTION

- 1 Financial highlights
- 2 Management
- 4 Chairman's statement
- 8 Operating and financial review
 - 8 – Outsourcing services
 - 14 – Filtrona
 - 16 – Paper distribution
 - 18 – Plastics
 - 20 – Financial review
- 22 Directors
- 24 Shareholder information
- 25 Summary financial statement
- 28 Summary five year review

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 W1K 6NX. 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 2000 have been filed at Companies House and the full accounts for 2001 will be filed after they have been approved at the Annual General Meeting.

TEAMWORK + EFFECTIVENESS + CHOICE +
SERVICE + INNOVATION + RESPONSE +
CUSTOMISATION + DELIVERY + DIRECTION = BUNZL

FINANCIAL HIGHLIGHTS

Sales of continuing operations +15%

Operating profit of continuing operations +14%

Adjusted earnings per share +14%

	2001	2000	
Sales £m	2,876.5	2,503.6	+15%
Sales of continuing operations £m	2,876.5	2,492.7	+15%
Operating profit* £m	214.6	190.7	+13%
Operating profit of continuing operations* £m	214.6	189.0	+14%
Profit before tax £m	187.7	173.4	+8%
Profit before tax and exceptionals* £m	200.5	178.2	+13%
Basic earnings per share p	25.7	23.7	+8%
Adjusted earnings per share p	28.5	25.0	+14%
Dividends per share p	10.35	9.4	+10%
Gearing %	50.3	60.8	

* Before goodwill amortisation of £12.8m (2000: £7.1m).

In this Annual Review, profits for each of the business areas have been stated before goodwill amortisation.

MANAGEMENT

Key managers internationally meet regularly to discuss the trends affecting our major businesses around the world and to review their performance. This exchange helps to define opportunities for growth and sources of potential competitive advantage.

MWORK +

1 Anthony Habgood
Chairman

2 Martin Fothergill
Managing Director, Paper Distribution

3 Nancy Lester
Director of
Corporate Development

4 Paul Twigden
Managing Director, Plastics

5 David Williams
Finance Director

6 Paul Lorenzini
Managing Director,
Outsourcing Services

7 Mark Harper
Managing Director, Filtrona

8 Christoph Sander
Managing Director, Outsourcing Services
Europe and Australia

9 Arnold Wagner
Director of Group Personnel

After a period of illness Peter Dick stepped down as Managing Director of Paper Distribution in the autumn while remaining an employee. We thank Peter for his contribution to the business over many years as leader and look forward to being able to continue to work with him in the future.

CHAIRMAN'S STATEMENT

Our operating companies have again produced an excellent result for the Group against a background of more difficult economic conditions.

Results

The Group achieved excellent increases in both sales and profits against a background of difficult economic conditions, especially in North America, exacerbated by the terrorist attacks in the US in September. These results were due to good operating performance and underlying organic growth combined with acquisition activity. Net currency movements were favourable although price deflation had an adverse impact on sales growth, particularly in the second half. Sales both in total and of continuing operations rose 15% to £2,876.5 million (total sales 2000: £2,503.6 million). Operating profit before goodwill amortisation rose 13% to £214.6 million (2000: £190.7 million) while that on continuing operations rose 14% also to £214.6 million. With an interest charge of £14.1 million (2000: £12.5 million), profit before tax, exceptionals and goodwill amortisation rose 13% to £200.5 million (2000: £178.2 million). There were no exceptional items during the year (profit in 2000: £2.3 million). Earnings per share increased 8% to 25.7p (2000: 23.7p) while adjusted earnings per share, after eliminating the impact of the 2000 exceptional items and goodwill amortisation, rose 14% to 28.5p (2000: 25.0p).

After a substantial cash outflow for acquisitions, net debt decreased to £234.5 million (2000: £240.4 million) as the underlying business generated cash in excess of the acquisition outflow. Shareholders' funds increased to £466.5 million (2000: £395.1 million) and gearing fell from 60.8% to 50.3%.

Dividend

The Board has decided to increase the final dividend to 6.95p (2000: 6.35p). This brings the total dividend for the year to 10.35p (2000: 9.4p), an increase of 10%. Shareholders will again have the opportunity to participate in our dividend reinvestment plan.

Strategy

The Group has followed a consistent strategy over the past ten years which has not changed as a result of the tougher economic environment, particularly in the US. The strategy has been to focus the Group's resources on areas where

it has, or can develop, real competitive advantage and which have sound organic growth potential. This has resulted in a major change in the Group's structure. Businesses accounting for over half of the sales at the beginning of that period have been disposed of and the Group is now comprised of a smaller number of larger business areas, most of which are international and continuing to develop through a combination of good organic growth and acquisition. This evolution has given the Group an increasing focus on providing business to business consumables with each business area becoming increasingly service oriented. This made our move into the FTSE Support Services sector at the end of 1998 a timely reflection of the Group's continuing evolution.

Acquisitions

The Group spent £95 million on acquisitions during the year, the majority of which were in Outsourcing Services. In February ICCS MacGregor, a distributor of supplies to hotels, nursing homes and contract cleaners in Scotland, was added to our Outsourcing Services business in the UK. In May we acquired 51% of Filtrati taking our ownership to 100%. Renamed Filtrona Italia, it has become a full member of our global Filtrona network. In June Outsourcing Services in North America was extended with the acquisition of Godin which supplies supermarkets, food processors and industrial companies in Quebec. This enables us to serve national customers across Canada. In July our European retail supply business was expanded by acquiring the UK carrier bag supply business from BPI thus building on our successful international sourcing operations.

We completed a number of transactions in October in Outsourcing Services. We acquired Eastern Paper which supplies supermarkets, redistributors and food processors in the Maritimes thus completing our geographic coverage of Canada. In Europe, we acquired the DKI Group which supplies packaging consumables and equipment to the Danish supermarket and food processing industries, greatly strengthening our position in the Scandinavian market. In an important move to strengthen our position supplying the US

food processor industry we purchased Packers, a long established supplier to the beef and pork processing industries based in Omaha, Nebraska and with small branches also in Canada and the UK. In November we further expanded Outsourcing Services in Europe with the acquisition of W A Blyth, a distributor of personal protection equipment and cleaning and hygiene supplies in Wales and South West England.

Disposals

During the year we completed the disposal of the video and air-conditioning distribution and installation businesses that we acquired with Greenham in July 2000. These did not fit with our long term plans for the development of Greenham within our Outsourcing Services business area.

Operating performance

Sales of continuing operations grew a healthy 15% while operating profit rose 14%. Group margin fell slightly from 7.6% to 7.5% while the return on capital employed, excluding goodwill, for the Group as a whole was 37.9% (2000: 38.1%). Outsourcing Services produced another excellent result with sales up 19% and profit up 23%. Good underlying volume growth, supplemented by targeted acquisitions in both North America and Europe, reinforced our position in our largest and most successful business area. Underlying growth continued to reflect the desire of our customers to buy all their requirements from us, often on a totally outsourced basis. The results were enhanced by the strengthening of the US dollar although this impact was offset by price deflation, particularly in the second half. Filtrona benefited from the increased outsourcing of multiple filters. Volume growth in all parts of the business and the additional impact of acquiring the outstanding 51% of our Italian associate caused sales to rise 13%. The increase in operating profit was slightly lower at 10%, explained by the impact on the margin of Filtrona Italia becoming a wholly owned subsidiary. Paper Distribution's profit fell 16% on sales up 3% reflecting competitive pressures as we continued to gain market share in a tight market for fine paper as general printing activity

reduced in the second half. Plastics' profit also fell 16% on sales up 2% as the manufacturing recession particularly in the US continued to provide a very difficult economic backdrop against which to supply our broad line of products.

Investment

Despite the slowdown in the world economy, investment across the Group once again exceeded depreciation although by a lesser amount than in recent years. Facilities have been refurbished and upgraded improving both capacity and efficiency. We have continued to invest substantially in computer systems, focusing on improving existing systems, installing them in newly acquired companies and, in certain areas, for example Paper Distribution, introducing new systems and rolling them out across the relevant business. These improvements have enhanced our systems infrastructure and e-commerce capability.

Maintaining an up-to-date asset base remains a priority as it enhances our market position and enables us to service our customers better thereby providing us with a source of real competitive advantage.

Providing opportunities for employees

The Group continues to invest in training to help our people adapt to the continuously changing circumstances in which we all operate. Each business area has training plans to ensure this is achieved. Additionally, we actively seek to provide management development opportunities. Our management development programme continues to focus on the strategic importance of customer service, leadership and team development as we reinforce our commitment to meeting customer requirements. Work was completed in 2001 on the development of an introductory development programme for first appointment managers and this commenced in February 2002. We continue to recruit and train graduate entrants to the Group, both in the UK and the US, recognising the role they can play in helping to build management strength for the future. The success of these programmes and the internal promotion and further development of many managers around the world gives us confidence that we have

CHAIRMAN'S STATEMENT continued

the management capability and potential to support the Group's continued growth. A number of our UK operations have Investors in People accreditation.

Our European Information and Consultation Forums, established across all our operations in the European Union in 1996, continue to meet to provide information to and consult with elected employee representatives on Group and business area policies, strategy and performance. Company based consultative forums at local level as well as regular communications continue to build on the process of employee involvement in the performance and prospects of their individual businesses.

Worldwide, our employees continue to earn Bunzl a reputation for good customer service. Whatever job they perform, they work efficiently and diligently to achieve this and it is only through their efforts that we can secure the continued growth and success of the Group. As ever, their commitment and hard work are sincerely appreciated.

Social responsibility

The Group takes the area of social responsibility seriously and has for many years had policies with respect to business standards, the environment and health and safety. These policies are reviewed and updated from time to time. During the period we updated our business standards policy which sets out the standards of behaviour we expect of each member of staff. Both the Environment and the Health and Safety Committees continued their work in their respective areas. The former focused on reducing waste, conserving energy and moving towards ISO 14001 accreditation where appropriate. The latter focused on a programme for continuous improvement in standards and reduction of risks in health and safety matters.

Our support for charities continued across the Group with emphasis on specific projects in the fields of education, disability and child sickness. In addition we supported Group companies and individual employees around the world who are engaged in local charitable initiatives. The events of September 11 in the US prompted a number of charitable donations in

money and in kind both from Group companies and from employee fundraising activities. These donations were made to assist in the rescue efforts and for hardship relief among those most directly affected by the tragedy.

While we do not believe that we have a high risk profile with regard to the environment and health and safety we believe that positive actions with respect to social responsibility are not only desirable in their own right but are also of potential economic and commercial benefit to the Group.

Prospects

The resilience of our major businesses in difficult economic times was once again demonstrated as 2001 unfolded. The results reflected continued volume growth more than offsetting deflationary pressures and were enhanced by the successful integration of focused acquisitions. Strong cash generation enabled significant acquisition activity in 2001 to be paid for entirely from internal cash generation so gearing fell. Early trading in 2002 would suggest a continuation of the pattern of sustained good volume growth more than offsetting year on year deflation while prices in our major businesses currently appear to have stabilised at historically low levels.

Paper Distribution and Plastics faced difficult trading conditions which deteriorated significantly in the second half. Early trading in 2002 would suggest some recovery from these lower levels although the general economic outlook remains uncertain.

The combination of robust volume growth in our major businesses, our strong market position and our continued incremental growth by focused acquisitions gives us confidence that the Group will continue to develop satisfactorily.

Anthony Habgood
Chairman
25 February 2002

Top:

Outsourcing Services

Our microwavable packaging is often used by supermarkets to carry their comprehensive ranges of ready to heat and ready to eat meals.

Bottom left to right:

Filtrona

Many of our filters are complex in their design and manufacture and are often outsourced by major cigarette companies.

Paper Distribution

Our range is extensive and provides our customers with a wide selection of quality paper products designed to suit their specific requirements.

Plastics

We supply plastic extrusions to a wide range of customers such as supermarkets who display point-of-sale price information using scanning profiles.

OUTSOURCING SERVICES

Operating across North America, Europe and Australia, Bunzl is the leading supplier of a range of business to business consumable products including outsourced food packaging, disposable supplies and cleaning and hygiene products for supermarkets, caterers, food processors, hotels, contract cleaners and other industrial users.

EFFECTIV

From left:

We supply packaging specifically designed for delicate foods that require protection during transit and attractive presentation to the consumer.

Our e-catalog enables our customers to order online via a high speed communications network that ensures orders can be continuously traced and managed to meet specific needs.

Outsourcing Services is Bunzl's largest and most successful business area. Good organic growth, favourable exchange rate movements and acquisitions caused sales to increase by 19%. Continuing tight control of operating costs also contributed to good performance and operating profits rose by 23%.

2001 was a year in which we suffered the tragic loss of a number of customers in Manhattan on September 11. We also experienced increasingly tough economic conditions in North America, despite which we achieved good volume growth. Our customers continued to favour outsourced solutions to service their requirements, as these often prove to be the cost effective route. In this context, our specialist knowledge of the market, efficient operations and competitive pricing made us attractive to both existing and new customers.

In North America, we are the largest distributor of supermarket supplies such as plastic and

ENESS +

paper packaging and bags, labels and cleaning materials. This business has experienced organic growth due to increased outsourcing and the growing need for specialised packaging for fresh and freshly prepared foods. As supermarkets expand their ranges of ready to heat and ready to eat meals, we have seen demand for specialised packaging for these products increase. This type of packaging needs to be attractive as well as microwave, freezer and/or oven proof.

We expanded our North American business in June through the acquisition of Godin, a distributor based in Quebec. This purchase extended our geographic coverage of Canada, enabling us to service national customers. These include Canada's second largest grocery company, with more than 1,300 stores across the country, which awarded Bunzl a sole supply contract in the summer.

In October, we acquired Eastern Paper, a distributor based in the Maritimes area

of Canada. This business supplies supermarkets, redistributors and food processors, and is a leading distributor in the Atlantic Canada market. With this acquisition, our geographic coverage of Canada is complete.

Above:

Our distribution network provides almost all the supplies a supermarket needs to operate but does not actually sell, such as paper and plastic packaging, labels and bags.

CH

Above:

We provide packaging and other products to a wide range of food processors varying from suppliers of case-ready meats to preparers of ready to heat meals.

We have been growing our food processor supplies business in the US, both organically and through strategic acquisitions, and Bunzl is now a significant player in this field. With case-ready meats, produce, bakery and other food types gaining acceptance in the market, we are planning to win an increasing share of business from food processors. Koch, acquired in December 2000, is a supplier to the processor industry and has been successfully integrated into the business.

In October we announced the important acquisition of Packers, a food processor supplies business based in Omaha, Nebraska. Packers is a long established supplier to the beef and pork processing industries, with customers principally in the US, but with additional small branches in Canada and the UK. This purchase neatly complements Koch. We now have a strong base in the food processing segment from which to continue to grow.

Our redistribution business, which distributes supplies to a large number of sub-distributors who sell to outlets often with a particular geographic or end user focus, also expanded during the year. Schrier, which we bought in December 2000, integrated well into the Group and we also expanded into Puerto Rico. This gives us a new base from which to service our expanding grocery, food processing and redistribution businesses in the Caribbean.

We now have 67 warehousing and distribution centres in North America serving all 50 states as well as Canada, Mexico and the Caribbean, supplying more than 50,000 different items. We use Electronic Data Interchange (EDI) to communicate internally and externally with customers, particularly in the grocery trade. This system facilitates order placement, shipping and invoicing, reducing errors and delays. It provides customised order guides and a choice of distribution system.

VOICE +

We have completed the national roll out of our electronic catalog which enables medium sized customers to order over the internet thus expanding electronic ordering processes to a large number of customers, particularly redistributors.

From left:

We have extended our business in the food processing area by broadening our product coverage to include personal protection equipment.

Case-ready pre-cut meat that is processed and packaged before being supplied to the store can last longer on the shelf due to our specialised packaging.

SERVI

From left:

Our recognised ability to provide outsourcing solutions to major UK retailers enables us to expand our business with both existing and new customers.

The supply of cleaning and hygiene products and personal protection equipment is a growing part of our business.

In Europe, our outsourcing business is one of the fastest growing specialist distribution groups. A source of Bunzl's competitive advantage is our ability to provide a 'one-stop shop' for customers in a number of market sectors, often across Europe. This strategy has been enhanced during the year through clear focus, significant new contract wins and targeted acquisitions.

In our retail supplies business, we significantly expanded our customer base by purchasing the warehouse and distribution activities of BPI's carrier bag business in July. This business mainly supplies UK supermarkets and other high street retailers and has enabled us to build on our successful international sourcing capabilities. We also won a long term contract to supply outsourced services for all goods not for resale with a leading UK supermarket group. Our healthcare supply business, Shermond,

had another excellent year increasing both sales and profits significantly.

In mainland Europe we acquired the DKI Group from the Danish Grocers Federation in October. DKI supplies packaging consumables and equipment to the Danish supermarket and food processing industries. This addition to our Scandinavian operations has increased our product offering and widened our customer base in this market.

In the hotel and catering supplies business, our Australian operation had a good year despite tough market conditions. In the UK, Holland and Germany we have continued to build on our growing position as the logical partner for customers and suppliers, with some notable contract wins with leading caterers and hotel groups. We also started a new catering supplies business in Denmark, building on our growing presence there.

CE +

In the cleaning and industrial supplies business, the integration of Greenham, acquired in 2000, has progressed smoothly and is ahead of plan. In October, we further strengthened our position through the acquisition of W A Blyth, a distributor of personal protection equipment and cleaning and hygiene supplies which serves customers in Wales and South West England. This acquisition increases our presence in these areas and fits well with our existing business. We also expanded our Irish business supplying safety products and personal protection equipment.

Our vending services business Provend has been rebranded as Bunzl Vending Services, and continues to perform well. We have won significant new business with a number of high profile customers. In October we opened a national call centre in Colchester and during the year we strengthened our position in the south. We are now well established as a leading vending operator in the UK.

Above:

Our growing presence across Europe has enabled us to be successful in winning a number of significant contracts with leading catering and hotel groups.

INN

Above:

Growth in demand for special filters in Russia boosted our European business and strengthened our worldwide position.

Filtrona had a good year, with sales up 13% and profits up 10%. This growth occurred in all parts of the business. Sales were also boosted by the inclusion for the first time of Filtrati following the acquisition in May of the outstanding 51% of its shares which Bunzl did not already own. The overall margin reduction reflects the inclusion of all of the sales and profits of Filtrati as a subsidiary compared to 0% of sales and 49% of profits previously included as an associate. This business, which supplies cigarette filters and ink reservoirs, has been renamed Filtrona Italia.

Demand for our special filters continued to grow. Larger cigarette manufacturers typically prefer to outsource the supply of special filters and the market for low tar special filters itself is growing in most key cigarette markets around the world. The Russian market for carbon filters has seen particularly significant growth and our European sales were also boosted

by the integration of the Italian business. There is continuing growth from Asia, where Western brands with special filters remain in demand. Using our triple filter technology, we are engaged with an important customer in the trial of a new cigarette, specifically designed to meet the market demand for lower risk products. This is currently being tested in the US.

Within our fibres business, which supplies reservoirs for pens and printers, medical device components such as the wicks for pregnancy testing kits and household products, we have been working jointly with a customer on a reservoir for their new generation of inkjet printers. We are also pursuing a range of new applications for our fibres technology, including manufacture of specialised wicks for laboratory use in DNA testing. The new plant in Richmond, Virginia has given the fibres business an upgraded facility as well as some new technology and some

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. We are also the world's leading supplier of ink reservoirs and certain other bonded fibre products.

OVATION +

organisational changes in the business have been made to give greater accountability by product and market.

Self-adhesive tear tape grew strongly during the year, particularly Supastrip Impact™ which can incorporate multicoloured text or images and can be produced in various widths. This product line offers customers in competitive retail markets a number of promotional and security opportunities for their products.

The added value derived when tape is used in this way makes it an attractive and growing part of the business and we have invested in an advanced printing press in the UK to support this development.

We have also been investing in new production equipment in the US, adding a coater and a printer to our finishing capability. This makes us the first tear tape producer in the world

to have print facilities at more than one site and we now have the largest print and coating capacity of any supplier.

Our new computer system has now been successfully rolled out across the business. With Filtrona Italia now a wholly-owned subsidiary, its integration onto the system will follow shortly.

From left:

Growing demand for P P Payne's pioneering Supastrip Impact™ printed tear tape has led to an investment in advanced printing technology in Nottingham.

We supply wicks and reservoirs for inkjet cartridges and continue to develop new fibre products.

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.

RESPON

From left:

Our philosophy is to provide what our customers want when they want it and to achieve this we have continued to improve the utilisation of our fleet.

Our paper products are of the highest quality and many are available in a variety of sizes, colours, weights and finishes.

With manufacturing slipping into recession and the events of September 11 contributing to a further reduction in printing activity, the market for paper, particularly mid-priced coated products, fell significantly in the second half. This reduction in volumes in the market for fine paper stemmed largely from cut backs in promotional and corporate literature and by the reduction in corporate finance activity. Margins were squeezed as a result of increasing volumes and growing market share in the face of fierce competition from other merchants. Overall sales were up 3% while profits fell by 16%.

During the year we opened a new distribution centre in Letchworth with capacity for 6,000 tonnes of paper. This facility is designed to consolidate and augment our smaller and outdated premises at Hatfield and Cambridge.

The successful roll out of the new computer system for this business area is nearing completion

and promises to bring operational benefits to the business, both internally and externally.

Bunzl's newly formed National Accounts team continues to win new business. One such account involves the supply of cut size laser, inkjet and copier paper as well as envelopes, in all an anticipated 20,000 tonnes over three years. In another development, we have won preferred supplier status with a Government department, which presents us with an opportunity to supply recycled business stationery paper to over 2,300 Government offices across the UK.

We have further demonstrated our commitment to the fast developing digital printing sector with the launch of a portfolio of products specifically designed for the Indigo process. We were also appointed as a distribution partner by Agfa Graphic Systems for Agfajet paper and film products for the wide format inkjet printing and proofing sector.

SE +

Above:

We offer printers an excellent range of the best papers available so that they can supply their customers with an informed choice from a wide selection of stock.

CUSTOM

Above:

Our extensive extrusion technologies, combined with the capability to supply internationally from multiple plants, has increased our ability to serve global commercial refrigeration customers.

The environment for manufacturing was tough in both the UK and the US for most of the year with the US economy as a whole close to recession since March. The terrorist attacks there in September further depressed demand across a broad spectrum of US manufacturing industry. In this increasingly tough environment, profits decreased 16% on sales up 2%.

Sales of caps and plugs remained relatively buoyant as we moved the business further into distribution. Our enhanced distribution network in Europe including a new and successful outlet in Poland allowed us to broaden significantly our product offering. We have expanded our catalogue by around 1,000 new products and have sent out over 100,000 copies. We are continuing to seek new products to add to our offering both in Europe and the US.

Despite general manufacturing weakness in Europe, our Dutch extrusion business performed

well, particularly selling into the UK. We have rebranded the extrusion business in the US as Bunzl Extrusion, which will help us when selling into major accounts across the country. While overall the US business is operating in a difficult environment, some sectors, for example, the fence panel and highway businesses based in Washington State, continued to do well. Our new operation in Mexico also made a successful start. During the year, Bunzl Extrusion won a major new international customer, a world leader in refrigeration and food merchandising for supermarkets and convenience stores.

Our Brazilian operation, which provides packaging for the South American cosmetics and toiletry industries, has done well and we are continuing to develop that business.

PLASTICS

Bunzl is a world leader in plastic caps and plugs for protecting engineering products in manufacture or transit. We are also a leading extruder of custom plastic profiles for a range of uses including transport, lighting and retail.

ISAT ION +

From left:

Our ability to manufacture and supply custom profile extrusions such as tubing has increased our business with the medical industry.

Our state-of-the-art 3,000 square metre warehouse at Moss holds an unrivalled stock of 250 million components all available for immediate dispatch throughout Europe.

FINANCIAL REVIEW

Gearing fell as strong cash generation more than covered acquisition outflow.

DELIVER

Group performance

Sales of continuing operations increased by 15%, or £383.8 million, to £2,876.5 million with businesses acquired during the year contributing £64.8 million of this increase. Sales of existing businesses rose by 13% reflecting a good operating performance and net favourable exchange rate movements partly offset by price deflation. For the Group as a whole sales increased by 15%, or £372.9 million, to £2,876.5 million.

Operating profit of continuing operations before goodwill amortisation increased by 14%, or £25.6 million, to £214.6 million with businesses acquired during the year contributing £3.7 million of this increase. A strong performance by Outsourcing Services and Filtrona was partly offset by declines in Paper Distribution and Plastics. For the Group as a whole operating profit before goodwill amortisation increased by 13% to £214.6 million.

There were no exceptional items in the year compared to a net exceptional profit of £2.3 million in 2000. Including a £1.6 million higher interest charge, profit before tax was £187.7 million, 8% higher than in 2000.

The net interest charge increased to £14.1 million from £12.5 million as a result of higher average borrowings due to acquisition spend partly offset by lower US interest rates. Interest cover was 14 times.

Profit before tax, excluding the impact of the exceptional items in 2000 and goodwill amortisation, increased by 13% to £200.5 million.

Continuing operations margin, excluding goodwill amortisation, was 7.5% compared to 7.6% in 2000. Margin improvement in Outsourcing Services was offset by reductions in the other business areas. The decline in Filtrona's margin was due to the change in accounting for Filtrona Italia as it became a subsidiary and the reduction in Paper Distribution and Plastics was due to tougher trading conditions.

Currency had a net favourable impact in the year through translation primarily due to the strengthening of the US dollar against sterling. This translation effect is the major way that currency impacts the Group although there was also a small transaction effect on certain parts of the business.

Tax

The tax charge of £69.6 million represents an effective rate of 34.7% (2000: 35.5%) on the profit on underlying operations. Including the impact of the exceptional items in 2000 and goodwill amortisation, the overall rate was 37.1% compared with 37.4% in 2000.

The effective rate is higher than the nominal UK tax rate of 30.0% principally because most of the Group's operations are in countries with higher tax rates.

Earnings and dividends

Earnings increased by 9% to £117.7 million. The weighted average number of shares in issue rose to 458.6 million from 455.8 million in 2000 due to the exercise of employee share options. Earnings per share increased by 8% to 25.7p. However after adjusting for exceptional items in 2000 and goodwill amortisation, earnings per share increased 14% to 28.5p.

An interim dividend of 3.4p per share and a final proposed dividend of 6.95p will deliver an increase of 10% for the year, at a total cost of £48.0 million, with dividend cover, based on adjusted earnings per share, at 2.8 times. £69.7 million is to be transferred to reserves.

Balance sheet

Total assets less current liabilities increased by £201.2 million to £775.8 million. This was largely accounted for by an increase in goodwill, higher cash and short term deposits and lower short term borrowings. Group return on capital employed before goodwill amortisation was 37.9% compared to 38.1% in 2000. Net debt decreased by £5.9 million to £234.5 million due to strong operating cash flow being largely

offset by acquisition spend. Shareholders' funds increased by £71.4 million to £466.5 million and gearing fell from 60.8% to 50.3%.

Goodwill

This increased by £55.2 million to £258.8 million reflecting goodwill arising on acquisitions made during the year, net of an amortisation charge of £12.8 million.

Cash flow

Net cash inflow from operating activities was £236.1 million, a £59.6 million improvement compared to 2000 due mainly to a higher operating profit and strong working capital management. Gross capital expenditure was £39.5 million which was used to refurbish and expand facilities and to upgrade and replace computer systems. Sales of fixed assets generated a cash inflow of £1.8 million resulting in a net capital expenditure of £37.7 million. An acquisition spend of £79.8 million, net disposal proceeds of £1.2 million and other related cash outflows of £0.9 million resulted in a net cash outflow of £79.5 million on acquisitions and disposals.

Net cash inflow before financing of £7.1 million combined with cash from share issues of £7.1 million, a loan note issue of £5.8 million and a currency translation movement of £2.5 million resulted in a £5.9 million decrease in net debt.

Treasury policies and controls

Bunzl has a centralised treasury department to control external borrowings and manage exchange rate risk and interest rate risk. Treasury policies are approved by the Board and cover the nature of the exposure to be hedged, the types of financial instruments that may be employed and the criteria for investing and borrowing cash. The Group uses derivatives only to manage its foreign currency and interest rate risks arising from underlying business activities. No transactions of a speculative nature are undertaken. The department is subject to periodic independent reviews by the internal audit department. Underlying

Exchange rates

	01	00
Average		
US\$: £	1.44	1.50
€ : £	1.61	1.64
Year end		
US\$: £	1.46	1.49
€ : £	1.63	1.59

Return on capital employed %

	01	00
Outsourcing Services	66.4	66.2
Filtrona	28.6	29.3
Paper Distribution	14.7	17.0
Plastics	19.9	27.1

RY +

policy assumptions and activities are reviewed by the executive directors. Controls over exposure changes and transaction authenticity are in place and dealings are restricted to those banks with the relevant combination of geographic presence and suitable credit rating. The Group continually monitors the credit ratings of its counterparties and credit exposure to each counterparty.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group is funded by a US dollar Bond and multi-currency credit facilities from the Group's bankers. The US dollar Bond was issued during the year in three tranches; five years, seven years and ten years for a total of \$225 million at fixed rates of interest. The bank facilities have tenures ranging from one year to seven years and mature between 2002 and 2006. At 31 December 2001, available bank facilities totalled £345.9 million of which £126.8 million was drawn down. In addition the Group maintains uncommitted and overdraft facilities to maintain short term flexibility.

Foreign currency risk

The majority of the Group's net assets are in currencies other than sterling. The Group's policy is to limit the translation exposure and resulting impact on shareholders' funds by borrowing in those currencies in which the Group has significant non-sterling net assets and by using forward foreign exchange contracts. As the majority of non-sterling net assets are in US dollars, borrowings are primarily held in US dollars. The Group does not hedge the translation effect of foreign currency movements 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 limited. However where they do occur the Group's policy is to hedge exposures as soon as they are committed using forward foreign exchange contracts.

Interest rate risk

The Group's strategy is to ensure with a reasonable amount of certainty that the overall Group interest charge is protected against material adverse movements in interest rates. The majority of the US dollar Bond was swapped to floating rates during the year and interest rate caps are in place to reduce the Group's floating rate exposure to movements in US dollar LIBOR.

Financial reporting standards and accounting policies

The transitional rules of FRS17 'Retirement Benefits' and the full requirements of FRS18 'Accounting Policies' have been adopted in the 2001 accounts. There have been no other changes to the accounting policies of the Group from the previous year.

DIRECTORS

A strong independent Board has overseen the implementation of a consistent strategy for many years which has created value for our shareholders by successfully building the business.

DIRECT

* Member of the Audit Committee

† Member of the Remuneration Committee

Member of the Nomination Committee

1 Stephen Williams*†# (Age 54)

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 also appointed General Counsel in 1993.

2 Lawrence McQuade* (Age 74)

Non-executive director since 1991. He was formerly Vice Chairman of Prudential Mutual Fund Management Inc. He is a non-executive director of Oxford Analytica Inc, Quixote Corporation, Solar Lighting Inc, Laredo National Bancorp and a founding partner of River Capital International LLC.

3 Jeff Harris*† (Age 53)

Non-executive director since 2000. Appointed Finance Director of UniChem Plc in 1986, he became Chief Executive in 1992. Following its merger with Alliance Santé SA, he became Chief Executive of Alliance Unichem Plc in 1997 and Chairman in 2001. He is a non-executive director of Anzag AG.

4 Paul Lorenzini (Age 62)

Managing Director, Outsourcing Services having joined Bunzl in 1983 with the acquisition of PCI Mac-Pak. He was appointed President of Bunzl Distribution USA in 1986 and joined the Board in 1999 with continuing responsibility for the Group's largest and most successful business.

ION =

5 Paul Heiden*† (Age 45)

Non-executive director since 1998. Previously with Hanson plc he joined Rolls-Royce in 1992 as Finance Director of their Aerospace division. In 1997 he became a director of Rolls-Royce plc, responsible for their Industrial Businesses and was appointed Finance Director in 1999.

6 Alexander (Pat) Dyer*†# (Age 69)

Deputy Chairman since 1996 and senior non-executive director, having been Chairman from 1993. 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.

7 Anthony Habgood# (Age 55)

Chairman since 1996, having joined as Chief Executive in 1991. A director of The Boston Consulting Group from 1977 to 1986, he was then appointed a director of Tootal Group PLC, subsequently becoming Chief Executive. He is a non-executive director of Schroder Ventures International Investment Trust plc.

8 David Williams (Age 56)

Finance Director, having joined the Group in 1991 in that role. He was previously with Tootal Group PLC where he held a number of financial and operating positions including Group Finance Director. He is a non-executive director of George Wimpey PLC where he chairs the Audit Committee.

SHAREHOLDER INFORMATION

Financial calendar	2002
Annual General Meeting	15 May
Results for the half year to 30 June 2002	27 August

	2003
Results for the year to 31 December 2002	February
Annual Report circulated	March

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 2001 the Company had 5,573 (2000: 5,494) shareholders who held 463.9 million (2000: 460.7 million) ordinary shares between them, analysed as follows:

Size of holding	Number of shareholders	% of issued share capital
0 – 10,000	4,738	2
10,001 – 100,000	478	4
100,001 – 500,000	212	10
500,001 – 1,000,000	62	9
1,000,001 and over	83	75
	5,573	100

Registered office

110 Park Street, London W1K 6NX
 Telephone 020 7495 4950, Fax 020 7495 4953
 Website www.bunzl.com
 Registered in England No 358948

Secretary

P N Hussey

Registrar

Computershare Investor Services PLC
 PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH
 Telephone 0870 702 0001, Fax 0870 703 6116
 Website www.computershare.com

Auditors

KPMG Audit Plc

Stockbrokers

Cazenove
 Schroder Salomon Smith Barney

Merchant bankers

UBS Warburg

SUMMARY FINANCIAL STATEMENT

SUMMARY DIRECTORS' REPORT

Principal activities and developments

The principal activities of the Group are set out on the inside front cover. 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

All of the directors, who are named on pages 22 and 23, served throughout the year.

Mr P Heiden and Mr D M Williams retire by rotation at the Annual General Meeting in accordance with the Articles of Association and, being eligible, offer themselves for re-election.

Directors' interests in ordinary shares are shown in Note 21 to the financial statements 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 2001.

Dividends

An interim dividend of 3.4p was paid in respect of the year and the directors recommend a final dividend of 6.95p, making a total for the year of 10.35p. This compares with 9.4p for the year ended 31 December 2000.

Corporate governance

The Company complied throughout the period under review in relation to all provisions of the combined code on corporate governance ('the Code'). The Chairman, Mr A J Habgood, continues to act in the capacity of Chief Executive. The Board recognises the concerns, expressed in a general context, about the possible negative effects of a concentration of power through a combined Chairman and Chief Executive role, but believes these do not presently apply to the Company for a variety of reasons. The Board has a majority of non-executive directors, a model commonly seen in the US where the roles of Chairman and Chief Executive Officer are more usually combined. In addition, the Group's operations are devolved and the Group benefits from the presence of strong senior line management in those operations. The Deputy Chairman and senior independent non-executive director, Mr A P Dyer, is a former non-executive Chairman of the Company. The Board's firm view is that the Group does not suffer from a damaging concentration of power and is well protected from such a possibility. Furthermore, it believes that the current arrangements are in the best interests of the business and of shareholders.

Annual General Meeting

The Annual General Meeting will be held at the Thistle Marble Arch, Bryanston Street, London W1H 7EH on Wednesday 15 May 2002 at 11.00 am. The notice convening the Meeting is set out in a separate letter from the Chairman to shareholders which explains the items of special business.

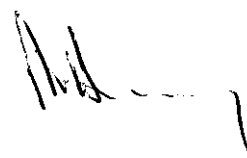
Auditors

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

25 February 2002



SUMMARY FINANCIAL STATEMENT continued

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2001

	2001 £m	2000 £m
Sales		
Existing businesses	2,811.7	2,492.7
Acquisitions	64.8	
Continuing operations	2,876.5	2,492.7
Discontinued operations	–	10.9
Total sales	2,876.5	2,503.6
Operating profit		
Existing businesses	199.3	181.9
Acquisitions	2.5	
Continuing operations	201.8	181.9
Discontinued operations	–	1.7
Total operating profit	201.8	183.6
Profit on sale of discontinued operations	–	7.1
Loss on disposal of fixed assets	–	(4.8)
Profit on ordinary activities before interest	201.8	185.9
Net interest payable	(14.1)	(12.5)
Profit on ordinary activities before taxation	187.7	173.4
Profit before taxation, goodwill amortisation and exceptional items	200.5	178.2
Taxation on profit on ordinary activities	(69.6)	(64.9)
Profit on ordinary activities after taxation	118.1	108.5
Profit attributable to minorities	(0.4)	(0.6)
Profit for the financial year	117.7	107.9
Dividends paid and proposed	(48.0)	(43.0)
Retained profit for the financial year	69.7	64.9
Basic earnings per share	25.7p	23.7p
Adjusted earnings per share	28.5p	25.0p
Dividends per share	10.35p	9.4p

Directors' total emoluments for the year were £3.2m (2000: £2.9m).

SUMMARY CONSOLIDATED BALANCE SHEET

at 31 December 2001

	2001 £m	2000 £m
Intangible assets – goodwill	258.8	203.6
Tangible assets	255.6	243.0
Fixed assets	514.4	446.6
Current assets	775.7	697.5
Creditors: amounts falling due within one year	(514.3)	(569.5)
Net current assets	261.4	128.0
Total assets less current liabilities	775.8	574.6
Creditors: amounts falling due after more than one year	(255.1)	(126.4)
Provisions for liabilities and charges	(52.1)	(50.8)
Net assets	468.6	397.4
Capital and reserves		
Called up share capital	116.0	115.2
Share premium and other reserves	350.5	279.9
Shareholders' funds: equity interests	466.5	395.1
Minority equity interests	2.1	2.3
	468.6	397.4

Approved by the Board of Directors of Bunzl plc on 25 February 2002 and signed on its behalf by A J Habgood, Chairman and D M Williams, Finance Director.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2001

	2001 £m	2000 £m
Profit for the financial year	117.7	107.9
Currency translation differences on foreign currency net investments	(5.4)	(2.3)
Total recognised gains and losses for the year	112.3	105.6

A. J. Habgood

SUMMARY CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2001

	2001 £m	2000 £m
Operating profit	201.8	183.6
Adjustment for non-cash items	43.9	36.5
Working capital movements	(1.0)	(34.8)
Other cash movements	(8.6)	(8.8)
Net cash inflow from operating activities	236.1	176.5
Net cash outflow for returns on investments and servicing of finance	(13.9)	(13.2)
Tax paid	(54.9)	(50.8)
Net cash outflow for capital expenditure	(37.7)	(46.2)
Acquisitions and disposals	(79.5)	(161.9)
Equity dividends paid	(43.0)	(38.0)
Net cash inflow/(outflow) before use of liquid resources and financing	7.1	(133.6)
Net cash outflow from management of liquid resources	(6.4)	(3.1)
Net cash inflow from financing	19.9	141.2
Increase in cash in the financial year	20.6	4.5

ANALYSIS OF SALES AND OPERATING PROFIT

for the year ended 31 December 2001

	Sales		Operating profit	
	2001 £m	2000 £m	2001 £m	2000 £m
Continuing operations				
Outsourcing Services	2,129.1	1,783.1	161.9	131.1
Filtrona	224.5	199.0	29.6	26.8
Paper Distribution	318.2	310.3	15.5	18.5
Plastics	204.7	200.3	22.7	26.9
Goodwill			(12.8)	(7.1)
Corporate activities			(15.1)	(14.3)
	2,876.5	2,492.7	201.8	181.9
Discontinued operations				
	—	10.9	—	1.7
Total	2,876.5	2,503.6	201.8	183.6

SUMMARY US GAAP INFORMATION

for the year ended 31 December 2001

	2001	2000
Profit for the financial year £m		
UK GAAP	117.7	107.9
US GAAP	102.4	97.4
Earnings per share p		
UK GAAP	25.7	23.7
US GAAP	22.3	21.4
Shareholders' funds: equity interests £m		
UK GAAP	466.5	395.1
US GAAP	714.1	651.9

STATEMENT OF THE INDEPENDENT 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 directors are responsible for preparing the Summary Financial Statement in accordance with applicable United Kingdom law. Our responsibility is to report to you our opinion on the consistency of the Summary Financial Statement within the Annual Review and Summary Financial Statement with the full financial statements and Directors' Report, and its compliance with the relevant requirements of Section 251 of the Companies Act 1985 and the regulations made thereunder. We also read the other information contained in the Annual Review and Summary Financial Statement and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Summary Financial Statement.

Basis of opinion

We conducted our work in accordance with Bulletin 1999/6, 'The Auditors' Statement on the Summary Financial Statement' issued by the Auditing Practices Board for use in the United Kingdom. Our report on the Group's full annual 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 annual financial statements and Directors' Report of Bunzl plc for the year ended 31 December 2001 and complies with the applicable 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

25 February 2002

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

SUMMARY FIVE YEAR REVIEW

SUMMARY FIVE YEAR REVIEW

	2001 £m	2000 £m	1999 £m	1998 £m	1997 £m
Sales					
Continuing operations	2,876.5	2,492.7	2,049.2	1,815.6	1,580.5
Discontinued operations	–	10.9	79.4	123.7	172.7
Total sales	2,876.5	2,503.6	2,128.6	1,939.3	1,753.2
Operating profit					
Continuing operations	201.8	181.9	151.0	134.5	115.7
Discontinued operations	–	1.7	7.0	4.9	11.6
Total operating profit	201.8	183.6	158.0	139.4	127.3
Exceptional items	–	2.3	0.2	(17.4)	2.2
Profit on ordinary activities before interest	201.8	185.9	158.2	122.0	129.5
Profit on ordinary activities before taxation	187.7	173.4	150.5	113.8	125.9
Profit before taxation, goodwill amortisation and exceptional items	200.5	178.2	153.5	132.3	123.7
Profit on ordinary activities after taxation	118.1	108.5	94.3	72.2	81.3
Profit for the financial year	117.7	107.9	93.7	71.9	80.2
Basic earnings per share	25.7p	23.7p	20.7p	15.9p	17.9p
Adjusted earnings per share	28.5p	25.0p	21.6p	19.0p	17.6p
Dividends per share	10.35p	9.4p	8.3p	7.35p	6.8p

BUNZL

Designed by Sheppard Day

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 and Ireland.

1	Directors' report
4	Consolidated profit and loss account
5	Consolidated balance sheet
6	Consolidated cash flow statement
7	Consolidated statement of total recognised gains and losses
7	Consolidated reconciliation of movements in shareholders' funds
8	Company balance sheet
9	Accounting policies
10	Notes to the financial statements
28	Statement of directors' responsibilities
28	Independent auditors' report
29	Directors' remuneration report
34	US GAAP information
36	Five year review

This document contains the Directors' Report and Accounts and the Independent Auditors' Report for the year ended 31 December 2001. The Chairman's Statement and the Operating and Financial Review are contained in a separate document – the Annual Review and Summary Financial Statement.

The Annual Review and Summary Financial Statement together with the Directors' Report and Accounts comprise the full Annual Report and Accounts for Bunzl plc for 2001 in accordance with the Companies Act 1985.

DIRECTORS' REPORT

The directors have pleasure in submitting their report and the audited financial statements of the Company and its subsidiary undertakings for the year ended 31 December 2001.

Principal activities and developments

The principal activities of the Group are set out on the inside front cover 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 Group's results 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 3.4p was paid in respect of the year and the directors recommend a final dividend of 6.95p per share, making a total for the year of 10.35p (2000: 9.4p). Dividend details are given in Note 5 to the financial statements. Subject to confirmation by the shareholders at the Annual General Meeting on 15 May 2002, the final dividend will be paid on 1 July 2002 to those shareholders on the register at the close of business on 10 May 2002. Shareholders will again be able to elect to receive additional shares in the Company in lieu of the cash dividend through the Company's dividend reinvestment plan. Further details will be circulated to shareholders with the notice of the Annual General Meeting.

Share capital

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

Purchase of own shares

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

Directors

All of the directors, who are named on pages 22 and 23 of the Annual Review and Summary Financial Statement, served throughout the year.

Mr P. Heiden and Mr D. M. Williams retire by rotation at the Annual General Meeting in accordance with the Articles of Association and, being eligible, offer themselves for re-election.

Directors' interests in ordinary shares are shown in Note 21 to the financial statements.

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 aptitudes and abilities. Employees who become disabled during their working life will be retained in employment wherever possible and given help with rehabilitation and training.

Substantial shareholdings

As at 25 February 2002 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)	17.01.02	10.95
Zurich Scudder Investments Ltd	10.10.01	3.73
Scottish Widows Investment Partnership Ltd	2.10.01	3.43
Legal & General Investment Management Ltd	2.01.02	3.11
Barclays PLC	31.05.01	3.05
Fidelity International Ltd	30.01.01	3.02

Corporate governance

The Company is committed to high standards of corporate governance and supports and has complied throughout 2001 with the principles contained in the combined code on corporate governance ('the Code') and which are annexed to the Financial Services Authority's Listing Rules.

The Board currently comprises three executive and five non-executive directors all of whom have wide experience and are considered by the Board to be independent. The Deputy Chairman, Mr A. P. Dyer, has been designated as the senior

DIRECTORS' REPORT continued

non-executive director. Information relating to the conduct of Board meetings and the procedures implemented to ensure that the Board retains overall control and accountability for all strategic, financial, operational and compliance issues are set out in the internal control 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. The Chairman, Mr A J Habgood, continues to act in the capacity of Chief Executive. The Board recognises the concerns, expressed in a general context, about the possible negative effects of a concentration of power through a combined Chairman and Chief Executive role but believes these do not presently apply to the Company for a variety of reasons. The Board has a majority of non-executive directors, a model commonly seen in the US where the roles of Chairman and Chief Executive Officer are more usually combined. In addition, the Group's operations are devolved and the Group benefits from the presence of strong senior line management in those operations. The Deputy Chairman and senior independent non-executive director, Mr A P Dyer, is a former non-executive Chairman of the Company. The Board's firm view is that the Group does not suffer from a damaging concentration of power and is well protected from such a possibility. Furthermore, it believes that the current arrangements are in the best interests of the business and of shareholders.

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, the Company complied throughout the period under review.

Internal control

The directors acknowledge that they have overall responsibility for the Group's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide

reasonable and not absolute assurance against material misstatement or loss.

In September 1999 the Turnbull Committee published guidance on the wider aspects of internal control. In accordance with this guidance the Company established the procedures necessary to ensure that there is an ongoing process for identifying, evaluating and managing the significant risks to the Group. The Board confirms that such procedures have been in place for the year ended 31 December 2001 and up to the date of approval of these financial statements and have been reviewed and, where appropriate, revised during the year.

The Board meets regularly throughout the year and has formally adopted a schedule of matters which are required to be brought to it for decision. This ensures that the directors maintain overall control over all significant strategic, financial, operational and compliance issues. The Board has delegated to management the responsibility for establishing a system of internal control appropriate to the business environments in which the Group operates.

The principal features of this system include:

- a procedure for monitoring the effectiveness of the internal control system through a tiered management structure with clearly defined lines of responsibility and delegation of authority 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 control system are listed below:
- central management holds quarterly meetings with business area management to discuss strategic, operational and financial issues including a review of the significant risks affecting each of the business areas and the policies and procedures by which these risks are managed;
 - an Executive Committee, consisting of the Chairman and the Finance Director and other functional managers, meets twice per month and reviews the outcome of the discussions held at business area meetings on internal control issues;
 - the Board in turn reviews the outcome of the Executive Committee discussions on internal control issues which ensures a documented and auditable trail of accountability;
 - actual results are reviewed monthly against budget, forecasts and the previous year and explanations obtained for all significant variances;
 - the Group's bank balances around the world are monitored on a weekly basis and significant movements are reviewed centrally;
 - the internal audit department periodically reviews individual businesses and procedures, makes recommendations to improve controls and follows up to ensure that management implement the recommendations made. The internal audit department's work is determined on a risk assessment basis and their findings are reported to Group and business area management;
 - 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 audit opinion on the truth and fairness of the financial statements;
 - 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 department;

- regular meetings are held with insurance and risk advisers to assess the risks throughout the Group;
- the Group Health and Safety Committee sets relevant policies on health and safety issues, based on the special advice of the Technical Sub-Committee, and monitors their implementation;
- risk assessments, safety audits and a regular review of progress against objectives established by each business area are periodically carried out;
- the Group Environment Committee periodically reviews environmental practices across 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 control in operation during 2001.

Social responsibility

Business standards

The Group has had for many years a business standards policy. This policy sets out the standards of behaviour expected of each Bunzl employee. The policy was reviewed and updated during the course of 2001 and covers the areas of service to customers, personal integrity and mutual respect, sound management and efficient use of resources, equal employment opportunity, commitment to a safe working environment and responsibility to the community and society.

Environment

The Group environment policy states the Company's intention to comply with environmental legislation and regulations in the jurisdictions where Group companies operate and, within reasonable economic means, to seek to play a positive role in environmental matters, associating the Group with appropriate initiatives which are designed to support this commitment. The Group Environment Committee was established in 2000 with representatives from business

areas. Each business area has set up its own management process for identifying environmental issues and has established procedures for developing appropriate plans. Programmes to implement these plans are underway. For example, both Filtrona and Plastics are committed to obtaining ISO 14001 accreditation for all their significant facilities and have made substantial progress towards this goal. They both plan for the accreditation process to be completed by the end of 2002 or early in 2003. Outsourcing Services and Paper Distribution are working to a programme of activity that is compatible with seeking ISO 14001 accreditation. The work carried out by each business area and the review by the Group Environment Committee confirm that the Group has a low risk profile in this area. The main focus in environmental matters is on reducing waste and on measures to conserve energy, especially fuel. These are not only environmentally responsible actions but also of significant potential benefit to the Group. In the UK the Group is a member of Valpak with whom the Company works in order to meet the obligations under the Producer Responsibility (Packaging Waste) Regulations. Similarly, in Germany, the Group is a member of Duales System Deutschland who operate the 'Green Dot' recycling system.

Health and safety

Bunzl continues to focus on a programme for continuous improvement in standards of health and safety. The Group Health and Safety Committee sets relevant policies based on the specialist advice of the Technical Sub-Committee and monitors their implementation. Risk assessments, safety audits and a regular review of progress against objectives established by each business area are the primary means for promoting a positive health and safety culture. In the past year emphasis has been placed on the dissemination of best health and safety practice worldwide and significant investment has been made in work equipment that reduces health and safety risk. In addition, the Group has developed its own safety software to assist in establishing a common framework for risk assessment and risk reduction. Training on relevant health and safety matters continues to be provided in all parts of the Group. The Group Health and Safety Committee reviewed and responded to the consultation paper issued jointly by the Health and Safety Commission

and the UK Government entitled 'Revitalising Health and Safety'.

Support for charitable causes

The Group is a member of Business in the Community where the Company focuses its support on a limited number of specific projects in the fields of education, disability and child sickness. In addition, Group companies and individual employees around the world are engaged in local charitable initiatives, often with support from Bunzl. The events of September 11 in the US prompted a number of charitable donations both in money and in kind from Group companies, as well as employee fundraising activities, to assist in the rescue efforts and for hardship relief amongst those directly affected by the tragedy. During 2001, amongst other worldwide charitable donations, the Group contributed £192,000 to UK charities (2000: £181,000). No contributions were made for political purposes.

Creditor payment policy

Group operating companies are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted. It is Group policy that suppliers are made aware of these terms and that payments to suppliers are made in accordance with them, provided that suppliers also comply with all relevant terms and conditions.

The number of days billings from the Company's suppliers outstanding at the end of the financial year was 30 (2000: 31).

Annual General Meeting

The Annual General Meeting will be held at the Thistle Marble Arch, Bryanston Street, London W1H 7EH on Wednesday 15 May 2002 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.

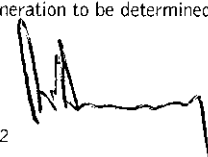
Auditors

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

25 February 2002



CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2001

	Notes	2001 £m	2000 £m
Sales			
Existing businesses		2,811.7	2,492.7
Acquisitions		64.8	
Continuing operations		2,876.5	2,492.7
Discontinued operations		–	10.9
Total sales	1	2,876.5	2,503.6
Operating profit			
Existing businesses		199.3	181.9
Acquisitions		2.5	
Continuing operations		201.8	181.9
Discontinued operations		–	1.7
Total operating profit	1, 2	201.8	183.6
Profit on sale of discontinued operations	28	–	7.1
Loss on disposal of fixed assets		–	(4.8)
Profit on ordinary activities before interest		201.8	185.9
Net interest payable	3	(14.1)	(12.5)
Profit on ordinary activities before taxation		187.7	173.4
Profit before taxation, goodwill amortisation and exceptional items		200.5	178.2
Taxation on profit on ordinary activities	4	(69.6)	(64.9)
Profit on ordinary activities after taxation		118.1	108.5
Profit attributable to minorities		(0.4)	(0.6)
Profit for the financial year		117.7	107.9
Dividends paid and proposed	5	(48.0)	(43.0)
Retained profit for the financial year	18	69.7	64.9
Basic earnings per share	6	25.7p	23.7p
Adjusted earnings per share	6	28.5p	25.0p
Diluted earnings per share	6	25.4p	23.5p
Dividends per share	5	10.35p	9.4p

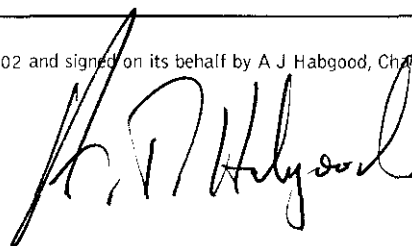
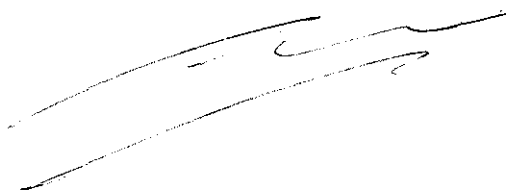
The Accounting Policies and Notes on pages 9 to 27 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

at 31 December 2001

	Notes	2001 £m	2000 £m
Fixed assets			
Intangible assets – goodwill	7	258.8	203.6
Tangible fixed assets	8	226.0	215.2
Investments	9	29.6	27.8
		514.4	446.6
Current assets			
Stocks	10	241.7	218.0
Debtors: amounts receivable within one year	11	439.0	403.7
Debtors: amounts receivable after more than one year	11	15.0	22.0
Investments	12	30.2	16.7
Cash at bank and in hand	26	49.8	37.1
		775.7	697.5
Current liabilities			
Creditors: amounts falling due within one year	13	(514.3)	(569.5)
Net current assets		261.4	128.0
Total assets less current liabilities		775.8	574.6
Creditors: amounts falling due after more than one year	14	(255.1)	(126.4)
Provisions for liabilities and charges	16	(52.1)	(50.8)
Net assets		468.6	397.4
Capital and reserves			
Called up share capital	17	116.0	115.2
Share premium account	18	67.3	56.5
Revaluation reserve	18	1.6	1.7
Profit and loss account	18	281.6	221.7
Shareholders' funds: equity interests		466.5	395.1
Minority equity interests		2.1	2.3
		468.6	397.4

Approved by the Board of Directors of Bunzl plc on 25 February 2002 and signed on its behalf by A J Habgood, Chairman and D M Williams, Finance Director.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2001

	Notes	2001 £m	2000 £m
Net cash inflow from operating activities	25	236.1	176.5
Returns on investments and servicing of finance			
Interest received		1.1	2.2
Interest paid		(12.9)	(12.5)
Dividends paid to minority shareholders		(0.3)	(0.3)
Other cash flows		(1.8)	(2.6)
Net cash outflow for returns on investments and servicing of finance		(13.9)	(13.2)
Tax paid		(54.9)	(50.8)
Capital expenditure			
Purchase of tangible fixed assets		(39.5)	(49.3)
Disposal of tangible fixed assets		1.8	3.1
Net cash outflow for capital expenditure		(37.7)	(46.2)
Acquisitions and disposals			
Purchase of businesses	27	(79.8)	(170.9)
Disposal of businesses	28	1.2	11.5
Other acquisition and disposal cash flows		(0.9)	(2.5)
Net cash outflow for acquisitions and disposals		(79.5)	(161.9)
Equity dividends paid		(43.0)	(38.0)
Net cash inflow/(outflow) before use of liquid resources and financing		7.1	(133.6)
Net cash outflow from management of liquid resources		(6.4)	(3.1)
Financing			
(Decrease)/increase in short term loans		(110.7)	139.2
Increase/(decrease) in long term loans		123.4	(4.4)
Increase/(decrease) in finance leases		0.1	(0.3)
Shares issued for cash		7.1	6.7
Net cash inflow from financing		19.9	141.2
Increase in cash in the financial year		20.6	4.5
Reconciliation of net cash flow to movement in net debt			
Increase in cash		20.6	4.5
Decrease/(increase) in debt due within one year		110.7	(139.2)
(Increase)/decrease in debt due after one year		(123.4)	4.4
Increase in current asset investments		6.4	3.1
Exchange and other movements		(8.4)	(13.2)
Movement in net debt in the year		5.9	(140.4)
Opening net debt		(240.4)	(100.0)
Closing net debt	26	(234.5)	(240.4)

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2001

	2001 £m	2000 £m
Profit for the financial year	117.7	107.9
Currency translation differences on foreign currency net investments	(5.4)	(2.3)
Total recognised gains and losses for the year	112.3	105.6

CONSOLIDATED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the year ended 31 December 2001

	2001 £m	2000 £m
Profit for the financial year	117.7	107.9
Dividends paid and proposed	(48.0)	(43.0)
Retained profit for the financial year	69.7	64.9
Transfer of goodwill on disposals	—	0.2
Net transfer to reserves from the profit and loss account	69.7	65.1
Issue of share capital	7.1	6.7
Currency translation movement	(5.4)	(2.3)
Net addition to shareholders' funds	71.4	69.5
Opening shareholders' funds	395.1	325.6
Closing shareholders' funds	466.5	395.1

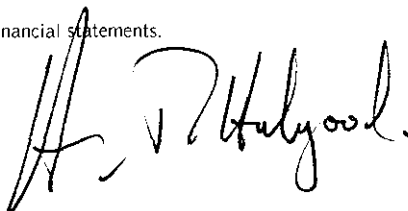
COMPANY BALANCE SHEET

at 31 December 2001

	Notes	2001 £m	2000 £m
Fixed assets			
Tangible fixed assets	8	1.2	1.8
Investments	9	374.5	369.6
		375.7	371.4
Current assets			
Debtors: amounts receivable within one year	11	360.9	292.0
Debtors: amounts receivable after more than one year	11	10.2	10.7
Cash at bank and in hand		—	0.8
		371.1	303.5
Current liabilities			
Creditors: amounts falling due within one year	13	(95.7)	(196.5)
Net current assets		275.4	107.0
Total assets less current liabilities		651.1	478.4
Creditors: amounts falling due after more than one year	14	(1.3)	(1.5)
Provisions for liabilities and charges	16	(6.4)	(6.2)
Net assets		643.4	470.7
Capital and reserves			
Called up share capital	17	116.0	115.2
Share premium account	18	67.3	56.5
Special reserve	18	177.2	177.2
Profit and loss account	18	282.9	121.8
Shareholders' funds: equity interests		643.4	470.7

Approved by the Board of Directors of Bunzl plc on 25 February 2002 and signed on its behalf by A J Habgood, Chairman and D M Williams, Finance Director.

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




ACCOUNTING POLICIES

a Basis of preparation

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and have been prepared in accordance with applicable UK accounting standards. In order to give a true and fair view, the provisions of the Companies Act 1985 have been departed from as described in Note 18 to the financial statements. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

b Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of the Company and its subsidiary undertakings at 31 December 2001 and their results for the periods during 2001 in which they were part of the Group. Unless otherwise stated the acquisition method of accounting has been adopted.

c Goodwill

Goodwill arising on acquisitions made after 31 December 1997 is capitalised and is amortised through the profit and loss account over its estimated useful life, a period of up to 20 years, on a straight line basis. 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 impairment 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 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 foreign exchange contract has been arranged when the contracted rate is used.

Exchange differences on the retranslation of opening net worth in overseas subsidiary 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.

Forward foreign exchange contracts hedging transaction exposures are revalued at year end exchange rates with net unrealised gains and losses being taken to the profit and loss account.

f Tangible fixed assets

Until 31 December 1999, land and buildings were revalued periodically. As permitted under FRS15, the valuations of land and buildings have not been and will not be updated. All other assets are included at historical cost, less accumulated depreciation. The profit or loss on sale of tangible fixed assets is calculated by reference to the carrying values of the assets. The carrying values of tangible fixed assets are periodically reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

g Depreciation

Tangible fixed assets are depreciated over their estimated remaining useful lives at the following annual rates applied to book value 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 on a straight line basis.

i Sales

Sales are net sales invoiced to third parties, excluding inter company transactions 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 under 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. During 2001, the Group adopted the transitional disclosure requirements of FRS17.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2001

	Sales		Operating profit		Net operating assets	
	2001	2000	2001	2000	2001	2000
	£m	£m	£m	£m	£m	£m
1 Segmental analysis						
Continuing operations						
Outsourcing Services	2,129.1	1,783.1	161.9	131.1	258.5	229.4
Filtrona	224.5	199.0	29.6	26.8	108.6	98.4
Paper Distribution	318.2	310.3	15.5	18.5	95.8	114.5
Plastics	204.7	200.3	22.7	26.9	115.6	112.3
Goodwill*			(12.8)	(7.1)	258.8	203.6
Corporate activities			(15.1)	(14.3)	(2.5)	1.8
	2,876.5	2,492.7	201.8	181.9	834.8	760.0
Discontinued operations	–	10.9	–	1.7	–	–
	2,876.5	2,503.6	201.8	183.6	834.8	760.0
Country of operation						
Europe	1,018.1	832.5	61.9	55.6	281.8	266.0
North America	1,756.0	1,560.8	155.2	136.4	254.5	240.9
Rest of the world	102.4	110.3	12.6	13.0	42.2	47.7
Goodwill*			(12.8)	(7.1)	258.8	203.6
Corporate activities			(15.1)	(14.3)	(2.5)	1.8
	2,876.5	2,503.6	201.8	183.6	834.8	760.0
Geographical market supplied						
Europe	1,009.6	821.1				
North America	1,753.4	1,557.2				
Rest of the world	113.5	125.3				
	2,876.5	2,503.6				
Reconciliation to consolidated balance sheet						
Net operating assets					834.8	760.0
Interest bearing cash, debt and investments					(258.6)	(268.6)
Dividends and corporate taxes (Notes 11 and 13)					(77.8)	(65.8)
Provisions for deferred taxation and discontinued operations (Note 16)					(29.8)	(28.2)
Net assets					468.6	397.4

As the Group's European businesses are managed on a pan European basis, the information in this Note for the UK and the rest of Europe has been combined.

* Goodwill amortisation comprised Outsourcing Services £9.6m (2000: £4.9m), Filtrona £0.4m (2000: £nil), Paper Distribution £0.6m (2000: £0.6m) and Plastics £2.2m (2000: £1.6m). Unamortised goodwill at 31 December 2001 comprised Outsourcing Services £207.7m (2000: £159.1m), Filtrona £1.3m (2000: £nil), Paper Distribution £9.3m (2000: £9.9m) and Plastics £40.5m (2000: £34.6m). By country of operation goodwill amortisation comprised Europe £8.3m (2000: £5.5m) and North America £4.5m (2000: £1.6m). Unamortised goodwill at 31 December 2001 comprised Europe £154.3m (2000: £138.3m) and North America £104.5m (2000: £65.3m).

	Existing businesses 2001 £m	Acquisitions 2001 £m	Total 2001 £m	Existing businesses 2000 £m	Discontinued operations 2000 £m	Total 2000 £m
2 Net operating charges						
Changes in stock of finished goods and work-in-progress	(4.9)	(14.2)	(19.1)	(40.2)	1.8	(38.4)
Raw materials and consumables	2,029.4	61.9	2,091.3	1,830.1	1.9	1,832.0
Employee costs (Note 23)	320.0	6.6	326.6	284.9	2.9	287.8
Depreciation and other amounts written off tangible and intangible fixed assets	44.1	1.6	45.7	34.6	0.2	34.8
Other operating charges	223.8	6.4	230.2	201.4	2.4	203.8
Net operating charges	2,612.4	62.3	2,674.7	2,310.8	9.2	2,320.0

Profit on ordinary activities is stated after charging:

Auditors' remuneration for statutory audit	1.4	0.1	1.5	1.3	0.1	1.4
Depreciation and other amounts written off tangible and intangible fixed assets:						
owned and leased	32.5	0.4	32.9	27.5	0.2	27.7
amortisation of goodwill	11.6	1.2	12.8	7.1	–	7.1
Hire of plant and machinery – rentals payable under operating leases	17.5	0.1	17.6	14.8	–	14.8

Fees for non-audit work performed by the Company's auditors and their associates were £1.9m (2000: £1.0m) for the Company and its UK subsidiary undertakings and £0.5m (2000: £0.6m) for its non-UK subsidiary undertakings. Auditors' remuneration for the Company's statutory audit was £0.3m (2000: £0.2m). £1.3m of the total fees for non-audit work related to tax compliance and advice, due diligence and other duties carried out in respect of acquisitions and disposals of businesses. The Company believes that, given their detailed knowledge of the Group's operations, its structure and accounting policies and the importance of carrying out detailed due diligence as part of the acquisition process, it is appropriate for this additional work to be carried out by the Company's auditors rather than another firm of accountants.

	2001 £m	2000 £m
3 Net interest payable		
Interest receivable		
Bank deposits and unlisted investments	1.4	2.3
Total interest receivable	1.4	2.3
Interest payable		
Bank loans and overdrafts	(11.8)	(14.8)
Other loans	(3.7)	–
Total interest payable	(15.5)	(14.8)
Net interest payable	(14.1)	(12.5)

NOTES TO THE FINANCIAL STATEMENTS continued

	2001 £m	2000 £m
4 Taxation		
UK corporation tax		
current year	112.1	7.1
prior years	(0.9)	(0.4)
double tax relief	(102.1)	(0.5)
Total UK corporation tax at 30.0% (2000: 30.0%)	9.1	6.2
Overseas taxes		
current year	54.0	51.3
prior years	0.5	(0.6)
Total overseas taxes	54.5	50.7
Deferred taxation transfers		
accelerated capital allowances	0.9	1.0
pension arrangements and other timing differences	5.8	6.9
Total taxation for year	70.3	64.8
(Debited)/credited to other reserves	(0.7)	0.1
Taxation on profit on ordinary activities	69.6	64.9

The UK corporation tax charge in respect of the current year has increased due to the remittance of dividends to the UK from subsidiary undertakings and is principally offset by an increase in double tax relief.

Deferred taxation not accounted for in the year is £0.8m (2000: £(0.9)m) in respect of accelerated capital allowances and £nil (2000: £0.7m) in respect of other timing differences.

	Per share		Total	
	2001	2000	2001 £m	2000 £m
5 Dividends paid and proposed				
Interim paid 2 January 2002	3.4p	3.05p	15.6	14.0
Proposed final payable 1 July 2002	6.95p	6.35p	32.4	29.0
	10.35p	9.4p	48.0	43.0

	2001	2000
6 Earnings per share	£m	£m
Profit for the financial year	117.7	107.9
Adjustments*	12.8	6.3
Adjusted profit for the financial year	130.5	114.2
Basic weighted average ordinary shares in issue (million)	458.6	455.8
Dilutive effect of share incentive schemes (million)	5.2	4.2
Diluted weighted average ordinary shares (million)	463.8	460.0
Basic earnings per share	25.7p	23.7p
Adjusted earnings per share	28.5p	25.0p
Diluted earnings per share	25.4p	23.5p

* Adjustments comprise goodwill amortisation of £12.8m (2000: £7.1m), profit on sale of discontinued operations, net of taxation, of £nil (2000: £(5.6)m) and loss on disposal of fixed assets of £nil (2000: £4.8m).

7 Intangible assets – goodwill	£m
Consolidated:	
Cost	
Beginning of year	215.0
Additions	69.4
Disposals	(1.5)
End of year	282.9
Amortisation	
Beginning of year	11.4
Charge in year	12.8
Currency translation movement	(0.1)
End of year	24.1
Net book value at 31 December 2001	258.8
Net book value at 31 December 2000	203.6

NOTES TO THE FINANCIAL STATEMENTS continued

	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	77.4	237.9	79.3	394.6
Acquisitions	2.4	2.0	0.7	5.1
Transfers	1.2	1.2	0.1	2.5
Additions	5.0	23.3	11.2	39.5
Disposals	(1.4)	(4.5)	(3.3)	(9.2)
Currency translation movement	(0.4)	(3.7)	(0.4)	(4.5)
End of year	84.2	256.2	87.6	428.0
Depreciation				
Beginning of year	12.8	126.2	40.4	179.4
Charge in year	3.1	20.6	9.2	32.9
Disposals	(0.6)	(4.0)	(3.1)	(7.7)
Currency translation movement	—	(2.4)	(0.2)	(2.6)
End of year	15.3	140.4	46.3	202.0
Net book value at 31 December 2001	68.9	115.8	41.3	226.0
Net book value at 31 December 2000	64.6	111.7	38.9	215.2

The net book value of tangible fixed assets includes assets held under finance leases and hire purchase contracts totalling £0.6m (2000: £0.7m). Accumulated depreciation of these assets amounts to £1.2m (2000: £1.0m).

	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 2001 comprised:							
Consolidated:							
At cost	2.8	47.9	7.8	7.4	256.2	87.6	409.7
At valuation	8.9	6.8	2.6	—	—	—	18.3
Cost or valuation	11.7	54.7	10.4	7.4	256.2	87.6	428.0
Depreciation		(8.2)	(3.5)	(3.6)	(140.4)	(46.3)	(202.0)
Net book value at 31 December 2001	11.7	46.5	6.9	3.8	115.8	41.3	226.0
Net book value at 31 December 2000	11.3	43.6	6.5	3.2	111.7	38.9	215.2

	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
8 Tangible fixed assets continued				
The historical cost and the related depreciation of the tangible fixed assets are:				
Historical cost	82.6	256.2	87.6	426.4
Depreciation	(15.3)	(140.4)	(46.3)	(202.0)
Net book value at 31 December 2001	67.3	115.8	41.3	224.4
Net book value at 31 December 2000	62.9	111.7	38.9	213.5

Future capital expenditure at 31 December 2001 consisted of commitments not provided for of £1.2m (2000: £0.4m).

	Land £m	Freehold buildings £m	Short leasehold £m	Fixtures, fittings and equipment £m	Total £m
Bunzl plc:					
Cost or valuation					
Beginning of year	0.6	0.8	0.4	1.4	3.2
Additions	–	–	–	0.1	0.1
Disposals	–	(0.6)	–	–	(0.6)
End of year	0.6	0.2	0.4	1.5	2.7
Depreciation					
Beginning of year		–	0.3	1.1	1.4
Charge in year		–	–	0.1	0.1
End of year		–	0.3	1.2	1.5
Net book value at 31 December 2001	0.6	0.2	0.1	0.3	1.2
Net book value at 31 December 2000	0.6	0.8	0.1	0.3	1.8

	Own shares £m	Unlisted £m	Total £m
9 Investments held as fixed assets			
Consolidated:			
Beginning of year	8.4	19.4	27.8
Additions	4.8	2.0	6.8
Transfer to subsidiary		(5.0)	(5.0)
End of year	13.2	16.4	29.6

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 executive directors under the Long Term Incentive Plan, the Deferred Annual Share Bonus Scheme and to satisfy options granted under the 1994 Executive Share Option Scheme in respect of market purchased shares. Full details of such Plan and Schemes 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 2001 the trust held 4,376,743 (2000: 3,723,358) shares, upon which dividends have been waived, with an aggregate nominal value of £1.1m (2000: £0.9m) and market value of £19.3m (2000: £15.3m). Unlisted includes an adjustment to the opening balance to incorporate £12.8m of associated undertakings. During the year Filtrati SpA, an associated undertaking, became a subsidiary undertaking.

NOTES TO THE FINANCIAL STATEMENTS continued

	Own shares £m	Investments in subsidiary undertakings £m	Total £m
9 Investments held as fixed assets continued			
Bunzl plc:			
Beginning of year at cost less provisions	8.4	361.2	369.6
Additions	4.8	0.1	4.9
End of year at cost less provisions	13.2	361.3	374.5

The investments in subsidiary undertakings at 31 December 2001 are stated net of provisions of £24.4m (2000: £24.4m). Principal subsidiary undertakings are listed in Note 29.

	Consolidated	
	2001 £m	2000 £m
10 Stocks		
Raw materials and consumables	21.1	16.5
Work-in-progress	3.3	2.8
Finished goods and goods for resale	217.3	198.7
	241.7	218.0

	Bunzl plc		Consolidated	
	2001 £m	2000 £m	2001 £m	2000 £m
11 Debtors				
Amounts receivable within one year				
Trade debtors	—	—	376.4	353.1
Amounts owed by subsidiary undertakings	356.1	289.7		
Other debtors	4.2	1.7	32.8	24.7
Prepayments and accrued income	0.6	0.6	26.3	25.4
Corporate taxes	—	—	3.5	0.5
	360.9	292.0	439.0	403.7

	Bunzl plc		Consolidated	
	2001 £m	2000 £m	2001 £m	2000 £m
Amounts receivable after more than one year				
Amounts owed by subsidiary undertakings	—	0.9		
Pension fund prepayment	10.2	9.8	11.9	14.3
Other debtors	—	—	3.1	2.2
Corporate taxes	—	—	—	5.5
	10.2	10.7	15.0	22.0
	371.1	302.7	454.0	425.7

	Consolidated	
	2001	2000
	£m	£m
12 Investments held as current assets		
Short term deposits repayable on demand	20.7	13.6
Liquid resources	9.5	3.1
	30.2	16.7

	Bunzl plc		Consolidated	
	2001	2000	2001	2000
	£m	£m	£m	£m
13 Creditors				
Amounts falling due within one year				
Loans	–	–	38.5	144.2
Overdrafts	0.3	–	25.7	26.3
Obligations under finance leases	–	–	0.4	0.2
Trade creditors	0.5	1.6	253.9	226.3
Amounts owing to subsidiary undertakings	31.3	145.5		
Dividends proposed	48.0	43.0	48.0	43.0
Corporate taxes	11.9	2.8	33.3	28.8
Other taxation and social security contributions	0.2	0.2	7.4	5.9
Other creditors	–	–	25.6	19.9
Accruals and deferred income	3.5	3.4	81.5	74.9
	95.7	196.5	514.3	569.5

	Bunzl plc		Consolidated	
	2001	2000	2001	2000
	£m	£m	£m	£m
14 Creditors				
Amounts falling due after more than one year				
Loans	1.3	1.5	249.7	123.2
Obligations under finance leases	–	–	0.2	0.3
Accruals and deferred income	–	–	5.2	2.9
	1.3	1.5	255.1	126.4

15 Financial instruments

An explanation of the Group's treasury policies, controls and strategies is included in the Financial Review on pages 20 and 21 of the Annual Review and Summary Financial Statement. Short term debtors and creditors are excluded from the following disclosures.

Interest rate risk profile of financial assets and liabilities

The Group's financial assets consist of cash at bank and in hand, short term cash deposits, liquid resources at floating rates of interest and other unlisted investments. Financial assets at 31 December 2001 were £96.4m (2000: £73.2m) of which 31% (2000: 27%) were denominated in sterling, 48% (2000: 61%) were denominated in US dollars and 11% (2000: 5%) were denominated in euros.

The majority of the Group's financial liabilities are at floating rates of interest set with reference to LIBOR, for periods ranging from one day to three months. During the year an average of 59% (2000: 59%) of forecast debt was protected from adverse movements in interest rates with interest rate caps for an average period of 20 months (2000: 17 months).

NOTES TO THE FINANCIAL STATEMENTS continued

15 Financial instruments continued

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

	Floating rate 2001 £m	Fixed rate 2001 £m	Total 2001 £m	Floating rate 2000 £m	Fixed rate 2000 £m	Total 2000 £m
Sterling	18.5	–	18.5	11.8	–	11.8
US dollar	254.4	34.2	288.6	276.5	–	276.5
Other	7.4	–	7.4	5.9	–	5.9
	280.3	34.2	314.5	294.2	–	294.2

Fixed rate financial liabilities have a weighted average interest rate of 6.4% and have a weighted average term of four years and six months.

Fair values of financial assets and liabilities

The fair values at 31 December 2001 were:

	Book value £m	Fair value £m
Primary financial instruments issued to finance the Group's operations:		
US dollar Bond	(154.1)	(161.3)
Derivative financial instruments held to manage the interest rate profile:		
Interest rate swaps	–	5.6

Fair values have been calculated by discounting cash flows at the prevailing interest rates. Fair values of other financial assets and liabilities are not significantly different to book values. Details of the US dollar Bond can be found in the Financial Review on page 21 of the Annual Review and Summary Financial Statement.

Maturity of financial liabilities

The maturity of financial liabilities at 31 December was:

	Bunzl plc		Consolidated	
	2001 £m	2000 £m	2001 £m	2000 £m
Within one year	0.3	–	64.6	170.7
After one year but within two years	–	1.5	61.8	1.8
After two years but within five years	1.3	–	85.2	121.6
After five years	–	–	102.9	0.1
	1.6	1.5	314.5	294.2

At 31 December 2001 loans amounting to £0.6m (2000: £0.4m) were secured by either fixed or floating charges on various assets of the relevant companies.

The Group's available undrawn committed facilities at 31 December were:

	2001 £m	2000 £m
Expiring within one year	103.4	62.3
Expiring after one year but within two years	22.6	67.1
Expiring after two years	93.1	93.4
	219.1	222.8

	Bunzl plc		Consolidated	
	2001 £m	2000 £m	2001 £m	2000 £m
16 Provisions for liabilities and charges				
Pensions	–	–	0.9	0.8
Discontinued operations	1.3	1.7	2.1	5.1
Deferred taxation (Note 19)	3.1	2.9	27.7	23.1
Other	2.0	1.6	21.4	21.8
	6.4	6.2	52.1	50.8

	Consolidated			
	Pensions £m	Discontinued operations £m	Deferred taxation £m	Other £m
Movements				
Beginning of year	0.8	5.1	23.1	21.8
Charge in year	0.1	–	6.7	1.4
Acquired	–	–	(1.9)	4.7
Utilised in year	–	(3.1)	–	(6.5)
Currency translation movement	–	0.1	(0.2)	–
End of year	0.9	2.1	27.7	21.4

Provisions relating to discontinued operations arise from commitments in respect of businesses that have been sold and will generally be utilised within the next few years.

Other provisions relate primarily to vacant properties, potential workers' compensation claims, legal claims and environmental clean up costs.

	2001 £m	2000 £m
17 Share capital		
Authorised: 680 million (2000: 680 million) ordinary shares of 25p each	170.0	170.0
Issued and fully paid ordinary shares of 25p each	116.0	115.2

Number of ordinary shares in issue		
Beginning of year	460,657,486	457,278,352
Issued during year – option exercises	3,224,652	3,379,134
End of year	463,882,138	460,657,486

NOTES TO THE FINANCIAL STATEMENTS continued

17 Share capital continued

Details of share options granted and exercised during 2001 and those outstanding at 31 December 2001, in each case in respect of options over new issue shares, under the Company's Sharesave Scheme (1991), Sharesave Scheme (2001), Executive Share Option Scheme (No.2) and 1994 Executive Share Option Scheme are set out in the following table:

	2001 Grants		2001 Exercises		Options outstanding at 31.12.01	
	Number	Price (p)	Number	Price (p)	Number	Price (p)
Sharesave Scheme (1991)	498,382	365	917,821	136 – 365	3,471,563	141 – 365
Sharesave Scheme (2001)	558,867	361	–	–	553,443	361
Executive Scheme (No.2)	–	–	137,512	86.7 – 169	643,698	86.7 – 169
1994 Executive Scheme	2,994,250	448 – 460	2,169,319	212 – 384	9,626,776	212 – 460
	4,051,499		3,224,652		14,295,480	

The outstanding options are exercisable at various dates up to December 2011.

	Share premium account £m	Revaluation reserve £m	Profit and loss account £m
18 Movements on reserves			
Consolidated:			
Beginning of year	56.5	1.7	221.7
Premium on exercise of options	10.8		(4.5)
Currency translation movement		(0.1)	(5.3)
Retained profit for the financial year			69.7
End of year	67.3	1.6	281.6

At 31 December 2001 the cumulative amount of goodwill written off to reserves in respect of acquisitions made prior to 1 January 1998, net of goodwill attributable to subsidiary undertakings disposed of, was £307.3m (2000: £307.3m).

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

Currency losses of £1.2m (2000: £3.0m) 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	Special reserve £m	Profit and loss account £m
Bunzl plc:			
Beginning of year	56.5	177.2	121.8
Premium on exercise of options	10.8		
Retained profit			161.1
End of year	67.3	177.2	282.9

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 £209.1m (2000: £50.2m).

18 Movements on reserves continued

As permitted under paragraph 15 of Schedule 4 to the Companies Act 1985, the directors consider it appropriate to depart from paragraph 12(a) of Schedule 4 to the Companies Act 1985 having implemented SSAP24 'Accounting for Pension Costs'. As a result, cumulative unrealised profits of £7.1m (2000: £6.9m) 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	
	2001 £m	2000 £m	2001 £m	2000 £m
19 Deferred taxation				
Accelerated capital allowances	–	–	7.5	7.4
Pension provisions and other timing differences	3.1	2.9	20.2	15.7
	3.1	2.9	27.7	23.1
The potential liability for deferred taxation not provided above is:				
accelerated capital allowances	–	–	3.7	3.0
other timing differences	–	–	6.3	4.1
capital gains on disposal of properties	–	–	0.9	1.3
	–	–	10.9	8.4

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

	Bunzl plc		Consolidated	
	2001 £m	2000 £m	2001 £m	2000 £m
20 Contingent liabilities				
Bank guarantees	282.2	251.9	1.5	0.2
Other items	–	–	11.6	4.7
	282.2	251.9	13.1	4.9

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

	Ordinary shares	
	31.12.01	1.1.01
21 Directors' ordinary share interests		
The interests of the directors at 31 December 2001 in the share capital of the Company were:		
Ordinary shares		
A J Habgood	236,918	224,280
A P Dyer	22,485	22,485
L C McQuade	23,195	23,195
D M Williams	92,786	88,711
S G Williams	5,589	5,479
P Heiden	3,000	3,000
P G Lorenzini	832,061	1,021,873
J F Harris	3,038	3,000
	1,219,072	1,392,023

NOTES TO THE FINANCIAL STATEMENTS continued

21 Directors' ordinary share interests continued

The share interests shown above include the non-beneficial interests of Mr A J Habgood in 46,900 ordinary shares, Mr D M Williams in 14,619 ordinary shares and Mr P G Lorenzini in 100,000 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. Since 31 December 2001 Mr D M Williams, Mr S G Williams, Mr P G Lorenzini and Mr J F Harris have acquired interests in 726, 43, 2,486 and 24 ordinary shares respectively as a result of their electing to participate in the dividend reinvestment plan in respect of the interim dividend which was paid on 2 January 2002 and Mr P G Lorenzini has acquired an interest in 1,807 ordinary shares (in the form of 361.4 American Depositary Receipts) pursuant to the Company's US Stock Purchase Plan. No other changes to the directors' ordinary share interests shown in this Note and the Directors' Remuneration Report have taken place between 31 December 2001 and 25 February 2002.

22 Pensions

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

The net pension cost for the Group was £16.1m (2000: £13.8m) of which £11.0m (2000: £9.7m) 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 5 April 2000. 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.

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

	UK	US
Date of most recent valuations	5.4.00	1.1.01
Method used	Projected unit method	Entry age normal method
Main assumptions:		
Investment return/return on assets per annum	6.0%	8.0%
Salary increases per annum	4.25%	5.0%
Market value of investments at last valuation date	£144.8m	£60.8m
Level of funding, being the actuarial value of assets expressed as a percentage of the accrued service liabilities	101%	103%

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.

Whilst the Group continues to account for pension costs in accordance with SSAP24 'Accounting for Pension Costs', under FRS17 'Retirement Benefits' ('FRS17') the following additional transitional disclosures are required:

The principal assumptions used by the independent qualified actuaries in updating the most recent valuations of the principal UK and US schemes to 31 December 2001 for FRS17 purposes were:

	UK	US
Rate of increase in salaries	3.5%	5.0%
Rate of increase in pensions	2.5%	—
Discount rate	6.0%	7.25%
Inflation rate	2.5%	3.5%
Method used	Projected unit method	Projected unit method

The assumptions used by the actuaries are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

22 Pensions continued

The fair value of the schemes' assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the schemes' liabilities, which are derived from cash flow projections over long periods and are therefore inherently uncertain, were:

	UK		US	
	Long term rate of return	Value £m	Long term rate of return	Value £m
Equities	7.5%	110.9	10.4%	37.1
Bonds	5.0%	33.1	6.4%	14.2
Other	4.0%	0.8	5.5%	1.6
Total market value		144.8		52.9
Present value of scheme liabilities		(161.6)		(61.7)
Deficit		(16.8)		(8.8)
Deferred tax		5.0		3.1
Net pension liability		(11.8)		(5.7)

If FRS17 had been adopted in the financial statements, the Group's net assets and profit and loss reserve at 31 December 2001 would have been as follows:

	£m
Net assets excluding pensions	460.2
Pensions	(17.5)
Net assets including pensions	442.7
Profit and loss reserve excluding pensions	273.2
Pensions	(17.5)
Profit and loss reserve including pensions	255.7

Pensions are stated net of deferred taxation.

23 Directors and employees	2001 Year end	2001 Average	2000 Year end	2000 Average
The number of persons employed by the Group at 31 December 2001 and the average number employed during the year were:				
Continuing operations				
Outsourcing Services	6,746	6,351	6,197	5,359
Filtrona	2,232	2,150	1,992	1,963
Paper Distribution	1,002	994	971	978
Plastics	2,506	2,668	2,715	2,626
Corporate activities	63	63	63	63
	12,549	12,226	11,938	10,989
Discontinued operations	-	-	-	106
	12,549	12,226	11,938	11,095

NOTES TO THE FINANCIAL STATEMENTS continued

23 Directors and employees continued

	Continuing operations and Total 2001 £m	Continuing operations 2000 £m	Discontinued operations 2000 £m	Total 2000 £m
Consolidated:				
Employee costs				
Wages and salaries	285.1	249.8	2.5	252.3
Social security costs	25.4	21.5	0.2	21.7
Pension costs (Note 22)	16.1	13.6	0.2	13.8
	326.6	284.9	2.9	287.8

	2001 £m	2000 £m
The total emoluments of the directors of the Company were:		
Non-executive directors	0.2	0.2
Executive directors:		
remuneration excluding performance related elements	2.1	1.8
annual bonus plan	0.9	0.9
	3.2	2.9

More detailed information concerning directors' emoluments and long term incentives 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 £11,473 (2000: £462,220).

	Land and buildings 2001 £m	Other 2001 £m	Land and buildings 2000 £m	Other 2000 £m
24 Operating lease commitments				
At 31 December 2001 the Group had the following annual commitments under non-cancellable operating leases:				
expiring within one year	2.3	3.4	2.5	1.3
expiring between one and five years	17.4	10.5	8.4	8.1
expiring after five years	22.2	1.4	23.3	0.4
	41.9	15.3	34.2	9.8

	Consolidated	
	2001	2000
	£m	£m
25 Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	201.8	183.6
Adjustments for non-cash items:		
depreciation	32.9	27.7
goodwill amortisation	12.8	7.1
other	(1.8)	1.7
Working capital movement:		
stocks	3.6	(2.2)
debtors	(1.2)	(26.1)
creditors	(3.4)	(6.5)
Other cash movements	(8.6)	(8.8)
Net cash inflow from operating activities	236.1	176.5

	1.1.01	Cash flow	Exchange	Other	31.12.01
	£m	£m	movements	non-cash	£m
			£m	£m	
26 Analysis of net debt					
Cash at bank and in hand	37.1	12.9	(0.2)	–	49.8
Short term cash deposits	13.6	7.1	–	–	20.7
Overdrafts	(26.3)	0.6	–	–	(25.7)
Cash	24.4	20.6	(0.2)	–	44.8
Debt due within one year	(144.2)	110.7	0.8	(5.8)	(38.5)
Debt due after one year	(123.2)	(123.4)	(3.1)	–	(249.7)
Finance leases	(0.5)	(0.1)	–	–	(0.6)
	(267.9)	(12.8)	(2.3)	(5.8)	(288.8)
Current asset investments	3.1	6.4	–	–	9.5
Net debt	(240.4)	14.2	(2.5)	(5.8)	(234.5)

Other non-cash relates to loan notes issued on acquisition of businesses.

NOTES TO THE FINANCIAL STATEMENTS continued

27 Acquisitions

The principal acquisitions made during the year were ICCS MacGregor acquired in February, Filtrati acquired in May, Godin acquired in June, BPI acquired in July, DKI Group, Eastern Paper and Packers each acquired in October and W A Blyth acquired in November.

Acquisitions have been accounted for under the acquisition method of accounting and contributed £2.5m to operating profit in 2001.

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 2002 financial statements.

		Provisional fair value adjustments			Fair value of assets acquired
	Book value at acquisition	Revaluation	Consistency of accounting policy	Other	
	£m	£m	£m	£m	£m
A summary of the effect of acquisitions is detailed below:					
Tangible fixed assets	8.3	(3.2)			5.1
Stocks	27.8		(2.3)		25.5
Debtors	26.4		(6.9)		19.5
Creditors	(24.2)				(24.2)
Net bank overdrafts	(3.7)				(3.7)
Provisions for liabilities and charges	(3.6)		(1.1)		(4.7)
Deferred taxation	(1.3)		3.2		1.9
Taxation	(1.2)			0.6	(0.6)
Minority interest	0.3				0.3
	28.8	(3.2)	(7.1)	0.6	19.1
Goodwill					69.4
Consideration					88.5
Satisfied by:					
Cash consideration					76.1
Deferred consideration					12.4
					88.5
The net cash outflow in the period in respect of acquisitions was:					
Cash consideration					76.1
Net bank overdrafts acquired					3.7
Net cash outflow in respect of acquisitions					79.8

The principal fair value adjustments are as follows:

The adjustment in respect of tangible 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 their estimated realisable value.

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

The adjustment to deferred taxation reflects the recognition of a deferred taxation asset for anticipated relief on fair value adjustments.

28 Disposals

£m

The video and air-conditioning distribution and installation businesses of Greenham were disposed of during the year.

The effect of disposals on the net assets of the Group was:

Intangible assets – goodwill	(1.5)
Creditors	0.3
Net assets disposed	(1.2)
Net cash proceeds	1.2
	–

£m

The net cash inflow in the period in respect of disposals was:

Net cash proceeds	1.2
Net cash inflow in respect of disposals	1.2

29 Principal subsidiary undertakings

Country of
incorporation

Outsourcing Services

Bunzl Disposables UK Ltd*

Bunzl Australia Ltd

Australia

Bunzl Distribution USA Inc

USA

Bunzl Outsourcing Services BV

Holland

Bunzl Verpackungen GmbH & Co KG

Germany

Filtrona

Filtrona Filter GmbH

Germany

Filtrona International Ltd*

Filtrona United Kingdom Ltd*

Filtrona Holdings Corp

USA

Filtrona Italia SpA

Italy

Paper Distribution

Bunzl Fine Paper Ltd*

Plastics

Bunzl Plastics Inc

USA

Bunzl Plastics Ltd*

Globalpack Indústria e Comércio Ltda

Brazil

Corporate activities

Bunzl Finance plc*

Bunzl USA Holdings Corp

USA

The companies named above are the principal subsidiary undertakings of Bunzl plc at 31 December 2001 and are included in the consolidated financial statements of the Group. They are wholly owned and, unless otherwise stated, are incorporated in England and Wales. The investments in these companies, as shown above, relate to ordinary shares or common stock. The principal country in which each company operates is the country of incorporation. The principal activities of the business areas are reviewed on the inside front cover of the Annual Review and Summary Financial Statement.

* Direct subsidiary undertakings of Bunzl plc.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;

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

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

position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and prevent and detect fraud and other irregularities.

INDEPENDENT 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. As described above, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority 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 Group is not disclosed.

We review whether the statement on pages 1 to 3 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report and 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 2001 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
25 February 2002

DIRECTORS' REMUNERATION REPORT

for the year ended 31 December 2001

Terms of reference of the Remuneration Committee

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

Membership

All members of the Committee, who are identified on pages 22 and 23 of the Annual Review and Summary Financial Statement, are independent non-executive directors. The Committee 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. Details of how this policy is applied to the various aspects of remuneration is provided in the relevant sections below. The Committee receives advice on directors' remuneration from independent remuneration and benefits consultants, namely Monks Partnership and New Bridge Street Consultants.

With regard to external pay survey data, the Committee reviews each year, prior to the annual review of base pay in January, information on remuneration and benefit levels based on an external survey conducted on its behalf by Monks Partnership. The Committee

seeks to maintain, wherever possible, a consistent and appropriate basis for comparison year on year in terms of the survey methodology and, in particular, the use of comparator companies on which the survey is based. There are three comparator groups that the Committee uses. These are related to sales, profit before tax and market capitalisation. In each case the comparator group consists of 20 non-financial UK based companies that have substantial operations overseas. 10 of the companies in each comparator group are the next highest and 10 are the next lowest compared to Bunzl. The results from each of the comparator groups are blended by Monks Partnership to provide an overall assessed market position as at 1 January of the year of the review. Neither Monks Partnership nor New Bridge Street Consultants provide specific recommendations to the Committee on remuneration or benefit levels for the executive directors. The Committee does, however, review survey information provided by them in the light of its established remuneration policy before making its decisions. All decisions of the Remuneration Committee were implemented in full.

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, as indicated above, and the general movement of base pay within the Group.

Annual bonus plan

The remuneration policy provides for the executive directors to participate in an annual bonus plan that sets meaningful targets and which seeks to focus attention on one or two key measures of short to medium term achievement. In 2001 the target for the annual bonus for the UK executive directors was linked to the Group's achievement of earnings per share after certain specified adjustments ('eps'). Detailed terms of the plan were determined by the Committee and provided for a bonus to be awarded if the Group achieved, in 2001, 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. For Mr P G Lorenzini, the bonus plan was based on the profit and return on average capital employed achieved in the business for which he is directly responsible. In accordance with the remuneration policy, a maximum bonus award was specified in each case. Bonus awards are not pensionable. Mr A J Habgood and Mr D M Williams also participate in the Deferred Annual Share Bonus Scheme, details of which are set out below under Share based incentives.

The Committee also reviews and authorises the outline structure of annual bonus plans for other senior executives within the Group. These plans are based on performance targets relevant to individual businesses or areas of responsibility and are compatible with the principles of the bonus plans approved for the executive directors.

Share based incentives

The Committee believes that the long term performance of the Group is an important consideration for shareholders and that share based incentives are an important part of helping to align the interests of shareholders and those employed by the Group. The Committee welcomes the fact that each of the executive directors currently has a meaningful holding of Bunzl shares.

The Sharesave Scheme (2001) replaced the Sharesave Scheme (1991) (together the 'Sharesave Schemes') which expired in 2001 and was approved by shareholders at the 2001 Annual General Meeting. The Sharesave Schemes are approved by the Inland Revenue and are open to all UK employees, including executive directors, who have completed at least one year of continuous service. They are 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 Schemes 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.

DIRECTORS' REMUNERATION REPORT continued

The Group introduced, with effect from 1 January 2000, the Bunzl Employee Stock Purchase Plan (US) following approval given at an Extraordinary General Meeting of shareholders held on 5 October 1999. This Plan provides an opportunity for Bunzl Group employees in the US, including Mr P G Lorenzini, to purchase Bunzl shares in the form of American Depositary Receipts ('ADRs') at a 15% discount to the market price, up to an annual maximum of 10% of remuneration or \$25,000 worth of ADRs, whichever is lower. The purchase of the ADRs is funded by after-tax payroll deductions from the employee with the employing company contributing the 15% discount.

The Group currently has no other schemes 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. 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 issued, at the time of its approval, 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 earnings per share 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 prior to 2000 under the 1994

Scheme. The grant of executive share options is made on a discretionary basis, taking account of each 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 10 years after the date of grant. Options were granted to the UK executive directors in February and August 2001 in respect of market purchased shares that are held through the Bunzl Group General Employee Benefit Trust (the 'Trust').

The table below shows the number of options held by the directors at 31 December 2001 and options granted to and exercised by the directors during 2001 under the No. 2 Scheme, the 1994 Scheme and the Sharesave Scheme (1991), all of which have been approved by shareholders.

		1.1.01	Granted during year	Exercised during year	31.12.01	Exercise price (p)	Market price at exercise (p)	Date from which exercisable	Expiry date
A J Habgood	No.2 Scheme	147,058		–	147,058	115.6		25.3.98	24.3.03
	No.2 Scheme	47,490		–	47,490	151		23.6.97	22.6.04
	No.2 Scheme	31,980		–	31,980	129		23.6.99	22.6.04
	Sharesave Scheme	8,712		–	8,712	198		1.11.02	1.5.03
	1994 Scheme	406,504		–	406,504	246		9.3.02	8.3.09
	1994 Scheme	150,000		–	150,000	289		1.3.03	28.2.10
	1994 Scheme	125,000		–	125,000	384		30.8.03	29.8.10
	1994 Scheme		135,000	–	135,000	455.5		27.2.04	26.2.11
	1994 Scheme		145,000	–	145,000	450		29.8.04	28.8.11
D M Williams	No.2 Scheme	70,778		–	70,778	151		23.6.97	22.6.04
	No.2 Scheme	23,592		–	23,592	129		23.6.99	22.6.04
	Sharesave Scheme	4,924		4,924		198	431	1.11.00	1.5.01
	Sharesave Scheme	3,145		–	3,145	308		1.11.03	1.5.04
	1994 Scheme	145,782		–	145,782	246		9.3.02	8.3.09
	1994 Scheme	29,275		–	29,275	245		30.3.02	29.3.09
	1994 Scheme	80,000		–	80,000	289		1.3.03	28.2.10
	1994 Scheme	65,000		–	65,000	384		30.8.03	29.8.10
	1994 Scheme		65,000	–	65,000	455.5		27.2.04	26.2.11
	1994 Scheme		70,000	–	70,000	450		29.8.04	28.8.11

Mr P G Lorenzini currently has no options under the terms of any Company share option scheme. 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. The exercise price of executive options under the 1994 Scheme is the market price prevailing on the day immediately preceding the date of grant of the option or, if higher in the case of options granted prior to 2001, the price on the date of grant. 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 and 1994 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 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 for the relevant option, provided that, during any five consecutive financial years since the option was granted, the increase in the adjusted earnings per share of the Group is equal to, or greater than, the increase in the Retail Prices Index over that period, plus 10%. This condition has been satisfied in respect of certain options granted in 1993 and 1994, the only years for which it is still relevant. These options may now be exercised at prices of 115.6p and 129.0p respectively.

The mid-market price of an ordinary share on 31 December 2001 was 440p and the range during 2001 was 408p to 488p.

The 1999 Directors' Remuneration Report recorded the Committee's decision not to grant any awards under the Long Term Incentive Plan ('LTIP') to the directors in 1999. This policy continued in force during 2000 and again in 2001. The status of the outstanding LTIP awards, as they affect the executive directors, other than Mr P G Lorenzini who does not participate in the LTIP, is as follows.

The 1996 awards of 132,638 and 71,875 ordinary shares to Mr A J Habgood and

Mr D M Williams respectively vested at the end of 1999 and became exercisable from 1 January 2001. Mr A J Habgood exercised his award on 11 June 2001 giving a total market value on exercise of £628,704. The award made to Mr D M Williams will expire on 31 December 2002. The awards granted in 1997 to Mr A J Habgood and Mr D M Williams of 139,887 and 89,326 ordinary shares respectively also vested at the end of 1999 and these shares became exercisable on 1 January 2000 and will expire on 31 December 2003. The 1998 awards of 141,000 and 89,000 ordinary shares to Mr A J Habgood and Mr D M Williams respectively vested at the end of 2000. They became exercisable on 1 January 2001 and will expire on 31 December 2004. No awards were exercised by Mr D M Williams in 2001. The market value of awards exercised in 2000 was £593,221 in respect of Mr A J Habgood and £353,508 in respect of Mr D M Williams.

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 UK executives, including 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 1997 Mr D M Williams deposited 1,814 ordinary shares with the Trust, as a result of which an award was made to him in respect of 453 ordinary shares that became exercisable on 27 March 2000. He exercised this award on 21 March 2001. The mid-market price on that date was 431p per share giving a total market value on exercise of £1,952. The market value of awards exercised in 2000 was £2,667 in respect of Mr A J Habgood and £6,664 in respect of Mr D M Williams.

The Board approved in 2000 the establishment of the Deferred Annual Share Bonus Scheme ('DASBS'). Under the DASBS, eligible executives, including executive directors, may receive an award of ordinary shares equal to the value of their annual cash bonus received

in respect of the previous financial year. Any such award is subject to the value of the cash bonus plus the award not exceeding a specified proportion of the base pay of each participant. The ordinary shares are purchased in the market and deposited with the Trust until 1 March in the third year after the year in which the award is made, following which they are transferred to the executive provided normally that the executive has remained in the employment of the Group throughout that period. No awards were made to the executive directors in 2001.

Any shares required to fulfil entitlements under the LTIP, BSPP, DASBS and the 1994 Scheme in respect of options over market purchased shares, will be provided by the Trust. Mr A J Habgood and Mr D M Williams are deemed by virtue of the Companies Act 1985 to be interested in all the shares held by the Trust, which at 31 December 2001 amounted to 4,376,743 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 that are summarised above.

The performance of the Company's shares is illustrated by the share price range and total shareholder return charts contained in the Chairman's Statement on page 5 of the Annual Review and Summary Financial Statement.

Retirement benefits

As stated in the Accounting Policies section of the financial statements and elaborated upon in 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 UK executive

DIRECTORS' REMUNERATION REPORT continued

directors may choose to be members of BPS 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 BPS. 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 UK 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. In the US the main scheme for employees is the non-contributory Bunzl USA, Inc Retirement Plan ('US Plan'). Subject to IRS limits, members of the US Plan earn a lifetime pension which accrues at the rate of 1.67% per annum, up to 50% of the five year average pensionable salary less the primary Social Security benefit, with a normal retirement age of 65 years. Pensionable salary in the US Plan is currently capped at \$140,000. The US Plan also provides for certain benefits in the event of death or disability. Because

of the cap on pensionable salary under the US Plan, the pensions of senior US executives are limited and arrangements have been made to provide certain executives with supplementary pensions through a Senior Executive Retirement Agreement ('SERA'). Mr P G Lorenzini's SERA provides for a lifetime pension of \$370,000 per annum, payable upon retirement.

Executive directors' service contracts

Mr A J Habgood and Mr D M Williams 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. Mr P G Lorenzini has a fixed term service contract which runs to 31 December 2003.

Other principal benefits for executive directors

In common with many senior executives in the Group, the executive directors are eligible for certain benefits which include the provision of a company car and payment of its operating expenses including fuel, in line with prevailing Group policies, and, in the case of Mr A J Habgood

and Mr D M Williams, private medical plan coverage under the Company's prevailing UK healthcare plan. Mr P G Lorenzini participates in welfare benefit plans made available to all US employees of the Group covering life insurance, medical, dental and disability cover.

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 2001 £000	Annual bonus plan 2001 £000	Pension allowance 2001 £000	Benefits 2001 £000	Total 2001 £000	Total 2000 £000
Directors' remuneration						
Executive						
A J Habgood	605.0	217.2	174.9	25.5	1,022.6	933.4
D M Williams	330.0	118.5	70.7	26.7	545.9	522.2
P G Lorenzini	798.6	589.5	—	24.3	1,412.4	1,239.4
Non-executive						
A P Dyer	76.3	—	—	—	76.3	66.9
L C McQuade	42.5	—	—	—	42.5	36.5
S G Williams	28.1	—	—	—	28.1	23.8
P Heiden	24.7	—	—	—	24.7	21.0
J F Harris	26.1	—	—	—	26.1	7.8

HEADINGS

for the year ended 31 December 2001

Notes

- 1 The remuneration for Mr P G Lorenzini, Mr A P Dyer and Mr L C McQuade is paid or determined in US dollars and has been translated at the average exchange rates for the year of £1:\$1.44 in respect of 2001 and £1:\$1.50 in respect of 2000.
- 2 Benefits incorporate all taxable benefits arising from employment by the Company that principally relate to the provision of a company car.
- 3 The figures above represent remuneration earned as directors during the relevant financial year including, in the cases of Mr A J Habgood, Mr D M Williams and Mr P G Lorenzini, performance related elements which are paid in the year following that in which they are earned.
- 4 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.
- 5 As Mr A J Habgood is not a member of the Company pension scheme, the Company normally makes a direct pension contribution, at Mr A J Habgood's direction, to a personal pension scheme in his name. In 2001 Mr A J Habgood elected not to make this contribution and therefore no contribution was made (2000: £27,450). In accordance with Mr A J Habgood's contract of employment the amount that would have been paid as a direct pension contribution has been added to the pension allowance paid in 2001. For Mr D M Williams and Mr P G Lorenzini the value of their pension benefits earned during 2001 is shown in the table below. The value of the pension benefits in the cases of Mr D M Williams and Mr P G Lorenzini are not included in the directors' remuneration table on the previous page. In addition the Company pays all necessary contributions, on actuarial advice, to a Senior Executive Retirement Agreement ('SERA') with Mr P G Lorenzini. For 2001 this amounted to £223,549 (2000: £182,776); Mr P G Lorenzini's accrued pension benefit under the terms of the SERA increased to \$370,000 with effect from 31 December 2001.

	Increase in accrued pension during the year £	Transfer value of increase £	Accumulated total accrued pension at 31.12.01 £
D M Williams	3,428	51,195	29,336
P G Lorenzini*	956	7,022	23,102

* Excluding SERA entitlements

Notes

- 1 The increase in accrued pension during the year excludes the effect of inflation on the accrued pension as at the start of the year.
- 2 Accrued pension is the annual amount that would be paid on retirement at the normal retirement age based on service to 31 December 2001.
- 3 The above figures do not take account of any Additional Voluntary Contributions that all members of BSPS have the option to make.
- 4 The transfer values of increase for Mr D M Williams and Mr P G Lorenzini have been calculated on the basis of actuarial advice in accordance with any relevant actuarial legislation and, in the case of Mr D M Williams, is net of his contributions.
- 5 In addition Mr P G Lorenzini participates in the Bunzl USA, Inc Deferred Savings (401k) Plan. The Company makes matching contributions to this Plan. During 2001 such contributions amounted to £5,313 (2000: £4,800).

US GAAP INFORMATION

for the year ended 31 December 2001

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 is capitalised and is amortised through the profit and loss account over a period of up to 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 arising from acquisitions made prior to 1 July 2001 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. Under US GAAP goodwill arising on acquisitions made after 30 June 2001 is not amortised.

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, the Share Partnership Plan, the Deferred Annual Share Bonus Scheme and to satisfy options granted under the 1994 Executive Share

Option Scheme in respect of market purchased shares. 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

Until 31 December 1999, land and buildings were revalued periodically and depreciation is based on such revalued amounts. As permitted under FRS15, the valuations of land and buildings have not been and will not be updated. Under US GAAP revaluations of fixed assets are not permitted and depreciation is calculated based on historic 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 Share 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, the Share Partnership Plan and the Deferred Annual Share Bonus Scheme. 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 Schemes.

g Derivative instruments

Derivative instruments which do not meet US GAAP hedge accounting criteria are marked to market at the balance sheet date and gains or losses arising are recognised in the profit and loss account.

h 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 taxation 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.

i Discontinued operations

UK GAAP and US GAAP have different criteria for determining discontinued operations. The businesses presented in 2000 as discontinued operations under UK GAAP would be presented as continuing operations 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, 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 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.

HEADINGS

for the year ended 31 December 2001

	2001 £m	2000 £m
Net profit for the year ended 31 December 2001		
Net profit for the year in accordance with UK GAAP	117.7	107.9
US GAAP adjustments:		
Amortisation of goodwill and other intangibles	(8.9)	(8.7)
Disposal of businesses	—	0.1
Pension costs	(0.4)	2.9
Share option expense	(5.0)	(5.3)
Derivative instruments	1.0	—
Deferred taxation	(0.8)	1.9
Taxation on above adjustments	(1.2)	(1.4)
Net profit for the year in accordance with US GAAP	102.4	97.4
Earnings per share in accordance with US GAAP	22.3p	21.4p
Diluted earnings per share in accordance with US GAAP	22.0p	21.1p
	2001 £m	2000 £m
Equity shareholders' funds at 31 December 2001		
Equity shareholders' funds in accordance with UK GAAP	466.5	395.1
US GAAP adjustments:		
Goodwill and other intangibles	236.7	243.6
Own shares	(13.2)	(8.4)
Ordinary dividends	32.4	29.0
Property revaluations	(1.6)	(1.7)
Pension costs	(0.3)	0.1
Derivative instruments	(0.2)	—
Deferred taxation	(8.2)	(7.1)
Taxation on above adjustments	2.0	1.3
Equity shareholders' funds in accordance with US GAAP	714.1	651.9
	2001 £m	2000 £m
Consolidated cash flow statement for the year ended 31 December 2001		
Net cash inflow from operating activities	168.1	113.9
Net cash outflow from investing activities	(117.2)	(208.1)
Net cash (outflow)/inflow from financing activities	(30.9)	107.5
Net increase in cash and cash equivalents per US GAAP	20.0	13.3
Exchange adjustments	(0.2)	1.4
Cash and cash equivalents at beginning of year	50.7	36.0
Cash and cash equivalents at end of year	70.5	50.7

FIVE YEAR REVIEW

	2001 £m	2000 £m	1999 £m	1998 £m	1997 £m
Sales					
Continuing operations	2,876.5	2,492.7	2,049.2	1,815.6	1,580.5
Discontinued operations	—	10.9	79.4	123.7	172.7
Total sales	2,876.5	2,503.6	2,128.6	1,939.3	1,753.2
Operating profit					
Continuing operations	201.8	181.9	151.0	134.5	115.7
Discontinued operations	—	1.7	7.0	4.9	11.6
Total operating profit	201.8	183.6	158.0	139.4	127.3
Profit on sale of discontinued operations	—	7.1	0.2	0.5	2.2
Loss on disposal of fixed assets	—	(4.8)	—	—	—
Provision for loss on discontinued business	—	—	—	(17.9)	—
Profit on ordinary activities before interest	201.8	185.9	158.2	122.0	129.5
Net interest payable	(14.1)	(12.5)	(7.7)	(8.2)	(3.6)
Profit on ordinary activities before taxation	187.7	173.4	150.5	113.8	125.9
Profit before taxation, goodwill amortisation and exceptional items	200.5	178.2	153.5	132.3	123.7
Taxation on profit on ordinary activities	(69.6)	(64.9)	(56.2)	(41.6)	(44.6)
Profit on ordinary activities after taxation	118.1	108.5	94.3	72.2	81.3
Profit attributable to minorities	(0.4)	(0.6)	(0.6)	(0.3)	(1.1)
Profit for the financial year	117.7	107.9	93.7	71.9	80.2
Basic earnings per share	25.7p	23.7p	20.7p	15.9p	17.9p
Adjusted earnings per share	28.5p	25.0p	21.6p	19.0p	17.6p
Dividends per share	10.35p	9.4p	8.3p	7.35p	6.8p
Shareholders' funds per share	100.6p	85.8p	71.2p	58.8p	49.3p
Net assets employed					
Intangible assets – goodwill	258.8	203.6	82.9	28.5	
Tangible fixed assets	255.6	243.0	199.8	189.2	190.4
Net current (liabilities)/assets	(45.8)	(49.2)	44.8	51.0	36.0
Net assets	468.6	397.4	327.5	268.7	226.4
Financed by					
Shareholders' funds: equity interests	466.5	395.1	325.6	266.9	222.6
Minority equity interests	2.1	2.3	1.9	1.8	3.8
	468.6	397.4	327.5	268.7	226.4

Designed by Sheppard Day

Printed on ZANDERS Medley Pure
Selected and supplied by Bunzl Fine Paper

Cover ZANDERS Medley Pure 250g/m²
Text ZANDERS Medley Pure 150g/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 and Ireland.

