BUNZL PLC 358948

DELIVERING FOR OUR CUSTOMERS

DIRECTORS' REPORT AND ACCOUNTS 2007

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

WE HAVE PARTNERED WITH BOTH SUPPLIERS AND CUSTOMERS IN PROVIDING OUTSOURCING SOLUTIONS AND SERVICE ORIENTED DISTRIBUTION.

WE SUPPLY A BROAD RANGE OF INTERNATIONALLY SOURCED PRODUCTS THAT ARE ESSENTIAL FOR OUR CUSTOMERS TO OPERATE THEIR BUSINESSES.

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DIRECTORS' REPORT

The directors have pleasure in submitting their annual report which includes this Directors' Report and the audited financial statements of the Company and its subsidiary undertakings for the year ended 31 December 2007 The Directors' Report incorporates by reference, to the extent indicated below, certain information included in the Annual Review and Summary Financial Statement and should be read in conjunction with that document

Principal activity and business review
The principal activity of the Group is providing value-added distribution and outsourcing services in the Americas, Europe and Australasia Details of the Group's activities, developments and performance for the year and information which fulfils the requirements of the Companies Act 1985 relating to the production of a Business Review are set out in the Chairman's Statement, the Chief Executive's Review, the Financial Review and the Corporate Social Responsibility report on pages 4 to 15 and 17 to 23 of the Annual Review and Summary Financial Statement and in the section below entitled 'Principal risks and uncertainties' The Company uses a number of key performance indicators to measure progress towards its objectives These are set out in the form of bar graphs on pages 6, 7, 17 and 23 of the Annual Review and Summary Financial Statement

Principal risks and uncertainties
There are a number of potential risks and uncertainties which could have a material impact on the Company's business, financial condition or results of operations The Company has specific policies and procedures which are designed to identify, manage and mitigate business risk The principal risks and uncertainties faced by the Company include the following

- the majority of the Group's sales are made and income is earned in US dollars and other foreign currencies As a result, movements in exchange rates may have a material translation impact on the Company's reported results However any significant translation exposure on shareholders' equity is limited by borrowing and/or using forward foreign exchange contracts in those currencies in which the Group has significant net assets The majority of the Group's transactions are carried out in the functional currency of the Group's operations and so transaction exposures are limited and exchange rate fluctuations have minimal effect on the quality of earnings,

- the Company operates in highly competitive markets and faces competition from international companies as well as local and regional companies in the countries in which it operates Increased competition and unanticipated actions by competitors or customers could lead to an adverse effect on results and hinder the Company's growth potential The Company seeks to mitigate against this risk by remaining competitive both in terms of price and product offering and by maintaining high service levels and close contacts with its customers to ensure that their needs and demands are being met satisfactorily,

- a significant portion of the Company's historical growth has been achieved through acquisitions of businesses and the Group's growth strategy includes additional acquisitions There can be no assurance that the Company will be able to make acquisitions in the future or that any acquisitions made will be successful However the Company continually reviews acquisition targets and has established processes and procedures with regard to detailed pre-acquisition due diligence and post-acquisition integration As a result the Company endeavours to ensure that the anticipated benefits of acquisitions can be realised,

- the purchase price and availability of products distributed by the Group can fluctuate from time to time, thereby potentially affecting the results of operations The Company endeavours, whenever possible, to pass on price increases from its suppliers to its customers and to source its products from a number of different suppliers so that it is not dependent on any one source of supply for any particular product The Company would also be affected if there was a catastrophic failure of its major distribution facilities or information systems The Company seeks to mitigate against this risk through the use of multi-site facilities with products stocked in more than one location and the adoption of detailed back up plans which would be implemented in the event of any such failure,

- the international nature of the Company's operations exposes it to potential claims as the Group is subject to a broad range of laws and regulations in each of the jurisdictions in which it operates In addition the Company faces potential claims from customers in relation to the supply of defective products or breaches of their contractual arrangements Whilst any litigation has an element of uncertainty, the Company does not presently expect that the outcome of any such claims, either individually or in the aggregate, will have a material adverse effect on the Group's financial condition or results of operations, and

- the Company's business is partially dependent on general economic conditions in the US, the UK, France and other important markets A significant deterioration in these conditions could have an adverse effect on the Company's business and results of operations However the diversity of the Group's operations, the nature of its customer base and its ability to react to market changes provide considerable protection against this risk The Company's operations are also subject to a variety of other risks and uncertainties relating to trading in numerous foreign countries, including the imposition of any import or investment restrictions, including tariffs and import quotas or any restrictions on the repatriation of earnings and capital, and changes in tax regulations and international tax treaties The Company endeavours to monitor such matters and keep them under regular review, amending its business procedures as appropriate to mitigate any such exposures

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

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

Dividends
An interim dividend of 5 8p was paid in respect of the year and the directors recommend a final dividend of 12 9p per share, making a total for the year of 18 7p (2006 17 0p) Dividend details are given in Note 17 to the consolidated financial statements Subject to confirmation by the shareholders at the Annual General Meeting on 14 May 2008, the final dividend will be paid on 3 July 2008 to those shareholders on the register at the close of business on 9 May 2008

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

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

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

Power to issue and allot shares
The directors are generally and unconditionally authorised under the authority granted at the 2007 Annual General Meeting to allot unissued shares in the Company up to a maximum nominal amount of £38 0 million A further authority was granted to the directors to allot the Company's shares for cash, up to a maximum nominal amount of approximately £5 5 million, without regard to the pre-emption provisions of the Companies Acts No such shares have been issued or allotted under these authorities, nor is there any current intention to do so, other than under the Company's employee share schemes

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

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

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

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

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

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

Bunzl Group Employee Benefit Trust
Bunzl Employee Trustees Limited is trustee of the Bunzl Group General Employee Benefit Trust ('the EBT') which holds shares in respect of employee share options and awards that have not been exercised or vested The current position is that the EBT abstains from voting in respect of these shares The trustee has agreed to receive a nominal dividend of 0 001p per share on dividend payments on shares held within the EBT Details of the shares so held are set out in Note 18 to the consolidated financial statements

Purchase of own shares
At the 2007 Annual General Meeting, shareholders gave the Company authority to purchase a maximum of 33,945,000 ordinary shares During the year ended 31 December 2007 the Company purchased 14,212,090 of its own shares (nominal value £4 6 million), representing approximately 4 2% of the issued ordinary share capital (excluding treasury shares) at 1 January 2007, at an aggregate cost including expenses of £100 0 million These shares are held as treasury shares and were purchased pursuant to the shareholders' authority granted at the 2007 Annual General Meeting, which is due to expire at the conclusion of the forthcoming Annual General Meeting, and the authority granted at the 2006 Annual General Meeting No further shares have been purchased between 31 December 2007 and

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

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

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

The office of a director shall also be vacated if

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

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

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

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

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

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

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

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

Substantial shareholdings
As at 25 February 2008 the directors had been notified by the following shareholders that they were each interested in 3% or more of the issued share capital of the Company The notifications listed below are those which have been most recently received for the named shareholders

Shareholder	Date of notification	Number of shares	% of issued share capital
INVESCO plc	22 07 07	49,532,127	15 00
Aviva plc	02 11 07	24,956,822	7 65
Baillie Gifford & Co	22 01 07	23,363,699	6 88
Legal & General Group Plc	05 11 07	13,110,980	4 01
Newton Investment Management Ltd	14 05 07	10,180,719	3 02

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

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

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

Annual General Meeting
The Annual General Meeting will be held at The Park Suite, The Dorchester, Park Lane, London W1K 1QA on Wednesday 14 May 2008 at 11 00 am The notice convening the Meeting is set out in a separate letter from the Chairman to shareholders which explains the items of special business

External auditors
Each of the directors at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of Section 234ZA of the Companies Act 1985

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

P N Hussey
Secretary
25 February 2008

Pages 1 to 4 inclusive consist of a directors' report that has been drawn up and presented in accordance with and in reliance upon applicable English company law and any liability of the directors in connection with this report shall be subject to the limitations and restrictions provided by such law

CORPORATE GOVERNANCE

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

The Board
The Board currently comprises a Chairman, a Chief Executive, two other executive directors and five non-executive directors who have wide experience and are considered by both the Board and the criteria set out in the Code to be independent One of these, Mr J F Harris, has been designated as the senior independent director None of the Company's non-executive directors had any previous connection with the Company or its executive directors on appointment to the Board Brief biographical details of the directors are given on page 16 of the Annual Review and Summary Financial Statement Information relating to the conduct of Board meetings and the procedures implemented to ensure that the Board retains overall control and accountability for all strategic, financial, operational and compliance issues are set out in the internal control section below and in the Financial Review on pages 17 to 19 of the Annual Review and Summary Financial Statement The Board has Audit, Remuneration and Nomination Committees which comply with the provisions of the Code The Company has a formal performance evaluation process for the Board, its Committees and individual directors overseen by the Chairman, Mr A J Habgood This includes completion of self-assessment forms by, and individual discussions with, each director Led by Mr J F Harris, the senior independent director, the non-executive directors also meet without the Chairman present to appraise the Chairman's performance These processes were carried out satisfactorily during the year The Chairman periodically holds meetings with the non-executive directors without the executive directors present Finally, the Chief Executive, Mr M J Roney, annually presents a management succession plan which is discussed with the Chairman and the non-executive directors Detailed information concerning the directors' remuneration is given in the Directors' Remuneration Report on pages 52 to 60

Audit Committee
The Audit Committee comprises all of the independent non-executive directors and is chaired by Mr J F Harris who is considered by the Board to have recent and relevant financial experience While neither the Chairman of the Company, Mr A J Habgood, nor the Finance Director, Mr B M May, are members of the Committee, they attend meetings of the Committee by invitation It receives and considers reports from the external auditors and the internal audit function, monitors the integrity of the financial statements and any formal announcements relating to the Company's financial performance and also reviews the Company's internal controls and arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters During the year the Committee reviewed the effectiveness of both the external auditors and the internal audit function following completion of detailed questionnaires by both the Board and senior management within the Company The Committee also has responsibility for making recommendations to the Board concerning the appointment of the external auditors and for approving the remuneration and terms of engagement of the auditors The Committee reviews and approves the level and type of non-audit work which the external auditors perform, including the fees paid for such work, thus ensuring that the objectivity and independence of the external auditors is not compromised Such non-audit work principally comprises further assurance services relating to due diligence and other duties carried out in respect of acquisitions and disposals of businesses and tax services

The Committee believes that given the external auditors' detailed knowledge of the Group's operations, its structure and accounting policies and the importance of carrying out detailed due diligence as part of the acquisition process, it is appropriate for this additional work to be carried out by the Company's auditors The Committee's terms of reference are available on the Company's website, www bunzl com

Remuneration Committee
The Remuneration Committee comprises all of the independent non-executive directors and is chaired by Mr C A Banks While neither the Chairman of the Company, Mr A J Habgood, nor the Chief Executive, Mr M J Roney, are members of the Committee, they normally attend meetings except when the Committee is considering matters concerning themselves Further details of the Remuneration Committee, the Company's remuneration policy and how it is applied are set out in the Directors' Remuneration Report on pages 52 to 60 The terms of reference of the Committee are available on the Company's website

Nomination Committee
The Nomination Committee comprises Mr A J Habgood, who chairs the Committee, and two independent non-executive directors, Mr J F Harris and Mr C A Banks The Committee meets as necessary to enable it to make recommendations to the Board on new appointments of executive and non-executive directors An external search consultancy is retained by the Company to assess potential candidates to be considered as prospective non-executive directors and, when appropriate, executive directors Candidates are then interviewed by members of the Committee before an appropriate recommendation is made to the Board On joining the Board, new directors are given an induction into the business of the Company and training as necessary The terms of reference of the Committee are set out on the Company's website

Meetings attendance
The following table shows the attendance in 2007 of directors at Board meetings and at meetings of the Board Committees of which they are members

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings	8	3	5	2
A J Habgood	8			2
M J Roney	8			
J F Harris	8	3	5	2
C A Banks	7	3	5	2
U Wolters	8	3	5	
P L Larmon	8			
B M May	8			
P W Johnson	8	2	5	
D J R Sleath*	1			

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

Relations with shareholders
The Company reports formally to shareholders twice a year with the interim results announced normally at the end of August and the preliminary results announced normally at the end of February In addition, commencing in 2008, the Company will also publish two interim management statements a year as required by the Listing Rules

The Chief Executive and Finance Director have regular meetings with representatives of institutional shareholders and report to the Board the views of major shareholders Additional forms of communication include presentations of the interim and preliminary results The Chairman and the senior independent director and the other non-executive directors are available to meet with major shareholders on request and the Chairman will at such meetings engage in discussions relating to matters of governance and strategy as appropriate Notice of the Annual General Meeting is sent to shareholders at least 20 working days before the Meeting All shareholders are encouraged to participate in the Annual General Meeting, are invited to ask questions at the Meeting and are given the opportunity to meet all of the directors informally Shareholders are given the option to withhold their vote on the proxy form and the level of proxy votes cast and the balance for and against each resolution, together with the level of abstentions, if any, are announced to the meeting following a vote by a show of hands The details of the proxies lodged are also publicly announced and placed on the Company's website The Board also periodically reviews and discusses analysts' and brokers' reports and surveys of shareholder opinions conducted by the Company's own brokers

Internal control

The directors acknowledge that they have overall responsibility for the Group's system of internal control and for reviewing its effectiveness However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss In accordance with the Turnbull guidance the Company has established the procedures necessary to ensure that there is an ongoing process for identifying, evaluating and managing significant risks to the Group The Board confirms that such procedures have been in place for the year ended 31 December 2007 and up to the date of approval of these financial statements and have been reviewed during the year

The Board meets regularly throughout the year and has formally adopted a schedule of matters which are required to be brought to it for decision These include the approval of the annual and interim results of the Company, the Company's strategic plans, annual budget, larger capital expenditure and acquisition/divestment proposals, material increases to borrowing and loan facilities, treasury policies and the terms of reference for the Board Committees This ensures that the directors maintain overall control over all significant strategic, financial, operational and compliance issues The Board has delegated to management the responsibility for establishing a system of internal control appropriate to the business environments in which the Group operates The principal features of this system include

- a procedure for monitoring the effectiveness of the internal control system through a tiered management structure with clearly defined lines of responsibility and delegation of authority,
- clearly defined authorisation procedures for capital investment and acquisitions,
- strategic plans and comprehensive budgets which are prepared annually by the business areas and approved by the Board,
- formal standards of business conduct (including a code of ethics and whistleblowing procedure) based on honesty, integrity and fair dealing,
- a well-established consolidation and reporting system for the statutory accounts and monthly management accounts,
- continual investment in IT systems to ensure the production of timely and accurate management information relating to the operation of the Group's businesses, and
- a detailed procedures manual covering treasury operations

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

- central management holds regular meetings with business area management to discuss strategic, operational and financial issues including a review of the significant risks affecting each of the business areas and the policies and procedures by which these risks are managed,
- an Executive Committee, consisting of the Chief Executive and the Finance Director and other functional managers, meets twice per month and reviews the outcome of the discussions held at business area meetings on internal control issues,
- the Board in turn reviews the outcome of the Executive Committee discussions on internal control issues which ensures a documented and auditable trail of accountability,
- both the Executive Committee and the Board carry out an annual fraud risk assessment,
- actual results are reviewed monthly against budget, forecasts and the previous year and explanations obtained for all significant variances,
- the Group's bank balances around the world are monitored on a weekly basis and significant movements are reviewed centrally,
- the internal audit department periodically reviews individual businesses and procedures, makes recommendations to improve controls and follows up to ensure that management implement the recommendations made The internal audit department's work is determined on a risk assessment basis and their findings are reported to Group and business area management as well as to the Audit Committee,
- every six months the Audit Committee, which is chaired by Mr J F Harris, the senior independent non-executive director, reviews the findings of the external and internal auditors and approves the future work plans of the internal audit function,
- regular meetings are held with insurance and risk advisers to assess the risks throughout the Group,
- the Group Environment, Health and Safety Committee sets relevant policies and practices and monitors their implementation,
- risk assessments, safety audits and a regular review of progress against objectives established by each business area are periodically carried out, and
- developments in tax, treasury and accounting are continually monitored by Group management in association with external advisers

The directors confirm that they have reviewed the effectiveness of the system of internal control in operation during 2007

The external auditors are engaged to express an opinion on the financial statements The audit includes the review and test of the system of internal financial control and the data contained in the financial statements to the extent necessary for expressing an audit opinion on the truth and fairness of the financial statements

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2007

	Notes	2007 £m	2006 £m
Revenue	3	**3,581 9**	3,333 2
Operating profit before intangible amortisation	3	**242 9**	226 3
Intangible amortisation		**(24 4)**	(19 9)
Operating profit		**218 5**	206 4
Finance income	5	**21 1**	19 6
Finance cost	5	**(48 5)**	(36 3)
Profit before income tax		**191 1**	189 7
Profit before income tax and intangible amortisation		**215 5**	209 6
UK income tax		**(4 4)**	(9 1)
Overseas income tax		**(56 6)**	(51 2)
Total income tax	6	**(61 0)**	(60 3)
Profit for the year attributable to the Company's equity holders		**130 1**	129 4
Earnings per share attributable to the Company's equity holders			
Basic	7	**39 8p**	37 8p
Diluted	7	**39 6p**	37 5p

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

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

for the year ended 31 December 2007

	Notes	2007 £m	2006 £m
Profit for the year		**130 1**	129 4
Actuarial gain on pension schemes	21	**10 3**	17 4
Deferred tax on actuarial gain		**(3 0)**	(5 5)
Currency translation differences arising in year*		**8 1**	(7 1)
Loss recognised in cash flow hedge reserve		**(1 1)**	(0 3)
Movement from cash flow hedge reserve to income statement		**0 3**	(0 3)
Net income recognised directly in equity		**14 6**	4 2
Total recognised income for the year attributable to the Company's equity holders		**144 7**	133 6

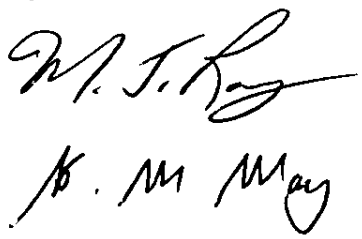
*Currency translation differences for 2007 of £8 1m (2006 £(7 1)m) are net of losses of £32 3m (2006 gains of £17 6m) taken to equity as a result of designated effective net investment hedges

CONSOLIDATED BALANCE SHEET

at 31 December 2007

	Notes	2007 £m	2006 £m
Assets			
Property, plant and equipment	8	**91 0**	74 3
Intangible assets	9	**990 3**	776 7
Derivative assets	13	**11 3**	5 4
Deferred tax assets	15	**0 5**	4 1
Total non-current assets		**1,093 1**	860 5
Inventories	10	**331 6**	290 8
Income tax receivable		**4 4**	2 7
Trade and other receivables	11	**575 4**	521 2
Derivative assets	13	**1 5**	0 1
Cash and deposits	24	**76 0**	49 0
Total current assets		**988 9**	863 8
Total assets		**2,082 0**	1,724 3
Equity			
Share capital	16	**112 4**	112 0
Share premium	18	**124 6**	119 8
Merger reserve	18	**2 5**	2 5
Capital redemption reserve	18	**8 6**	8 6
Cash flow hedge reserve	18	**(1 1)**	(0 3)
Translation reserve	18	**9 5**	1 4
Retained earnings	18	**219 7**	244 0
Total equity attributable to the Company's equity holders		**476 2**	488 0
Liabilities			
Interest bearing loans and borrowings	24	**656 4**	456 9
Retirement benefit obligations	21	**13 2**	37 5
Other payables		**10 6**	5 6
Provisions	14	**50 6**	44 6
Deferred tax liabilities	15	**92 3**	73 0
Total non-current liabilities		**823 1**	617 6
Bank overdrafts	24	**20 3**	23 9
Interest bearing loans and borrowings	24	**79 4**	4 3
Income tax payable		**60 5**	58 4
Trade and other payables	12	**611 8**	524 5
Derivative liabilities	13	**1 5**	0 7
Provisions	14	**9 2**	6 9
Total current liabilities		**782 7**	618 7
Total liabilities		**1,605 8**	1,236 3
Total equity and liabilities		**2,082 0**	1,724 3

Approved by the Board of Directors of Bunzl plc on 25 February 2008 and signed on its behalf by Mr M J Roney, Chief Executive and Mr B M May, Finance Director



CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2007

	Notes	2007 £m	2006 £m
Cash flow from operating activities			
Profit before income tax		**191 1**	189 7
Adjustments for non-cash items			
depreciation		**15 9**	14 6
intangible amortisation		**24 4**	19 9
share based payments		**4 8**	3 0
Working capital movement		**13 5**	(20 0)
Finance income		**(21 1)**	(19 6)
Finance cost		**48 5**	36 3
Provisions and pensions		**(9 0)**	(5 7)
Special pension contribution		**(9 5)**	(5 0)
Other		**(0 6)**	1 0
Cash generated from operations		**258 0**	214 2
Income tax paid		**(65 1)**	(40 5)
Cash inflow from operating activities		**192 9**	173 7
Cash flow from investing activities			
Interest received		**5.3**	8 5
Purchase of property, plant and equipment		**(19 9)**	(15 8)
Sale of property, plant and equipment		**3 3**	4 3
Purchase of businesses	25	**(191 7)**	(156 7)
Other		**–**	(1 0)
Cash outflow from investing activities		**(203 0)**	(160 7)
Cash flow from financing activities			
Interest paid		**(33 6)**	(24 9)
Dividends paid		**(56 2)**	(53 3)
Increase/(decrease) in short term loans		**34 9**	(28 5)
Increase in long term loans		**192.1**	141 4
Net proceeds from employee shares		**1 0**	5 2
Purchase of own shares into treasury		**(100 0)**	(63 1)
Cash inflow/(outflow) from financing activities		**38 2**	(23 2)
Exchange gain/(loss) on cash and cash equivalents		**2 5**	(1 4)
Increase/(decrease) in cash and cash equivalents		**30 6**	(11 6)
Cash and cash equivalents at start of year		**25 1**	36 7
Increase/(decrease) in cash and cash equivalents		**30 6**	(11 6)
Cash and cash equivalents at end of year	24	**55 7**	25 1

NOTES

1 Basis of preparation
The consolidated financial statements for the year ended 31 December 2007 have been approved by the directors and prepared in accordance with International Financial Reporting Standards as adopted by the EU ('IFRS') including interpretations issued by the International Accounting Standards Board ('IASB') The consolidated financial statements have been prepared under the historical cost convention, with the exception of certain items which are measured at fair value as disclosed in the accounting policies below The Company has elected to prepare its parent company financial statements in accordance with UK Generally Accepted Accounting Practice ('UK GAAP')

The accounting policies set out below have, unless otherwise stated, been applied to all periods presented in the consolidated financial statements

2 Accounting policies
a Basis of consolidation
(i) Subsidiaries
Subsidiaries are entities controlled by the Group Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities Subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases

The purchase method of accounting is used to account for the acquisition of subsidiaries The cost of the acquisition is measured as the fair value of the consideration plus costs directly attributable to the acquisition Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the acquisition date The excess of the consideration paid plus directly attributable costs over the fair value of the identifiable net assets acquired is recorded as goodwill

(ii) Transactions eliminated on consolidation
Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements

b Foreign currency
(i) Foreign currency transactions
Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate prevailing at that date Foreign exchange differences arising on translation are recognised in the income statement

(ii) Financial statements of foreign operations
Assets and liabilities of foreign operations, including goodwill and intangible assets, are translated at the exchange rate prevailing at the balance sheet date Income and expenses of foreign operations are translated at average exchange rates Exchange differences arising on retranslation are recognised directly in equity Differences that have arisen since 1 January 2004, the date of transition to IFRS, are presented as a separate component of equity

(iii) Net investment in foreign operations
Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in foreign operations are recognised directly in equity to the extent the hedge is effective To the extent that the hedge is ineffective such differences are recognised in the income statement

c Financial instruments
Under International Accounting Standard ('IAS') 39 'Financial Instruments Recognition and Measurement', financial instruments are initially measured at fair value with subsequent measurement depending upon the classification of the instrument Other financial assets and liabilities are held at amortised cost, unless they are in a fair value hedging relationship Derivative financial instruments are used to hedge exposures to foreign exchange and interest rate risks

(i) Fair value hedge
Where a derivative financial instrument is designated and qualifies as a hedge of a recognised asset or liability, all changes in the fair value of the derivative are recognised immediately in the income statement The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged

(ii) Cash flow hedge
Where a derivative that is designated and qualifies as a hedge is used to hedge forecast transactions, any effective portion of the change in fair value is recognised in equity The gain or loss relating to any ineffective portion is recognised immediately in the income statement Amounts accumulated in equity are recycled to the income statement in the period when the hedged item affects profit or loss

(iii) Hedge of net investment in foreign operations
Gains or losses on instruments used to hedge net investment in foreign operations that are effective hedges are recognised in equity Ineffective hedges or portions thereof are recognised in the income statement

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

2 Accounting policies continued

e Depreciation

Depreciation is provided on a straight line basis to write off cost over the assets' estimated remaining useful lives This is at the following annual rates applied to cost less estimated residual value

Buildings	2% or life of lease if shorter
Plant and machinery	10 – 20%
Fixtures, fittings and equipment	10 – 33%
Freehold land	Not depreciated

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date

f Intangible assets

(i) Goodwill

Acquisitions are accounted for using the purchase method As permitted by IFRS 1 'First-time Adoption of International Financial Reporting Standards' the Group has chosen to apply IFRS 3 'Business Combinations' from 1 January 2004 and has elected not to restate previous business combinations For acquisitions that have occurred on or after 1 January 2004, goodwill represents the excess of the consideration paid plus directly attributable costs over the fair value of the identifiable net assets acquired For acquisitions made before 1 January 2004, goodwill is included on the basis of deemed cost, which represents the amount previously recorded under UK GAAP Goodwill is stated at cost less any impairment losses Goodwill is allocated to cash generating units and is not amortised but tested annually for impairment Negative goodwill arising on acquisition is recognised immediately in the income statement

(ii) Other intangible assets

Intangible assets acquired in a business combination are recognised on acquisition and recorded at fair value These principally relate to customer relationships Amortisation is charged to the income statement on a straight line basis over the estimated useful economic lives (which range from 10 to 19 years) Other intangible assets are stated at cost less accumulated amortisation and any impairment losses

g Leases

Operating lease rentals and any incentives receivable are recognised in the income statement on a straight line basis over the term of the relevant lease Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased assets are classified as finance leases Where land and buildings are held under leases, the accounting treatment of the land is considered separately from that of the buildings due to the indefinite life of land

h Impairment

The carrying amounts of the Group's assets other than inventories and deferred tax assets are reviewed annually to determine if there is any indication of impairment If any such indication exists, the assets' recoverable amount is estimated Impairment losses are recognised when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, with impairment losses being recognised in the income statement Goodwill impairment tests are carried out annually

i Inventories

Inventories are valued at the lower of cost (on a first in, first out basis) and net realisable value

j Cash and cash equivalents

Cash and cash equivalents comprise cash balances, bank overdrafts and fixed term investments with maturities of three months or less from the date the deposit is made

k Trade and other receivables

Trade and other receivables are stated at fair value less any impairment losses Discounting is applied where it is expected to have a material impact

l Trade and other payables

Trade and other payables are stated at fair value Discounting is applied where it is expected to have a material impact

m Income tax

Income tax in the income statement comprises current and deferred tax Income tax is recognised in the income statement except when it relates to items reflected in equity when it is recognised in equity

Current tax reflects tax payable on taxable income for the year using rates enacted or substantively enacted at the balance sheet date and any adjustments in respect of prior years

Deferred tax is provided using the balance sheet liability method providing for certain temporary differences arising between tax bases and carrying amounts in the consolidated financial statements Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which any asset can be utilised Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised

2 Accounting policies continued

n Revenue

The Group is engaged in the delivery of goods to customers Revenue from a sale is recognised in the income statement upon delivery of the relevant goods, which is the point in time at which the significant risks and rewards of ownership of the goods are transferred

Revenue is valued at invoiced amount, excluding sales taxes, less estimated provisions for returns and trade discounts where relevant

Revenue is not recognised if there is significant uncertainty regarding recovery of the consideration due

o Employee benefits

(i) Defined contribution pension schemes

Obligations for contributions to defined contribution pension schemes are charged as an expense to the income statement as incurred

(ii) Defined benefit pension schemes

Pension liabilities are recognised in the consolidated balance sheet and represent the difference between the market value of scheme assets and the present value of scheme liabilities Scheme liabilities are determined on an actuarial basis using the projected unit method and discounted using a rate of AA rated corporate bonds that have a similar maturity to the scheme liabilities

Current service cost, past service cost/credit and gains and losses on any settlements and curtailments are credited or charged to the income statement Past service cost is recognised immediately to the extent benefits are already vested or is otherwise amortised on a straight line basis over the average period until the benefits are vested The unwinding of the discount on scheme liabilities is recognised within finance cost and the expected return on scheme assets generated during the year is included within finance income

Actuarial gains and losses are recognised in full in the consolidated statement of recognised income and expense

p Investment in own shares

The cost of shares held either directly (treasury shares) or indirectly (employee benefit trust shares) is deducted from equity

q Share based payments

The Group operates equity settled and cash settled share based compensation plans As permitted by IFRS 1, on transition to IFRS the Group elected not to apply IFRS 2 'Share-based Payment' to equity instruments granted on or before 7 November 2002 For equity settled plans the total expected expense is based on the fair value of options and other share based incentives on the grant date, calculated using a valuation model, and is spread over the expected vesting period with a corresponding credit to equity For cash settled plans the total expected expense is based on the fair value of options, determined at the appropriate balance sheet reporting date, and is remeasured at each balance sheet date thereafter with a corresponding credit recognised as a liability The amounts recognised as expenses are adjusted to reflect the actual number of options and other share based incentives that are expected to vest Details of these plans are outlined in Note 16 and the Directors' Remuneration Report

r Provisions

Provisions are recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and where it is probable that an outflow of economic benefits will be required to settle the obligation If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting the Group's obligations under the contract

s Net debt

Net debt is defined as interest bearing loans and borrowings, less cash and cash equivalents

Critical accounting policies

The following provides information on those policies that management considers critical because of the level of judgement and estimation required which often involves assumptions regarding future events which can vary from what is anticipated The directors believe that the consolidated financial statements reflect appropriate judgements and estimations and provide a true and fair view of the Group's performance and financial position

a Pensions

The Group accounts for its defined benefit pension schemes in accordance with IAS 19 'Employee Benefits' The application of IAS 19 requires the exercise of judgement in relation to the assumptions used (see Note 21) and for each assumption there is a range of possible choices In consultation with the Group's actuaries, management decides the point within those ranges that most appropriately reflects the Group's circumstances Small changes to these assumptions can have a significant impact on valuations

2 Accounting policies continued

b Intangible assets

IFRS 3 requires the identification of acquired intangible assets as part of a business combination The methods used to value such intangible assets require the use of estimates Future results are impacted by the amortisation periods adopted and changes to the estimated useful lives would result in different effects on the income statement

Goodwill is not amortised but is tested annually for impairment Tests for impairment are based on discounted cash flows and assumptions (including discount rates, timing and growth prospects) which are inherently subjective

c Revenue recognition

Revenue represents sales to third parties for goods sold and is valued at invoiced amount, excluding sales taxes, less estimated provisions for returns and trade discounts where relevant Returns provisions are based on experience over an appropriate period whereas volume and early settlement discounts are based on agreements with customers

d Acquisitions

Acquisitions are accounted for using the purchase method based on the fair value of the consideration paid Assets and liabilities are measured at fair value and the purchase price is allocated to assets and liabilities based on these fair values

Determining the fair values of assets and liabilities acquired involves the use of significant estimates and assumptions (such as discount rates, asset lives and recoverability) Assets and liabilities are measured at fair value and the value of freehold properties is typically determined by qualified valuers on an open market basis

Management believes that estimates made in previous years have been materially accurate as any changes made in the allocation period following acquisition to finalise provisional fair value adjustments made in the year of acquisition have not been material

New accounting standards and interpretations

In preparing the consolidated financial statements the Group has adopted the following new IFRS and amendment to IAS which became effective in 2007

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

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

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

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

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

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

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

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

3 Segment analysis

Year ended 31 December 2007	North America £m	UK & Ireland £m	Continental Europe £m	Rest of the World £m	Corporate £m	Total £m
Revenue	**1,839 0**	**994 3**	**616 0**	**132 6**		**3,581 9**
Operating profit/(loss) before intangible amortisation	**123 3**	**74 5**	**50 0**	**10 8**	**(15 7)**	**242 9**
Intangible amortisation	**(5 8)**	**(3 0)**	**(14 5)**	**(1 1)**	**–**	**(24 4)**
Operating profit/(loss)	**117 5**	**71 5**	**35 5**	**9 7**	**(15 7)**	**218 5**
Finance income						**21 1**
Finance cost						**(48.5)**
Profit before income tax						**191 1**
Profit before income tax and intangible amortisation						**215 5**
Income tax						**(61 0)**
Profit for the year						**130 1**
Capital expenditure	**6 1**	**8 2**	**4 6**	**1 0**	**–**	**19 9**
Depreciation	**5 2**	**6 3**	**3 6**	**0 7**	**0 1**	**15 9**

Year ended 31 December 2006	North America £m	UK & Ireland £m	Continental Europe £m	Rest of the World £m	Corporate £m	Total £m
Revenue	1,896 8	774 6	544 7	117 1		3,333 2
Operating profit/(loss) before intangible amortisation	131 2	59 7	40 9	9 6	(15 1)	226 3
Intangible amortisation	(4 8)	(0 8)	(13 3)	(1 0)	–	(19 9)
Operating profit/(loss)	126 4	58 9	27 6	8 6	(15 1)	206 4
Finance income						19 6
Finance cost						(36 3)
Profit before income tax						189 7
Profit before income tax and intangible amortisation						209 6
Income tax						(60 3)
Profit for the year						129 4
Capital expenditure	6 6	3 9	4 3	1 0	–	15 8
Depreciation	5 2	5 4	3 3	0 6	0 1	14 6

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

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

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

3 Segment analysis continued

At 31 December 2007	North America £m	UK & Ireland £m	Continental Europe £m	Rest of the World £m	Unallocated £m	Total £m
Segmental assets	**539 1**	**700 9**	**658 4**	**76 1**		**1,974 5**
Unallocated assets					**107 5**	**107 5**
Total assets	**539 1**	**700 9**	**658 4**	**76 1**	**107 5**	**2,082 0**
Segmental liabilities	**194 2**	**245 5**	**173 4**	**19 7**		**632 8**
Unallocated liabilities					**973 0**	**973 0**
Total liabilities	**194 2**	**245 5**	**173 4**	**19 7**	**973 0**	**1,605 8**

At 31 December 2006	North America £m	UK & Ireland £m	Continental Europe £m	Rest of the World £m	Unallocated £m	Total £m
Segmental assets	536 0	554 3	485 5	71 8		1,647 6
Unallocated assets					76 7	76 7
Total assets	536 0	554 3	485 5	71 8	76 7	1,724 3
Segmental liabilities	172 1	202 7	138 5	16 1		529 4
Unallocated liabilities					706 9	706 9
Total liabilities	172 1	202 7	138 5	16 1	706 9	1,236 3

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

4 Analysis of operating income and expenses

	2007 £m	2006 £m
Purchase of goods and changes in inventories	**2,704 5**	2,517 8
Employee costs (see Note 22)	**357 6**	325 5
Depreciation, amortisation and other amounts written off property, plant and equipment and intangible fixed assets	**40 3**	34 5
Net foreign exchange losses/(gains)	**0 8**	(0 1)
Rentals payable under operating leases and subleases	**61 0**	59 2
Lease and sublease income	**(2 4)**	(2 7)
Other operating expenses	**201 6**	192 6
Net operating expenses	**3,363 4**	3,126 8

	2007			2006		
Analysis of auditors' remuneration	**UK £m**	**Overseas £m**	**Total £m**	UK £m	Overseas £m	Total £m
Audit of the Company's financial statements	**0.3**	**–**	**0.3**	0 3	–	0 3
Audit of the Company's subsidiaries pursuant to legislation	**0 5**	**1 1**	**1.6**	0 3	1 1	1 4
Other services supplied pursuant to legislation	**0.2**	**–**	**0.2**	0 5	0 4	0 9
Tax services	**0 2**	**0 3**	**0.5**	0 5	0 4	0 9
Pre-acquisition due diligence	**0 7**	**0 3**	**1 0**	0 2	0 5	0 7
Other	**0 1**	**–**	**0 1**	–	–	–
Total remuneration	**2 0**	**1 7**	**3 7**	1 8	2 4	4 2

Management believes that, given the Group's auditors' detailed knowledge of the Group's operations, its structure and accounting policies and the importance of carrying out tax services and detailed pre-acquisition due diligence, it is appropriate for this work to be principally carried out by the Group's auditors rather than another firm of accountants

The Audit Committee, which consists entirely of independent non-executive directors, reviews and approves the level and type of non-audit work which the auditors perform, including the fees paid for such work, to ensure that the auditors' objectivity and independence are not compromised

5 Finance income/(cost)

	2007 £m	2006 £m
Deposits	**0 7**	1 2
Interest income from foreign exchange contracts	**4 8**	6 2
Expected return on pension scheme assets	**14.2**	11 6
Other finance income	**1 4**	0 6
Finance income	**21 1**	19 6
Loans and overdrafts	**(34 9)**	(22 4)
Interest expense from foreign exchange contracts	**(0 6)**	(0 3)
Interest charge on pension scheme liabilities	**(12 6)**	(12 0)
Fair value loss on US dollar bond	**(7 1)**	(5 4)
Fair value gain on interest rate swaps	**7 1**	5 4
Other finance expense	**(0 4)**	(1 6)
Finance cost	**(48 5)**	(36 3)

6 Income tax

A tax charge at a rate of 31 6% (2006 32 0%) has been provided on the profit before tax and intangible amortisation Including the impact of intangible amortisation of £24 4m (2006 £19 9m) and the related deferred tax of £7 1m (2006 £6 7m), the overall tax rate is 31 9% (2006 31 8%)

	2007 £m	2006 £m
Current tax on profit		
current year	**109 7**	127 0
prior years	**(4 3)**	(7 5)
double tax relief	**(38 1)**	(56 9)
	67 3	62 6
Deferred tax on profit – current year	**(6 3)**	(2 3)
Income tax on profit	**61 0**	60 3

Tax (credited)/charged to equity	2007 £m	2006 £m
Current tax (credit)/charge on share based payments and exchange movements offset in reserves	**(7 2)**	0 6
Deferred tax charge on share based payments and pension scheme liabilities	**3 5**	6 2

6 Income tax continued

Factors affecting tax charge for the year

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

	2007 £m	2006 £m
Profit before income tax	**191 1**	189 7
Tax charge at weighted average rate (2007 33 5%, 2006 33 5%)	**64 0**	63 5
Effects of		
adjustment to deferred tax in respect of prior years	**(3 3)**	–
adjustment to tax charge in respect of prior years	**(4 3)**	(7 5)
non-deductible/non-taxable items	**2 8**	4 4
tax losses not recognised/(utilised)	**1 8**	(0 1)
Income tax on profit	**61 0**	60 3

Deferred tax in the income statement	2007 £m	2006 £m
Accelerated capital allowances	**(0 8)**	(0 3)
Pension liabilities	**4 1**	2 9
Intangible assets	**(7 1)**	(6 7)
Share based payments	**(1.6)**	(0 2)
Provisions	**1 5**	(0 2)
Other	**(2 4)**	2 2
Deferred tax on profit	**(6 3)**	(2 3)

7 Earnings per share

	2007 £m	2006 £m
Profit for the year	**130 1**	129 4
Adjustment	**17 3**	13 2
Adjusted profit*	**147 4**	142 6
Basic weighted average ordinary shares in issue (million)	**326 9**	342 1
Dilutive effect of employee share plans (million)	**1 8**	2 6
Diluted weighted average ordinary shares (million)	**328 7**	344 7
Basic earnings per share	**39 8p**	37 8p
Adjustment	**5 3p**	3 9p
Adjusted earnings per share*	**45 1p**	41 7p
Diluted basic earnings per share	**39 6p**	37 5p

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

8 Property, plant and equipment

2007	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
Cost				
Beginning of year	**45 5**	**53 3**	**55 7**	**154 5**
Acquisitions	**8 8**	**3 0**	**0 3**	**12 1**
Additions	**0 8**	**8 2**	**10 9**	**19 9**
Disposals	**(2 2)**	**(3 4)**	**(4 3)**	**(9 9)**
Currency translation	**1 3**	**2 8**	**2 9**	**7 0**
End of year	**54 2**	**63 9**	**65 5**	**183 6**
Depreciation				
Beginning of year	**12 7**	**29 7**	**37 8**	**80 2**
Charge in year	**2 1**	**7 5**	**6 3**	**15 9**
Disposals	**(0 3)**	**(3 4)**	**(3 7)**	**(7 4)**
Currency translation	**0 2**	**1 7**	**2 0**	**3 9**
End of year	**14 7**	**35 5**	**42 4**	**92 6**
Net book value at 31 December 2007	**39 5**	**28 4**	**23 1**	**91 0**

2006	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
Cost				
Beginning of year	48 9	48 3	51 6	148 8
Acquisitions	3 1	4 6	2 3	10 0
Additions	1 1	6 8	7 9	15 8
Disposals	(3 1)	(4 0)	(3 0)	(10 1)
Currency translation	(4 5)	(2 4)	(3 1)	(10 0)
End of year	45 5	53 3	55 7	154 5
Depreciation				
Beginning of year	12 1	29 1	37 8	79 0
Charge in year	2 1	6 7	5 8	14 6
Disposals	(0 4)	(3 8)	(2 7)	(6 9)
Currency translation	(1 1)	(2 3)	(3 1)	(6 5)
End of year	12 7	29 7	37 8	80 2
Net book value at 31 December 2006	32 8	23 6	17 9	74 3

The net book value of property, plant and equipment includes assets held under finance leases and hire purchase contracts totalling £7 1m (2006 £6 9m) Accumulated depreciation of these assets was £2 0m (2006 £1 5m) Future capital expenditure at 31 December 2007 consisted of commitments not provided for of £1 3m (2006 £1 4m)

9 Intangible assets

Goodwill	**2007 £m**	2006 £m
Beginning of year	**497 8**	421 1
Acquisitions	**89 6**	94 6
Currency translation	**19 2**	(17 9)
End of year	**606 6**	497 8

Customer relationships	**2007 £m**	2006 £m
Cost		
Beginning of year	**321 6**	298 1
Acquisitions	**110 4**	37 4
Currency translation	**20 0**	(13 9)
End of year	**452 0**	321 6
Amortisation		
Beginning of year	**42 7**	23 7
Charge in year	**24 4**	19 9
Currency translation	**1 2**	(0 9)
End of year	**68 3**	42 7
Net book value at 31 December	**383 7**	278 9
Total net book value of intangible assets at 31 December	**990 3**	776 7

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

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

At 31 December 2007 two CGUs, Groupe Pierre Le Goff ('GPLG') and North America, carried a significant amount of goodwill in comparison with the total value of the Group's goodwill The carrying value of goodwill in respect of GPLG at 31 December 2007 was £103 0m (2006 £94 6m) The carrying value of goodwill in respect of North America at 31 December 2007 was £132 7m (2006 £124 5m) At 31 December 2007 the aggregate amount of goodwill attributable to the Group's CGUs excluding GPLG and North America was £370 9m (2006 £278 7m)

Given the similar nature of the activities of each CGU, a consistent methodology is applied across the Group in assessing CGU recoverable amounts The Group's methodology is to assess the recoverable amount by calculating value in use Value in use is the present value of the cash flows expected to be generated by the CGU over a projection period together with a terminal value The projection period is the time period over which future cash flows are predicted The Group's methodology is to use a projection period of five years Cash flow expectations exclude any future cash flows that may arise from restructuring or other enhancements to the cash generating activities of the CGU and reflect management's expectations of the range of economic conditions that may exist over the projection period

The value in use calculations are principally sensitive to revenue growth, future margins, any significant changes to the customer base and the discount rate used in the present value calculation The information used for valuation purposes takes into consideration past experience with regard to customer attrition rates and additions to the customer base, the ability to introduce price increases and new products and experience in controlling the underlying cost base This provides a long term growth rate consistent with past experience within the geographic segments in which the Group operates, together with management's assessment of future operating performance and market share movements Growth rates used were either 2 5% or 2 6% A discount rate of 8 0% has been applied to the value in use calculations representing a pre-tax rate reflecting market assessments of the time value of money at the balance sheet date

The key assumption on which value in use calculations are dependent is the underlying customer base Based on past experience management considers that it is reasonable to assume that there will not be a major deterioration in the customer base over the projection period which will significantly impact the future cash flows Should such a change occur, this would represent a triggering event to indicate that an impairment review may be necessary In accordance with IAS 36 'Impairment of Assets', a full impairment review would then be undertaken on the relevant CGU Any such changes are monitored through normal monthly procedures

10 Inventories

	2007 £m	2006 £m
Finished goods and goods for resale	**331 6**	290 8

£4 0m was written off inventories during the year (2006 £2 3m) due to obsolescence or damage The inventories provision at 31 December 2007 was £41 6m (2006 £34 6m)

11 Trade and other receivables

	2007 £m	2006 £m
Trade receivables	**462 9**	415 6
Prepayments and other receivables	**112 5**	105 6
	575 4	521 2

The ageing of trade receivables at 31 December was

	Gross 2007 £m	Provision 2007 £m	Gross 2006 £m	Provision 2006 £m
Current	**325 5**	**1 1**	299 9	1 4
0-30 days overdue	**108 1**	**0 2**	93 3	1 4
31-90 days overdue	**31 0**	**2 0**	28 4	4 4
Over 90 days overdue	**13 7**	**12 1**	11 8	10 6
	478 3	**15 4**	433 4	17 8

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

	2007 £m	2006 £m
Beginning of year	**17 8**	13 7
Arising on businesses acquired	**2 2**	3 0
Charged to income statement	**1 6**	3 3
Utilised	**(6 0)**	(2 1)
Currency translation	**(0 2)**	(0 1)
End of year	**15 4**	17 8

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

12 Trade and other payables – current

	2007 £m	2006 £m
Trade payables	**443 3**	369 5
Dividends	**18 6**	17 6
Other tax and social security contributions	**10 8**	9 8
Other payables	**42 7**	33 5
Accruals and deferred income	**96 4**	94 1
	611 8	524 5

13 Risk management and financial instruments

Capital management

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

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

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

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

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

Treasury policies and controls

The Group has a centralised treasury department to control external borrowings and manage liquidity, interest rate and foreign currency risks Treasury policies are approved by the Board and cover the nature of the exposure to be hedged, the types of financial instruments that may be employed and the criteria for investing and borrowing cash There have been no changes to the treasury policies and controls during the year The Group uses derivatives to manage its foreign currency and interest rate risks arising from underlying business activities No transactions of a speculative nature are undertaken The treasury department is subject to periodic independent review by the internal audit department Underlying policy assumptions and activities are reviewed by the executive directors Controls over exposure changes and transaction authenticity are in place and dealings are restricted to those banks with the relevant combination of geographic presence and suitable credit rating The Group continually monitors the credit ratings of its counterparties and the credit exposure to each counterparty

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

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

13 Risk management and financial instruments continued

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility The Group is funded by multi-currency credit facilities from the Group's bankers and US dollar bonds The bank facilities have tenures ranging from one to seven years and mature between 2008 and 2013 At 31 December 2007 the available bank facilities totalled £655 0m of which £439 3m was drawn down In addition the Group maintains overdraft and uncommitted facilities to provide short term flexibility At 31 December 2007 the total US dollar bonds outstanding were $535m with maturities ranging from 2008 to 2018

The maturity profile of the Group's financial liabilities at 31 December is set out below The amounts disclosed below are the contractual undiscounted cash flows and therefore include interest cash flows forecast using LIBOR interest rates at 31 December Derivative financial instruments of £11 3m (2006 £4 8m) have been included within the tables since they predominantly relate to derivatives which are used to manage the interest cash flows on the Group's debt

		Contractual cash flows				
2007	**Book value £m**	**Total £m**	**Within one year £m**	**After one year but within two years £m**	**After two years but within five years £m**	**After five years £m**
Bank loans	**439 3**	**533 4**	**39 9**	**24 7**	**468 8**	**–**
Derivative financial instruments	**(11 3)**	**(11 2)**	**(2 5)**	**(1 5)**	**(4 4)**	**(2 8)**
US dollar bonds	**281 4**	**349 4**	**66 1**	**37 1**	**71 1**	**175 1**
Overdrafts and other financial liabilities	**32 9**	**32 9**	**32 9**	**–**	**–**	**–**
Finance lease creditors	**2 5**	**2 5**	**1 0**	**1 1**	**0 4**	**–**
Monetary working capital	**586 6**	**586 6**	**586 6**	**–**	**–**	**–**
	1,331 4	**1,493 6**	**724 0**	**61 4**	**535 9**	**172 3**

		Contractual cash flows				
2006	Book value £m	Total £m	Within one year £m	After one year but within two years £m	After two years but within five years £m	After five years £m
Bank loans	175 5	212 7	9 8	23 6	179 3	–
Derivative financial instruments	(4 8)	(4 1)	(1 3)	(1 3)	(1 2)	(0 3)
US dollar bonds	278 4	371 3	16 3	67 3	101 1	186 6
Overdrafts and other financial liabilities	29 6	29 6	29 6	–	–	–
Finance lease creditors	1 6	1 6	0 6	0 5	0 5	–
Monetary working capital	492 3	492 3	492 3	–	–	–
	972 6	1,103 4	547 3	90 1	279 7	186 3

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

13 Risk management and financial instruments continued
The Group had available undrawn committed facilities at 31 December as follows

	2007 £m	2006 £m
Expiring within one year	**15 7**	21 0
Expiring after one year but within two years	**–**	16 2
Expiring after two years	**200 0**	452 3
	215 7	489 5

Interest rate risk
The Group's strategy is to ensure with a reasonable amount of certainty that the overall Group interest charge is protected against material adverse movements in interest rates

The US dollar bonds have been swapped to floating rates using interest rate swaps Bank loans are drawn for various periods at interest rates linked to LIBOR Interest rate caps and interest rate collars are in place to reduce the Group's floating rate exposure to movements in LIBOR

The interest rate swaps have a fair value hedge relationship with the US dollar bonds All fair value hedges were effective during the year and have therefore had no net impact on the income statement as the changes in the hedged item and the hedging instrument are both taken to the income statement The intrinsic value of the interest rate collars achieve cash flow hedge accounting Hedge accounting is not applied to the interest rate caps or to the time value of the interest rate collars With respect to the hedges of the cash flow risk from a change in interest rates, the recognition of interest on the borrowings and the related collar will affect the income statement at each period end date until the borrowings mature in 2010 For the year ended 31 December 2007 all collar cash flow hedges were effective with a loss of £1 3m (2006 £nil) recognised in equity This will affect the income statement between 2008 and 2010

The interest rate swaps had a notional principal of £268 8m outstanding at 31 December 2007 (2006 £247 4m) The floating interest rate is based on US dollar LIBOR repricing every three months

Financial liabilities with a notional principal of £193 0m were capped at 31 December 2007 (2006 £156 5m) The interest rate is based on US dollar and euro LIBOR repricing every three months The interest rate collars have been entered into to manage the interest rate risk on US dollar borrowings with a notional principal of £50 3m in 2008 and £150 8m in 2009 and 2010

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

	Impact on profit before tax		Impact on equity	
	+1% £m	**–1% £m**	**+1% £m**	**–1% £m**
2007	**1 0**	**0 2**	**2 4**	**(1 8)**
2006	1 2	(0 1)	1 2	(0 1)

13 Risk management and financial instruments continued

Foreign currency risk

The majority of the Group's net assets are in currencies other than sterling The Group's policy is to limit the translation exposure and resulting impact on equity by borrowing and/or using forward foreign exchange contracts to hedge the translation exposure in those currencies in which the Group has significant net assets At 31 December 2007 there were no material currency exposures after accounting for the effect of the hedging transactions Throughout the year ended 31 December 2007 the Group's borrowings were primarily held in sterling and US dollars The Group does not hedge the impact of exchange rate movements arising on consolidation on the translation of the income statement from the respective functional currencies into sterling

The majority of the Group's transactions are carried out in the respective functional currencies of the Group's operations and so transaction exposures are limited However where they do occur the Group's policy is to hedge significant exposures of firm commitments for a period of up to one year as soon as they are committed using forward foreign exchange contracts and these are designated as a cash flow hedge For the year ended 31 December 2007 all foreign exchange cash flow hedges were effective with a £0 2m gain recognised in equity This will affect the income statement in the year ending 31 December 2008

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

	Impact on profit before tax		Impact on equity	
	+10% £m	**-10% £m**	**+10% £m**	**-10% £m**
2007	**0 2**	**(0 3)**	**(4 0)**	**4 4**
2006	–	–	(2 9)	3 2

Fair value of financial assets and liabilities

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

	Book value 2007 £m	**Fair value 2007 £m**	Book value 2006 £m	Fair value 2006 £m
US dollar bonds	**281 4**	**281 4**	278 4	278 4
Bank loans	**439 3**	**439 3**	175 5	175 5
Overdrafts	**20 3**	**20 3**	23 9	23 9
Cash and deposits	**(76 0)**	**(76 0)**	(49 0)	(49 0)
Interest rate swaps	**(12 5)**	**(12 5)**	(5 4)	(5 4)
Interest rate caps	**(0 1)**	**(0 1)**	(0 1)	(0 1)
Interest rate collars	**1 5**	**1 5**	–	–
Foreign exchange contracts for cash flow hedging	**(0 2)**	**(0 2)**	0 7	0 7
Foreign exchange contracts for net investment hedging	**9 5**	**9 5**	2 0	2 0
Finance lease creditors	**2 5**	**2 5**	1 6	1 6
Cash settled share based payment liability	**6 0**	**6 0**	–	–
Other	**3 1**	**3 1**	3 7	3 7

The table excludes monetary working capital assets of £499 0m (2006 £495 1m) and liabilities of £586 6m (2006 £492 3m) held at amortised cost

13 Risk management and financial instruments continued

Interest rate and currency profile of financial assets and liabilities

The interest rate and currency profile of the Group's financial assets at 31 December was

Currency	Floating rate 2007 £m	Derivative assets 2007 £m	Monetary working capital* 2007 £m	Total 2007 £m	Floating rate 2006 £m	Derivative assets 2006 £m	Monetary working capital* 2006 £m	Total 2006 £m
Sterling	**26 7**	**–**	**168 3**	**195 0**	13 2	–	163 3	176 5
US dollar	**13 9**	**12 8**	**124 9**	**151 6**	18 6	5 4	159 3	183 3
Euro	**20 6**	**–**	**138.9**	**159 5**	10 9	0 1	113 5	124 5
Other	**14 8**	**–**	**66.9**	**81 7**	6 3	–	59 0	65 3
	76 0	**12 8**	**499 0**	**587 8**	49 0	5 5	495 1	549 6

£11 3m (2006 £5 4m) of the £12 8m derivative assets (2006 £5 5m) is included within non-current assets in the consolidated balance sheet The derivative assets comprise interest rate swaps of £12 5m (2006 £5 4m), interest rate caps of £0 1m (2006 £0 1m) and cash flow hedge foreign exchange contracts of £0 2m (2006 £nil)

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

Currency	Floating rate 2007 £m	Impact of foreign exchange swaps 2007 £m	Other derivative liabilities 2007 £m	Monetary working capital* 2007 £m	Total 2007 £m	Floating rate 2006 £m	Impact of foreign exchange swaps 2006 £m	Other derivative liabilities 2006 £m	Monetary working capital* 2006 £m	Total 2006 £m
Sterling	**299 8**	**(357.6)**	**–**	**237 4**	**179 6**	186 7	(358 1)	–	210 0	38 6
US dollar	**444.4**	**(174 3)**	**1.5**	**158 9**	**430 5**	290 9	(13 6)	0 7	141 3	419 3
Euro	**1 1**	**437 7**	**–**	**134 9**	**573 7**	2 6	279 5	–	99 6	381 7
Other	**1 3**	**103 7**	**–**	**55 4**	**160 4**	2 9	94 2	–	41 4	138 5
	746 6	**9 5**	**1 5**	**586 6**	**1,344 2**	483 1	2 0	0 7	492 3	978 1

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

Credit risk

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

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

The credit risk in relation to cash and derivative financial instruments is limited because the Group restricts its dealings to counterparties with high credit ratings The credit risk policy specifies the maximum permitted exposure to each counterparty

For receivables, the amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment See Note 11 for the analyses of trade and other receivables and the provision for doubtful debts in respect of trade receivables

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

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

14 Provisions

	2007 £m	2006 £m
Current	9 2	6 9
Non-current	50 6	44 6
	59 8	51 5

Movements	Properties 2007 £m	Legal and environmental 2007 £m	Total 2007 £m	Properties 2006 £m	Legal and environmental 2006 £m	Total 2006 £m
Beginning of year	23 3	28 2	51 5	16 3	27 3	43 6
Charge/transfer	6 0	3 0	9 0	6 4	1 6	8 0
Acquisitions	3 8	4 3	8 1	3 8	5 9	9 7
Utilised	(4 6)	(6 3)	(10 9)	(2 9)	(5 9)	(8 8)
Currency translation	0 2	1 9	2 1	(0 3)	(0 7)	(1 0)
End of year	28 7	31 1	59 8	23 3	28 2	51 5

The properties provision includes vacant properties where amounts are held against liabilities for onerous lease commitments, repairs and dilapidations These provisions cover the relevant period of the lease agreements, up to the earliest possible termination date, which typically extend from one to 10 years

The Group has provisions for expected legal, environmental and other claims based on management's best estimate of probable loss incurred at the balance sheet date It expects that these amounts, which are based on detailed plans or other known factors and take account of past experience for similar items, will be settled within the next one to five years

The Group is a defendant in a number of legal proceedings incidental to its operations While any litigation has an element of uncertainty, management does not expect that the outcome of such proceedings, either individually or in the aggregate, will have a material adverse effect on the Group's financial condition or results of operations

15 Deferred tax

	2007			2006		
	Asset £m	Liability £m	Net £m	Asset £m	Liability £m	Net £m
Accelerated capital allowances	2 4	(2 5)	(0 1)	1 7	(2 3)	(0 6)
Pension liabilities	4 9	–	4 9	12 1	–	12 1
Intangible assets	–	(112 2)	(112 2)	–	(90 3)	(90 3)
Revalued properties	0 3	(1 4)	(1 1)	–	(2 4)	(2 4)
Share based payments	6 4	–	6 4	5 3	–	5 3
Provisions	18 6	(2 5)	16 1	11 7	–	11 7
Other	4 6	(10 4)	(5 8)	3 2	(7 9)	(4 7)
Deferred tax asset/(liability)	37 2	(129 0)	(91 8)	34 0	(102 9)	(68 9)
Set-off of tax	(36 7)	36 7	–	(29 9)	29 9	–
Net deferred tax asset/(liability)	0 5	(92 3)	(91 8)	4 1	(73 0)	(68 9)

Except as noted below, deferred tax is calculated in full on temporary differences under the liability method using the tax rate of the country of operation

No deferred tax has been recognised on the unremitted earnings of overseas subsidiaries as the parent company ultimately controls the dividend policy of its subsidiaries and, as such, is able to control the timing of the reversal of any associated temporary differences The Company has determined that either the overseas profits will not be distributed in the foreseeable future or, where there are plans to remit overseas earnings of subsidiaries, it is not expected that such distributions will give rise to a tax liability

Deferred tax assets in respect of temporary differences have only been recognised in respect of tax losses and other temporary differences where it is probable that these assets will be realised No deferred tax asset has been recognised in respect of unutilised tax losses of £8 2m (2006 £nil)

No deferred tax has been recognised in respect of unutilised capital losses of £81 1m (2006 £95 8m) as it is not considered probable that there will be suitable future taxable profits against which they can be set

15 Deferred tax continued
The movement on the net deferred tax liability is shown below

	2007 £m	2006 £m
Beginning of year	**68 9**	57 1
Acquisitions	**22 0**	11 8
Credit to income statement	**(6 3)**	(2 3)
Charge to equity	**3 5**	6 2
Other	**(1 1)**	0 8
Currency translation	**4 8**	(4 7)
End of year	**91 8**	68 9

16 Share capital and share based payments

	2007 £m	2006 £m
Authorised 529 million ordinary shares of 32⅓p each (2006 529 million ordinary shares of 32⅓p each)	**170 0**	170 0
Issued and fully paid ordinary shares of 32⅓p each	**112 4**	112 0

Number of ordinary shares in issue and fully paid		
Beginning of year	**348,484,829**	346,584,130
Issued on option exercises	**1,349,868**	1,900,699
End of year	**349,834,697**	348,484,829

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

Sharesave Scheme (2001) ('Sharesave Scheme')
The Sharesave Scheme, approved by shareholders at the 2001 Annual General Meeting, is approved by HM Revenue & Customs in the UK and is open to all UK employees, including the UK based executive directors, who have completed at least three months of continuous service It is linked to a contract for monthly savings of up to £250 per month over a period of either three or five years Under the Sharesave Scheme options are granted to participating employees at a discount of up to 20% of the market price prevailing on the day immediately preceding the date of invitation to apply for the option Options are normally exercisable either three or five years after they have been granted

International Sharesave Plan
The International Sharesave Plan was introduced following the approval of the Sharesave Scheme by shareholders It operates on a similar basis to the Sharesave Scheme save that it is linked to a contract for monthly savings of approximately £250 per month (or equivalent in other currencies) over a period of three years and options are granted to participating employees at a discount of up to 20% of the market price prevailing five days before the date of invitation to apply for the option

Irish Sharesave Plan
The Irish Sharesave Plan was also introduced following the approval of the Sharesave Scheme by shareholders It is approved by the Irish Revenue Commissioners and operates on a similar basis to the Sharesave Scheme as described above except that it is linked to a contract for monthly savings of up to €320 per month over a period of three years and options are granted to participating employees at a discount of up to 20% of the market price prevailing five days before the date of invitation to apply for the option

1994 Executive Share Option Scheme ('1994 Scheme')
The 1994 Scheme was approved by shareholders at the 1994 Annual General Meeting No further options have been granted under the 1994 Scheme since it expired in May 2004 A performance condition, based on the Company's adjusted earnings per share growth relative to UK inflation over three years, has to be satisfied before options may normally be exercised Following the deregistration of the Company's American Depositary Receipts ('ADRs') from the Securities and Exchange Commission during 2007, all outstanding options granted under the 1994 Scheme to US resident participants (with the exception of Mr P L Larmon) will be settled in cash (rather than through the delivery of shares) based upon the market value of the Company's ordinary shares at the time the relevant options are exercised As a result of this change, options granted to US resident participants (with the exception of Mr P L Larmon) are now accounted for as cash settled share based payment transactions All other terms of options granted previously to US resident participants remain unchanged

16 Share capital and share based payments continued

Long Term Incentive Plan ('LTIP')

The LTIP was approved by shareholders at the 2004 Annual General Meeting and replaces the 1994 Scheme The LTIP is divided into two parts

Part A allows the Board to grant share options In normal circumstances options granted are only exercisable if the relevant performance condition has been satisfied Share options granted to date have a performance condition attached based on the Company's adjusted earnings per share growth relative to UK inflation over three years Following the deregistration of the Company's ADRs from the Securities and Exchange Commission during 2007, all outstanding options granted and any future options to be granted under Part A of the LTIP to US resident participants (with the exception of Mr P L Larmon) will be settled in cash (rather than through the delivery of shares) based upon the market value of the Company's ordinary shares at the time the relevant options are exercised As a result of this change, options granted to US resident participants (with the exception of Mr P L Larmon) are now accounted for as cash settled share based payment transactions All other terms of options granted previously to US resident participants remain unchanged

Part B of the LTIP allows the Board to award performance shares which is a conditional right to receive shares in the Company for nil consideration A performance share award will normally vest (i e become exercisable) on the third anniversary of its grant to the extent that the applicable performance condition has been satisfied The extent to which performance share awards granted prior to October 2007 will vest will be subject to the Company's total shareholder return ('TSR') performance over a three year period relative to the TSR performance of a specified peer group of companies The extent to which performance share awards granted after September 2007 will vest will be partly subject to the Company's TSR performance and partly subject to the Company's adjusted earnings per share growth relative to UK inflation over three years

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

IFRS 2 Disclosures

Options granted during the year have been valued using a binomial model The fair value per option granted during the year and the assumptions used in the calculations are as follows

	2007	2006
Grant date	**1 03 07–19 10 07**	6 03 06–4 10 06
Share price at grant date (£)	**6 67–7 29**	6 56–6 87
Exercise price (£)	**nil–6 94**	nil–6 83
Options granted during the year (shares)	**3,894,271**	4,021,596
Vesting period (years)	**3–5**	3–5
Expected volatility (%)	**17–22**	17–23
Option life (years)	**3–10**	3–10
Expected life (years)	**3 0–6 2**	3 0–5 5
Risk free rate of return (%)	**4 5–5 4**	4 3–4 9
Expected dividends expressed as a dividend yield (%)	**2 3–2 6**	2 3–2 5
Fair value per option (£)	**0 72–2 08**	0 61–2 50

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

The weighted average share price for options exercised by employees of the Company and its subsidiaries during the year was £7 03 (2006 £6 64) The total Group charge for the year relating to share based payments was £4 5m (2006 £3 0m), of which £3 6m related to equity settled plans (2006 £3 0m) and £0 9m related to cash settled plans (2006 £nil) After deferred tax the total Group charge was £5 4m (2006 £5 1m) At 31 December 2007 the Group recognised a liability of £6 0m in relation to cash settled plans (2006 £nil) The intrinsic value at 31 December 2007 in respect of vested options accounted for as cash settled plans was £4 2m (2006 £nil)

16 Share capital and share based payments continued

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

	Options outstanding at 1 1 07	Grants/awards 2007		Exercises 2007		Lapses* 2007		Options outstanding at 31 12 07	Options available to exercise at 31 12 07
	Number	Number	Price (p)	Number	Price (p)	Number	Number	Price (p)	Number
Sharesave Scheme	1,429,535	271,794	529	278,808	296-522	136,633	1,285,888	296-529	15,574
International Sharesave Plan	125,893	68,848	529	48,198	361	13,318	133,225	512-529	–
Irish Sharesave Plan	32,828	12,629	529	–	–	2,310	43,147	512-529	–
1994 Scheme	4,145,633	–		1,574,600	229-461	15,000	2,556,033	229-482	2,556,033
LTIP Part A	7,614,018	2,959,500	659–694	792,513	428 75-652 5	468,600	9,312,405	428 75-694	994,602
LTIP Part B	1,935,683	581,500	nil	203,280	nil	456,720	1,857,183	nil	–
	15,283,590	**3,894,271**		**2,897,399**		**1,092,581**	**15,187,881**		**3,566,209**

*Share option lapses relate to those which have either been forfeited or have expired during the year

	Weighted average fair value of options granted (£)	Weighted average remaining contractual life (years)
Sharesave Scheme	1 04	2 86
International Sharesave Plan	1 14	2 25
Irish Sharesave Plan	1 14	2 25
LTIP Part A	0 97	2 67
LTIP Part B	2 04	2 53

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

17 Dividends

	Per share		Total	
	2007	2006	**2007 £m**	2006 £m
2005 final		10 8p		36 5
2006 interim		5 3p		17 6
2006 final	**11 7p**		**38 6**	
2007 interim	**5 8p**		**18 6**	
Total	**17 5p**	16 1p	**57 2**	54 1

The 2007 final dividend of 12 9p per share will be paid on 3 July 2008 to shareholders on the register at the close of business on 9 May 2008

Total dividends for the year to which they relate are

	Per share	
	2007	2006
Interim	**5 8p**	5 3p
Final	**12 9p**	11 7p
Total	**18 7p**	17 0p

18 Movement in reserves

	Share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Cash flow hedge reserve £m	Translation reserve £m	Retained earnings: Own shares £m	Retained earnings: Earnings £m	Total equity £m
At 1 January 2007	**112 0**	**119 8**	**2 5**	**8.6**	**(0 3)**	**1 4**	**(105 2)**	**349 2**	**488 0**
Actuarial gain on pension schemes								**10 3**	**10 3**
Deferred tax on actuarial gain								**(3 0)**	**(3 0)**
Currency translation differences						**8 1**			**8 1**
Loss recognised in cash flow hedge reserve					**(1 1)**				**(1 1)**
Movement from cash flow hedge reserve to income statement					**0 3**				**0 3**
Net profit for the year								**130 1**	**130 1**
Total recognised income and expense for the year					**(0 8)**	**8 1**		**137 4**	**144 7**
2006 final dividend								**(38 6)**	**(38 6)**
2007 interim dividend								**(18 6)**	**(18 6)**
Issue of share capital	**0 4**	**4 8**							**5 2**
Employee trust shares							**(2 9)**		**(2 9)**
Share based payments								**(1 6)**	**(1.6)**
Purchase of shares into treasury							**(100 0)**		**(100 0)**
At 31 December 2007	**112 4**	**124 6**	**2 5**	**8 6**	**(1 1)**	**9 5**	**(208 1)**	**427 8**	**476 2**

	Share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Cash flow hedge reserve £m	Translation reserve £m	Retained earnings: Own shares £m	Retained earnings: Earnings £m	Total equity £m
At 1 January 2006	111 4	112 8	2 5	8 6	0 3	8 5	(40 6)	256 9	460 4
Actuarial gain on pension schemes								17 4	17 4
Deferred tax on actuarial gain								(5 5)	(5 5)
Currency translation differences						(7 1)			(7 1)
Loss recognised in cash flow hedge reserve					(0 3)				(0 3)
Movement from cash flow hedge reserve to income statement					(0 3)				(0 3)
Net profit for the year								129 4	129 4
Total recognised income and expense for the year					(0 6)	(7 1)		141 3	133 6
2005 final dividend								(36 5)	(36 5)
2006 interim dividend								(17 6)	(17 6)
Issue of share capital	0 6	7 0							7 6
Employee trust shares							(1 5)		(1 5)
Share based payments								5 1	5 1
Purchase of shares into treasury							(63 1)		(63 1)
At 31 December 2006	112 0	119 8	2 5	8 6	(0 3)	1 4	(105 2)	349 2	488 0

Included within own shares are ordinary shares of the Company held by the Group in an employee benefit trust The principal purpose of this trust is to hold shares in the Company for subsequent transfer to certain senior employees and executive directors relating to options granted and awards made in respect of market purchase shares under the Long Term Incentive Plan, the Deferred Annual Share Bonus Scheme and the 1994 Executive Share Option Scheme Details of such plans are set out in Note 16 and the Directors' Remuneration Report The assets, liabilities and expenditure of the trust have been incorporated in the consolidated financial statements Finance costs and administration charges are included in the income statement on an accruals basis At 31 December 2007 the trust held 7,409,685 (2006 8,119,432) shares, upon which dividends have been waived, with an aggregate nominal value of £2 4m (2006 £2 6m) and market value of £52 6m (2006 £51 0m) During 2007, 14,212,090 ordinary shares with a nominal value of £4 6m were purchased into treasury at a cost of £100 0m This represents 4 2% of the number of ordinary shares in issue (excluding treasury shares) at the beginning of 2007 At 31 December 2007, 23,325,000 shares with an aggregate nominal value of £7 5m, at a cost of £163 1m and market value of £165 5m, were held in treasury

19 Contingent liabilities

	2007 £m	2006 £m
Bank guarantees	**0 2**	0 4
Other items	**–**	0 5
	0 2	0 9

Other items principally comprise trade and other guarantees entered into in the normal course of business Provision is made for any amounts that the directors consider may become payable under such arrangements

20 Directors' ordinary share interests

	31.12 07	1 1 07*
The interests of the directors in the share capital of the Company were		
A J Habgood	**116,769**	110,125
M J Roney	**13,888**	13,888
J F Harris	**5,144**	5,144
C A Banks	**7,500**	7,500
U Wolters	**5,000**	5,000
P L Larmon	**40,856**	22,363
B M May	**19,660**	10,570
P W Johnson	**3,049**	3,000
D J R Sleath	**4,000**	–
	215,866	177,590

*Or date of appointment (if later)

Details of directors' options over ordinary shares and awards made under the Company's Long Term Incentive Plan and Deferred Annual Share Bonus Scheme are set out in the Directors' Remuneration Report Since 31 December 2007 Mr P L Larmon, Mr B M May and Mr P W Johnson have acquired interests in 286, 140 and 25 ordinary shares respectively as a result of their electing to participate in the dividend reinvestment plan in respect of the interim dividend which was paid on 4 January 2008 and Mr P L Larmon has acquired an interest in 331 ordinary shares pursuant to the Company's US Stock Purchase Plan and dividend reinvestment plan No other changes to the directors' ordinary share interests shown in this Note and the Directors' Remuneration Report have taken place between 31 December 2007 and 25 February 2008

21 Pensions

The Group operates both defined benefit and defined contribution pension schemes The funds of the principal schemes are administered by trustees and are held independently from the Group Pension costs of defined benefit schemes are assessed in accordance with the advice of independent professionally qualified actuaries Full triennial actuarial valuations were carried out on the UK defined benefit schemes in April 2006 and annual actuarial valuations are performed on the principal US defined benefit schemes The valuation of the UK defined benefit schemes has been updated to 31 December 2007 by the Group's actuaries Contributions to all schemes are determined in line with actuarial advice, local conditions and practices Scheme assets for the purpose of IAS 19 are stated at their bid value

The amounts included in the financial statements in respect of the Group are as follows

Amounts included in net operating expenses	2007 £m	2006 £m
Defined contribution schemes	**6 3**	6 2
Defined benefit schemes		
current service cost	**5 0**	5 2
past service cost/(credit)	**0 1**	(3 3)
Total operating charge	**11 4**	8 1
Amounts included in finance (income)/cost		
Expected return on scheme assets	**(14 2)**	(11 6)
Interest charge on scheme liabilities	**12 6**	12 0
Net financial (return)/charge	**(1 6)**	0 4
Total charge	**9 8**	8 5

21 Pensions continued

Amounts recognised in the statement of recognised income and expense	**2007 £m**	2006 £m
Actual return less expected return on scheme assets	**(0 6)**	7 3
Experience gain on scheme liabilities	**0 4**	7 5
Impact of changes in assumptions relating to the present value of scheme liabilities	**10 5**	2 6
Actuarial gain recognised in the statement of recognised income and expense	**10 3**	17 4

The cumulative amount of actuarial losses arising since 1 January 2004 recognised in the statement of recognised income and expense at 31 December 2007 was £12 9m (2006 £23 2m)

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

Europe	**2007**	2006
Longevity at age 65 for current pensioners (years)	**21 0**	20 1
Longevity at age 65 for future pensioners (years)	**22 2**	21 3
US		
Longevity at age 65 for current and future pensioners (years)	**19 3**	18 9

			Europe			US
	2007	2006	2005	**2007**	2006	2005
Rate of increase in salaries	**4 15%**	4 0%	3 75%	**4 0%**	4 0%	4 0%
Rate of increase in pensions	**3 15%**	3 0%	2 75%	**–**	**–**	–
Discount rate	**5 75%**	5 2%	4 8%	**6 0%**	6 0%	5 75%
Inflation rate	**3 15%**	3 0%	2 75%	**3 0%**	3 0%	2 5%

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

The market value of scheme assets, which are not intended to be realised in the short term and may be subject to significant change before being realised, and the present value of pension obligations, which are derived from cash flow projections over long periods and are therefore inherently uncertain, are

	Europe 2007		**US 2007**	**Total 2007**
	Long term* rate of return	**Value £m**	**Long term rate of return**	**Value £m**	**Value £m**
Equities	**8 0%**	**122 0**	**9 75%**	**29 0**	**151 0**
Bonds	**5 0%**	**60 4**	**6 0%**	**17 7**	**78 1**
Other	**4 4%**	**0 7**	**4 5%**	**0 1**	**0 8**
Blended rate of return on scheme assets	**7 0%**		**8 7%**		
Total market value of scheme assets		**183 1**		**46 8**	**229 9**
Present value of funded obligations		**(179 0)**		**(54 4)**	**(233 4)**
Present value of unfunded obligations		**(3 2)**		**(6 8)**	**(10 0)**
Present value of funded and unfunded obligations		**(182 2)**		**(61 2)**	**(243 4)**
Unrecognised past service cost		**–**		**0 3**	**0 3**
Surplus/(deficit)		**0 9**		**(14 1)**	**(13 2)**
Deferred tax		**–**		**4 9**	**4 9**
Net surplus/(deficit)		**0 9**		**(9 2)**	**(8 3)**
Actual return less expected return on scheme assets		**1 0**		**(1 6)**	**(0 6)**
Experience adjustments arising on scheme liabilities		**0 2**		**0 2**	**0 4**

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

21 Pensions continued

	Europe 2006		US 2006	Total 2006
	Long term* rate of return	Value £m	Long term rate of return	Value £m	Value £m
Equities	7 1%	105 1	9 7%	28 3	133 4
Bonds	4 8%	51 1	5 7%	15 6	66 7
Other	4 3%	0 2	4 5%	0 1	0 3
Blended rate of return on scheme assets	6 4%		8 5%		
Total market value of scheme assets		156 4		44 0	200 4
Present value of funded obligations		(176 2)		(51 3)	(227 5)
Present value of unfunded obligations		(3 2)		(7 2)	(10 4)
Present value of funded and unfunded obligations		(179 4)		(58 5)	(237 9)
Deficit		(23 0)		(14 5)	(37 5)
Deferred tax		7 0		5 1	12 1
Net deficit		(16 0)		(9 4)	(25 4)
Actual return less expected return on scheme assets		5 2		2 1	7 3
Experience adjustments arising on scheme liabilities		7 4		0 1	7 5

	Europe 2005		US 2005	Total 2005
	Long term* rate of return	Value £m	Long term rate of return	Value £m	Value £m
Equities	6 6%	91 3	9 7%	29 7	121 0
Bonds	4 4%	44 9	5 7%	12 0	56 9
Other	4 1%	0 8	4 5%	0 3	1 1
Blended rate of return on scheme assets	5 9%		8 5%		
Total market value of scheme assets		137 0		42 0	179 0
Present value of funded obligations		(181 7)		(54 2)	(235 9)
Present value of unfunded obligations		(3 1)		–	(3 1)
Present value of funded and unfunded obligations		(184 8)		(54 2)	(239 0)
Deficit		(47 8)		(12 2)	(60 0)
Deferred tax		14 4		4 3	18 7
Net deficit		(33 4)		(7 9)	(41 3)
Actual return less expected return on scheme assets		16 9		(1 1)	15 8
Experience adjustments arising on scheme liabilities		(0 1)		0 5	0 4

	Europe 2004		US 2004	Total 2004
	Long term* rate of return	Value £m	Long term rate of return	Value £m	Value £m
Equities	7 0%	127 1	9 8%	43 3	170 4
Bonds	4 8%	65 2	5 8%	17 4	82 6
Other	4 4%	5 0		–	5 0
Blended rate of return on scheme assets	6 2%		8 7%		
Total market value of scheme assets		197 3		60 7	258 0
Present value of funded obligations		(252 5)		(73 0)	(325 5)
Present value of unfunded obligations		(3 0)		–	(3 0)
Present value of funded and unfunded obligations		(255 5)		(73 0)	(328 5)
Deficit		(58 2)		(12 3)	(70 5)
Deferred tax		17 2		4 3	21 5
Net deficit		(41 0)		(8 0)	(49 0)
Actual return less expected return on scheme assets		6 8		1 0	7 8
Experience adjustments arising on scheme liabilities		(2 6)		(1 0)	(3 6)

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

21 Pensions continued

Movement in deficit during the year	2007 £m	2006 £m
Beginning of year	(37 5)	(60 0)
Current service cost	(5 0)	(5 2)
Past service credit	–	3 3
Contributions	17 3	13 1
Net financial return/(charge)	1 6	(0 4)
Actuarial gain	10 3	17 4
Pension schemes acquired	(0 5)	–
Transfer	0 3	(8 0)
Currency translation	–	2 3
	(13 5)	(37 5)
Unrecognised past service cost	0 3	–
End of year	(13 2)	(37 5)

Changes in the present value of defined benefit obligations	£m	£m
Beginning of year	237 9	239 0
Current service cost	5 0	5 2
Past service credit	–	(3 3)
Interest charge on scheme liabilities	12 6	12 0
Contributions by employees	1 1	1 1
Actuarial gain	(10 9)	(10 1)
Benefits paid	(7 6)	(6 1)
Pension schemes acquired	5 5	–
Transfer	–	8 0
Currency translation	(0 2)	(7 9)
End of year	243 4	237 9

Changes in the fair value of scheme assets	£m	£m
Beginning of year	200 4	179 0
Expected return on scheme assets	14 2	11 6
Actuarial (loss)/gain	(0 6)	7 3
Contributions by employer	17 3	13 1
Contributions by employees	1 1	1 1
Benefits paid	(7 6)	(6 1)
Pension schemes acquired	5 0	–
Transfer	0.3	–
Currency translation	(0 2)	(5 6)
End of year	229 9	200 4

The calculation of expected return on scheme assets is determined with reference to market expectations in conjunction with the relevant scheme's actuaries

The actual return on scheme assets was £13 6m (2006 £18 9m)

The Group expects to pay £8 3m in contributions to the defined benefit pension schemes in 2008

22 Directors and employees

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

Employee costs	2007 **£m**	2006 £m
Wages and salaries	**306 6**	282 4
Social security costs	**34 8**	32 0
Share based payments	**4 8**	3 0
Pension costs	**11 4**	8 1
	357 6	325 5

Key management remuneration	2007 **£m**	2006 £m
Salaries and short term employee benefits	**4 5**	4 5
Share based payments	**1 2**	1 1
Post-employment benefits	**0 8**	0 6
	6 5	6 2

The Group considers key management personnel as defined in IAS 24 'Related Party Disclosures' to be the directors of the Company and those members of the Executive Committee and the Managing Directors of the major geographic segments who are not directors of the Company The amounts disclosed are calculated on the same bases as those used to determine the relevant amounts disclosed in the Directors' Remuneration Report

Directors' emoluments	2007 **£m**	2006 £m
Non-executive directors	**0 7**	0 6
Executive directors		
remuneration excluding performance related elements	**1 9**	2 2
annual cash bonus	**0 6**	0 5
	3 2	3 3

More detailed information concerning directors' emoluments and long term incentives is set out in the Directors' Remuneration Report The aggregate amount of gains made by directors on the exercise of share options during the year was £0 9m (2006 £3 1m) The aggregate market value of performance share awards exercised by directors under long term incentive schemes during the year was £0 7m (2006 £nil)

23 Lease commitments

Operating leases

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

	Land & buildings 2007 £m	Other 2007 £m	Land & buildings 2006 £m	Other 2006 £m
Within one year	**48 8**	**14 3**	47 8	13 1
Between one and five years	**116 4**	**16 9**	100 2	16 5
After five years	**26 2**	**0 4**	30 3	0 5
	191 4	**31 6**	178 3	30 1
Total of future minimum sublease income under non-cancellable subleases	**(8 6)**	**–**	(7 8)	–

Finance leases

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

	Minimum lease payments 2007 £m	Future interest charges 2007 £m	Present value 2007 £m	Minimum lease payments 2006 £m	Future interest charges 2006 £m	Present value 2006 £m
At 31 December finance lease liabilities were						
within one year	**0 9**	**0 1**	**0 8**	0 7	0 1	0 6
between one and five years	**1 1**	**0 1**	**1 0**	0 9	0 1	0 8
	2 0	**0 2**	**1 8**	1 6	0 2	1 4

24 Cash and cash equivalents and net debt

	2007 £m	2006 £m
Cash at bank and in hand	**69 0**	45 2
Short term deposits repayable in less than three months	**7 0**	3 8
Cash and deposits	**76 0**	49 0
Bank overdrafts	**(20 3)**	(23 9)
Cash and cash equivalents	**55 7**	25 1
Interest bearing loans and borrowings		
Current liabilities	**(79 4)**	(4 3)
Non-current liabilities	**(656 4)**	(456 9)
Derivative assets – fair value of interest rate swaps hedging fixed interest rate borrowings	**12 5**	5 4
Net debt	**(667 6)**	(430 7)

25 Acquisitions

2007 acquisitions

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

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

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

Acquisitions have been accounted for under the purchase method of accounting All 2007 acquisitions, together with the 2008 acquisitions, involved the purchase of 100% of the acquiree's share capital or, as the case may be, all of the relevant assets of the businesses acquired Part of the Group's strategy is to grow through acquisition The Group has developed a process to assist with the identification of the fair values of the assets acquired and liabilities assumed, including the separate identification of intangible assets in accordance with IFRS 3 This formal process is applied to each acquisition and involves an assessment of the assets acquired and liabilities assumed with assistance provided by external valuation specialists where appropriate Until this assessment is complete, the allocation period remains open up to a maximum of 12 months from the relevant acquisition date At the end of the year, the allocation period for the acquisitions completed during 2007 remained open for all acquisitions except Tec Products and Westgate and accordingly the fair values presented are provisional

Adjustments are made to the assets acquired and liabilities assumed during the allocation period to the extent that further information and knowledge come to light that more accurately reflect conditions at the acquisition date To date the adjustments made have impacted assets acquired to reflect more accurately the estimated realisable or settlement value Similarly adjustments have been made to acquired liabilities to record onerous commitments or other commitments existing at the acquisition date but not recognised by the acquiree Adjustments have also been made to reflect the associated tax effects The net impact on acquired net assets reported in 2006 from these adjustments was £0 8m The balance sheet at 31 December 2006 has not been restated for these adjustments as they are not considered material

The consideration for the acquisitions has been allocated against the identified net assets, with the balance recorded as goodwill The acquisitions provide opportunities for further development of the Group's activities and create enhanced returns Such opportunities and the workforces inherent in each of the acquired businesses do not translate to separately identifiable intangible assets but do represent much of the assessed value that supports the recognised goodwill

25 Acquisitions continued

2006 acquisitions

The principal acquisitions made during the year ended 31 December 2006 were Master Craft, Midshires, Picardie Hygiene, Allcare, Southern Syringe Services, Morgan Scott, United American Sales, Cole Harford and Keenpac

Master Craft, a company serving the redistribution and foodservice sectors in California, Oregon and Washington, was purchased on 25 January Midshires, principally engaged in the operation and sale of vending machines and associated services throughout central England, was acquired on 31 January Picardie Hygiene, a distributor of cleaning and hygiene products in northeast France, was acquired on 16 March Allcare, principally engaged in the distribution of personal protection equipment and disposable products to food processors in Australia, was acquired on 6 April Southern Syringe Services, a company involved in the sale and distribution throughout the UK of healthcare related consumables to a variety of end users including the NHS, private hospitals and nursing homes, was acquired on 4 July Morgan Scott, a distributor of jan/san and foodservice disposable products in eastern Canada, was acquired on 28 July United American Sales, a business which supplies personal protection equipment through redistributors to the industrial and construction markets, was acquired on 16 August Cole Harford, principally engaged in the supply of foodservice and jan/san disposable products through redistributors, was acquired on 29 September Keenpac, a company involved in the sale and distribution of quality retail packaging principally in the UK and the US but also in France, Italy, Switzerland, Hong Kong and Australia, was acquired on 8 December

		Provisional fair value adjustments		
2006	Book value at acquisition £m	Revaluation £m	Consistency of accounting policy £m	Fair value of assets acquired £m
A summary of the effect of acquisitions is detailed below				
Intangible assets		37 4		37 4
Property, plant and equipment	12 4	(1 9)	(0 5)	10 0
Inventories	42 2	(0 4)	(1 6)	40 2
Trade and other receivables	60 2	1 5	(1 9)	59 8
Trade and other payables	(57 2)	(2 4)	(1 9)	(61 5)
Net bank overdrafts	(12 9)			(12 9)
Provisions for liabilities and charges		(8 2)	(1 5)	(9 7)
Deferred tax	(0 2)	(11 6)		(11 8)
Tax	0 1	2 7		2 8
	44 6	17 1	(7 4)	54 3
Goodwill				94 6
Consideration				148 9
Satisfied by				
cash consideration				143 8
deferred consideration				2 1
loan notes issued				3 0
				148 9
The net cash outflow in the year in respect of acquisitions comprised				
Cash consideration				143 8
Net bank overdrafts acquired				12 9
Net cash outflow in respect of acquisitions				156 7

Acquisitions made during 2006 contributed £151 1m to the Group's revenue, £4 2m to the Group's operating profit before intangible amortisation and £3 0m to the Group's operating profit after intangible amortisation

The estimated contributions of acquired businesses to the results of the Group, as if the acquisitions had been made at the beginning of the year, are as follows

	2006 £m
Revenue	386 0
Operating profit before intangible amortisation	11 4
Operating profit after intangible amortisation	8 4

26 Related party disclosures

The Group has identified the directors of the Company, its key management and the Group pension schemes as related parties for the purpose of IAS 24 'Related Party Disclosures' Details of the relevant relationships with these related parties are disclosed in the Directors' Remuneration Report, Note 22 and Note 21 respectively All transactions with subsidiaries are eliminated on consolidation

27 Principal subsidiary undertakings

	Country of incorporation
Bunzl Australasia Ltd	Australia
Bunzl Finance plc*	
Bunzl Holding Danmark A/S	Denmark
Bunzl Holding GmbH	Germany
Bunzl Holdings France SAS	France
Bunzl Outsourcing Services BV	Holland
Bunzl UK Ltd	
Bunzl USA Holdings Corporation	USA

The companies named above are the principal subsidiary undertakings of Bunzl plc at 31 December 2007 and are included in the consolidated financial statements of the Group They are wholly owned and, unless otherwise stated, are incorporated in England and Wales The investments in these companies, as shown above, relate to ordinary shares or common stock The principal country in which each company operates is the country of incorporation The principal activities of the Group are reviewed in the Chief Executive's Review in the Annual Review and Summary Financial Statement

*Direct subsidiary undertaking of Bunzl plc

COMPANY BALANCE SHEET

at 31 December 2007

	Notes	2007 £m	2006 £m
Fixed assets			
Tangible fixed assets	3	**0 9**	1 0
Investments	4	**569 1**	435 1
		570 0	436 1
Current assets			
Debtors	5	**306 8**	108 2
Cash at bank and in hand		**0 2**	0 1
		307 0	108 3
Current liabilities			
Creditors amounts falling due within one year	6	**(123 6)**	(164 9)
Net current assets/(liabilities)		**183 4**	(56 6)
Total assets less current liabilities		**753 4**	379 5
Provisions	7	**(9 5)**	(6 3)
Net assets		**743 9**	373 2
Capital and reserves			
Called up share capital	8	**112 4**	112 0
Share premium account	10	**124 6**	119 8
Other reserves	10	**2 5**	2 5
Capital redemption reserve	10	**8 6**	8 6
Profit and loss account	10	**495 8**	130 3
Shareholders' funds		**743 9**	373 2

Approved by the Board of Directors of Bunzl plc on 25 February 2008 and signed on its behalf by Mr M J Roney, Chief Executive and Mr B M May, Finance Director

The Accounting Policies and Notes on pages 43 to 49 form part of these financial statements

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 Basis of preparation
The financial statements of Bunzl plc ('the Company') have been prepared under the historical cost convention and have been prepared in accordance with the Companies Act 1985 and applicable UK accounting standards During the year ended 31 December 2007 Urgent Issues Task Force ('UITF') 41 'Scope of FRS 20' and UITF 44 'Group and Treasury Share Transactions' were issued The application of these new interpretations has had no impact on the financial statements

Under Section 230(4) of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account The Company has taken advantage of the exemption in Financial Reporting Standard ('FRS') 29 (IFRS 7) 'Financial Instruments Disclosures' not to prepare a financial instruments note as the information is available in the published consolidated financial statements of the Group

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company financial statements

2 Accounting policies
a Investments in subsidiary undertakings
Investments in subsidiary undertakings are held at cost less any provision for impairment

b Investment in own shares
The cost of shares held either directly (treasury shares) or indirectly (employee benefit trust shares) is deducted from shareholders' funds

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

d Tangible fixed assets
Until 31 December 1999 land and buildings were revalued periodically As permitted under FRS 15 'Tangible Fixed Assets', the valuations of land and buildings have not been and will not be updated All other tangible fixed assets are included at historical cost, less accumulated depreciation The profit or loss on sale of tangible fixed assets is calculated by reference to the carrying values of the assets The carrying values of tangible fixed assets are periodically reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable

e Depreciation
Depreciation is provided on a straight line basis to write off cost over the assets' estimated remaining useful lives This is at the following annual rates applied to cost or deemed cost less estimated residual value

Buildings	2% or life of lease if shorter
Plant and machinery	10 – 20%
Fixtures, fittings and equipment	10 – 33%
Freehold land	Not depreciated

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date

f Leases
Where the Company has substantially all the risks and rewards of ownership of an asset subject to a lease, the lease is treated as a finance lease Future instalments payable under finance leases, net of finance charges, are included in creditors with the corresponding asset value treated as a tangible fixed asset All other leases are treated as operating leases and the rentals are charged to the profit and loss account on a straight line basis

g Tax
The charge for tax is based on the profit or loss for the year and takes into account tax deferred due to timing differences between the treatment of certain items for tax and accounting purposes Deferred tax is recognised in respect of all timing differences between the treatment of certain items for tax and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 'Deferred Tax'

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

2 Accounting policies continued

i Financial guarantee contracts

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

j Dividends

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

3 Tangible fixed assets

	Land £m	Freehold buildings £m	Short leasehold £m	Fixtures, fittings and equipment £m	Total £m
Cost					
Beginning and end of year	0 6	0 2	0 4	1 5	2 7
Depreciation					
Beginning of year		–	0 3	1 4	1 7
Charge in year		–	–	0 1	0 1
End of year		–	0 3	1 5	1 8
Net book value at 31 December 2007	**0 6**	**0 2**	**0 1**	**–**	**0 9**
Net book value at 31 December 2006	0 6	0 2	0 1	0 1	1 0

4 Investments held as fixed assets

	Investments in subsidiary undertakings £m
Cost	
Beginning of year	480 7
Additions	134 0
End of year	**614 7**
Impairment provisions	
Beginning and end of year	**45 6**
Net book value at 31 December 2007	**569 1**
Net book value at 31 December 2006	435 1

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

	Country of incorporation
Bunzl Australasia Ltd	Australia
Bunzl Finance plc	England
Bunzl Holding Danmark A/S	Denmark
Bunzl Holding GmbH	Germany
Bunzl Holdings France SAS	France
Bunzl Outsourcing Services BV	Holland
Bunzl UK Ltd	England
Bunzl USA Holdings Corporation	USA

5 Debtors

	2007 £m	2006 £m
Amounts owed by subsidiary undertakings	**287 2**	94 6
Prepayments and other debtors	**10 9**	11 3
Corporation tax	**5 9**	2 3
Deferred tax	**2 8**	–
	306 8	108 2

6 Creditors· amounts falling due within one year

	2007 £m	2006 £m
Loans and overdrafts	**1 1**	0 1
Trade creditors	**1 7**	1 4
Amounts owed to subsidiary undertakings	**98 7**	138 1
Dividends	**18 6**	17 6
Accruals and deferred income	**3 5**	7 7
	123 6	164 9

7 Provisions

Movements	2007 £m	2006 £m
Beginning of year	**6 3**	3 5
Charge	**4 3**	3 3
Utilised	**(1 1)**	(0 5)
End of year	**9 5**	6 3

The provisions relate to properties and include vacant properties where amounts are held against liabilities for onerous lease commitments, repairs and dilapidations These provisions cover the relevant period of the lease agreements, up to the earliest possible termination date, which typically extend from one to 10 years

8 Share capital and share based payments

	2007 £m	2006 £m
Authorised 529 million ordinary shares of 32⅛p each (2006 529 million ordinary shares of 32⅛p each)	**170 0**	170 0
Issued and fully paid ordinary shares of 32⅛p each	**112 4**	112 0

Number of ordinary shares in issue and fully paid		
Beginning of year	**348,484,829**	346,584,130
Issued on option exercises	**1,349,868**	1,900,699
End of year	**349,834,697**	348,484,829

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

Sharesave Scheme (2001) ('Sharesave Scheme')
The Sharesave Scheme, approved by shareholders at the 2001 Annual General Meeting, is approved by HM Revenue & Customs in the UK and is open to all UK employees, including the UK based executive directors, who have completed at least three months of continuous service It is linked to a contract for monthly savings of up to £250 per month over a period of either three or five years Under the Sharesave Scheme options are granted to participating employees at a discount of up to 20% of the market price prevailing on the day immediately preceding the date of invitation to apply for the option Options are normally exercisable either three or five years after they have been granted

International Sharesave Plan
The International Sharesave Plan was introduced following the approval of the Sharesave Scheme by shareholders It operates on a similar basis to the Sharesave Scheme save that it is linked to a contract for monthly savings of approximately £250 per month (or equivalent in other currencies) over a period of three years and options are granted to participating employees at a discount of up to 20% of the market price prevailing five days before the date of invitation to apply for the option

8 Share capital and share based payments continued

Irish Sharesave Plan

The Irish Sharesave Plan was also introduced following the approval of the Sharesave Scheme by shareholders It is approved by the Irish Revenue Commissioners and operates on a similar basis to the Sharesave Scheme as described above except that it is linked to a contract for monthly savings of up to €320 per month over a period of three years and options are granted to participating employees at a discount of up to 20% of the market price prevailing five days before the date of invitation to apply for the option

1994 Executive Share Option Scheme ('1994 Scheme')

The 1994 Scheme was approved by shareholders at the 1994 Annual General Meeting No further options have been granted under the 1994 Scheme since it expired in May 2004 A performance condition, based on the Company's adjusted earnings per share growth relative to UK inflation over three years, has to be satisfied before options may normally be exercised Following the deregistration of the Company's American Depositary Receipts ('ADRs') from the Securities and Exchange Commission during 2007, all outstanding options granted under the 1994 Scheme to US resident participants (with the exception of Mr P L Larmon) will be settled in cash (rather than through the delivery of shares) based upon the market value of the Company's ordinary shares at the time the relevant options are exercised As a result of this change, options granted to US resident participants (with the exception of Mr P L Larmon) are now accounted for as cash settled share based payment transactions All other terms of options granted previously to US resident participants remain unchanged

Long Term Incentive Plan ('LTIP')

The LTIP was approved by shareholders at the 2004 Annual General Meeting and replaces the 1994 Scheme The LTIP is divided into two parts

Part A allows the Board to grant share options In normal circumstances options granted are only exercisable if the relevant performance condition has been satisfied Share options granted to date have a performance condition attached based on the Company's adjusted earnings per share growth relative to UK inflation over three years Following the deregistration of the Company's ADRs from the Securities and Exchange Commission during 2007, all outstanding options granted and any future options to be granted under Part A of the LTIP to US resident participants (with the exception of Mr P L Larmon) will be settled in cash (rather than through the delivery of shares) based upon the market value of the Company's ordinary shares at the time the relevant options are exercised As a result of this change, options granted to US resident participants (with the exception of Mr P L Larmon) are now accounted for as cash settled share based payment transactions All other terms of options granted previously to US resident participants remain unchanged

Part B of the LTIP allows the Board to award performance shares which is a conditional right to receive shares in the Company for nil consideration A performance share award will normally vest (i e become exercisable) on the third anniversary of its grant to the extent that the applicable performance condition has been satisfied The extent to which performance share awards granted prior to October 2007 will vest will be subject to the Company's total shareholder return ('TSR') performance over a three year period relative to the TSR performance of a specified peer group of companies The extent to which performance share awards granted after September 2007 will vest will be partly subject to the Company's TSR performance and partly subject to the Company's adjusted earnings per share growth relative to UK inflation over three years

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

FRS 20 Disclosures

Options granted during the year have been valued using a binomial model The fair value per option granted during the year and the assumptions used in the calculations are as follows

	2007	2006
Grant date	**1 03 07–19 10 07**	6 03 06–4 10 06
Share price at grant date (£)	**6 67–7 29**	6 56–6 87
Exercise price (£)	**nil–6 94**	nil–6 83
Options granted during the year (shares)	**3,894,271**	4,021,596
Vesting period (years)	**3–5**	3–5
Expected volatility (%)	**17–22**	17–23
Option life (years)	**3–10**	3–10
Expected life (years)	**3 0–6 2**	3 0–5 5
Risk free rate of return (%)	**4 5–5 4**	4 3–4 9
Expected dividends expressed as a dividend yield (%)	**2 3–2 6**	2 3–2 5
Fair value per option (£)	**0 72–2 08**	0 61–2 50

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

The weighted average share price for options exercised by employees of the Company and its subsidiaries during the year was £7 03 (2006 £6 64) The total Group charge for the year relating to share based payments was £4 5m (2006 £3 0m), of which £3 6m related to equity settled plans (2006 £3 0m) and £0 9m related to cash settled plans (2006 £nil) Where the Company grants options over its own shares to the employees of subsidiaries these are recharged in full The total charge for the year relating to the Company is £1 6m (2006 £0 8m)

8 Share capital and share based payments continued

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

	Options outstanding at 1 1 07	Grants/awards 2007		Exercises 2007		Lapses* 2007	Options outstanding at 31 12 07		Options available to exercise at 31 12 07
	Number	Number	Price (p)	Number	Price (p)	Number	Number	Price (p)	Number
Sharesave Scheme	1,429,535	271,794	529	278,808	296-522	136,633	1,285,888	296-529	15,574
International Sharesave Plan	125,893	68,848	529	48,198	361	13,318	133,225	512-529	–
Irish Sharesave Plan	32,828	12,629	529	–	–	2,310	43,147	512-529	–
1994 Scheme	4,145,633	–		1,574,600	229-461	15,000	2,556,033	229-482	2,556,033
LTIP Part A	7,614,018	2,959,500	659-694	792,513	428 75-652 5	468,600	9,312,405	428 75-694	994,602
LTIP Part B	1,935,683	581,500	nil	203,280	nil	456,720	1,857,183	nil	–
	15,283,590	**3,894,271**		**2,897,399**		**1,092,581**	**15,187,881**		**3,566,209**

*Share option lapses relate to those which have either been forfeited or have expired during the year

	Weighted average fair value of options granted (£)	Weighted average remaining contractual life (years)
Sharesave Scheme	1 04	2 86
International Sharesave Plan	1 14	2 25
Irish Sharesave Plan	1 14	2 25
LTIP Part A	0 97	2 67
LTIP Part B	2 04	2 53

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

9 Dividends

	Per share		Total	
	2007	2006	**2007 £m**	2006 £m
2005 final		10 8p		36 5
2006 interim		5 3p		17 6
2006 final	**11 7p**		**38 6**	
2007 interim	**5.8p**		**18 6**	
Total	**17.5p**	16 1p	**57 2**	54 1

The 2007 final dividend of 12 9p per share will be paid on 3 July 2008 to shareholders on the register at the close of business on 9 May 2008

Total dividends for the year to which they relate are

	Per share	
	2007	2006
Interim	**5 8p**	5 3p
Final	**12 9p**	11 7p
Total	**18 7p**	17 0p

10 Share premium and reserves

	Share premium account £m	Other reserves £m	Capital redemption reserve £m	Profit and loss account: Own shares £m	Profit and loss account: Retained earnings £m
At 1 January 2007	119 8	2 5	8 6	(104 3)	234 6
Issue of share capital	4 8				
Purchase of shares into treasury				(100 0)	
Employee trust shares				(3 8)	
Share based payments					1 6
Profit for the year					524 9
2006 final dividend					(38 6)
2007 interim dividend					(18 6)
At 31 December 2007	**124 6**	**2 5**	**8 6**	**(208 1)**	**703 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 £524 9m (2006 loss of £10 0m)

Included within own shares are ordinary shares of the Company held by the Group in an employee benefit trust The principal purpose of this trust is to hold shares in the Company for subsequent transfer to certain senior employees and executive directors relating to options granted and awards made in respect of market purchase shares under the Long Term Incentive Plan, the Deferred Annual Share Bonus Scheme and the 1994 Executive Share Option Scheme Details of such plans are set out in Note 8 and the Directors' Remuneration Report The assets, liabilities and expenditure of the trust have been incorporated in the consolidated financial statements At 31 December 2007 the trust held 7,409,685 (2006 8,119,432) shares, upon which dividends have been waived, with an aggregate nominal value of £2 4m (2006 £2 6m) and market value of £52 6m (2006 £51 0m) During 2007, 14,212,090 ordinary shares with a nominal value of £4 6m were purchased into treasury at a cost of £100 0m This represents 4 2% of the number of ordinary shares in issue (excluding treasury shares) at the beginning of 2007 At 31 December 2007, 23,325,000 shares with an aggregate nominal value of £7 5m, at a cost of £163 1m and market value of £165 5m, were held in treasury

11 Reconciliation of movement in shareholders' funds

	2007 £m	2006 £m
Profit/(loss) for the year	**524 9**	(10 0)
Dividends	**(57 2)**	(54 1)
	467 7	(64 1)
Issue of share capital	**5 2**	7 6
Purchase of shares into treasury	**(100 0)**	(63 1)
Employee trust shares	**(3 8)**	(1 0)
Share based payments	**1 6**	0 8
Net increase/(reduction) in shareholders' funds	**370 7**	(119 8)
Opening shareholders' funds	**373 2**	493 0
Closing shareholders' funds	**743 9**	373 2

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

12 Contingent liabilities

Borrowings by subsidiary undertakings totalling £708 1m (2006 £448 5m) which are included in the Group's borrowings have been guaranteed by the Company Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such In this respect the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee

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

14 Employee numbers and costs
The average number of persons employed by the Company (including directors) during the year was 44 (2006 44)

The aggregate employee costs relating to these persons were

	2007 £m	2006 £m
Wages and salaries	**6 6**	6 5
Social security costs	**0 7**	0 7
Share based payments	**1 9**	0 8
Pension costs	**0 5**	0 6
	9 7	8 6

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Group and parent company financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare Group and parent company financial statements for each financial year Under that law, the directors are required to prepare the Group financial statements in accordance with IFRS as adopted by the EU and have elected to prepare the parent company financial statements in accordance with UK GAAP and applicable law

The Group financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position and performance of the Group The Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation

The parent company financial statements are required by law to give a true and fair view of the state of affairs of the parent company

In preparing both the Group and parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- for the Group financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU,
- for the parent company financial statements, state whether applicable UK GAAP has been followed, subject to any material departures disclosed and explained in the parent company financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities

Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance statement that comply with that law and those regulations and for the maintenance and integrity of the corporate and financial information included on the Company's website As explained in the Directors' Report, certain information included in the separate Annual Review and Summary Financial Statement is incorporated by reference into the Directors' Report

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BUNZL PLC

We have audited the Group and parent company financial statements (the 'financial statements') of Bunzl plc for the year ended 31 December 2007 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Recognised Income and Expense and the related Notes These financial statements have been prepared under the accounting policies set out therein We have also audited the information in the Directors' Remuneration Report that is described as having been audited

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report or for the opinions we have formed

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU and for preparing the parent company financial statements and the Directors' Remuneration Report in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements As described in the Directors' Report, the information provided therein includes the specific information presented in the separate Annual Review and Summary Financial Statement that is cross referred from the Principal activity and business review section of the Directors' Report

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We review whether the Corporate Governance statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority and we report if it does not We are not required to consider whether the Board's statements on internal control cover all risks and controls or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements Our responsibilities do not extend to any other information

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited

Opinion
In our opinion

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the EU, of the state of the Group's affairs at 31 December 2007 and of its profit for the year then ended,
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation,
- the parent company financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the parent company's affairs at 31 December 2007,
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG Audit Plc KPMG Audit Plc
Chartered Accountants
Registered Auditor
London
25 February 2008

DIRECTORS' REMUNERATION REPORT

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

Membership
All members of the Committee, who are identified on page 16 of the Annual Review and Summary Financial Statement, are independent non-executive directors The Committee is chaired by Mr C A Banks Members of the Committee do not have any personal financial interest (other than as shareholders) in matters decided by the Committee, nor do they have any potential conflict of interest arising from cross-directorships or day-to-day involvement in running the Group's business The Committee meets at least three times during the year and at other times as may be required While neither the Chairman of the Company, Mr A J Habgood, nor the Chief Executive, Mr M J Roney, are members of the Committee, they normally attend meetings except when the Committee is considering matters concerning themselves The Director of Group Human Resources acts as Secretary to the Committee

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

Remuneration policy
The Company's current remuneration policy for 2007 and beyond is designed to help ensure the recruitment, retention and motivation of the executive directors by providing fair reward for the responsibilities they undertake and the performance they achieve on behalf of shareholders In this context, the Committee's policy is to set the overall remuneration package at a competitive level and in a form that permits significant additional remuneration to be earned for high performance over a sustained period This is normally achieved by benchmarking base pay against comparator companies taking into account a range of factors including performance and by providing, in addition, short and long term incentives geared to performance

In assessing the balance of performance related and non-performance related elements of remuneration, base pay and benefits are treated as non-performance related, whereas annual bonus (including awards under the Deferred Annual Share Bonus Scheme) (the 'DASBS') and long term incentives are treated as performance related For this purpose, share options and performance shares are valued at an appropriate proportion of their face value on grant or award On this basis, the Committee sets the remuneration package such that about half the total target remuneration package is derived from the performance related elements

Both the overall competitiveness of the remuneration package and the balance between performance and non-performance related elements are kept under regular review in the light of market practice and the needs of the Company The Committee commissions reports and receives advice on directors' remuneration from independent remuneration and benefits consultants, namely PricewaterhouseCoopers LLP ('PwC') and New Bridge Street Consultants, who may from time to time also provide other services to the Company on remuneration and benefit related matters that are not the subject of review by the Committee In addition PwC provides the Company with some accounting, tax and pre-acquisition due diligence services Further details of the remuneration policy and how it is currently applied to the various aspects of remuneration are provided in the relevant sections below

With regard to external pay survey data, the Committee reviews each year, prior to the annual review of base pay in January, information on remuneration and benefit levels based on an external survey conducted on its behalf by PwC The Committee seeks to maintain, wherever possible, a consistent and appropriate basis for comparison year-on-year in terms of the survey methodology and, in particular, the use of comparator groups on which the survey is based There are three comparator groups that the Committee uses These are related to revenue, profit before tax and market capitalisation In each case the comparator group consists of at least 20 non-financial UK based companies that have substantial operations overseas Half of the companies in each comparator group are the next highest and half are the next lowest compared to Bunzl The total number of companies included in this survey will depend on the overlap of the companies within each of the three comparator groups but the aim is for the total number of companies to be at least 40 The results from each of the comparator groups are blended by PwC to provide an overall assessed market position as at 1 January of the year of the review Neither PwC nor New Bridge Street Consultants provide specific recommendations to the Committee on remuneration or benefit levels for the executive directors The Committee does, however, review survey information provided by them in the light of its established remuneration policy before making its decisions All decisions of the Committee were implemented in full

Base pay
The base pay of each executive director is set to reflect the size and scope of that director's responsibilities undertaken on behalf of the Board, the level of overall performance achieved, including that related to environmental, social and governance issues, and experience in the post As stated above, it is benchmarked against comparator companies and the actual pay level is set after taking account of performance, relevant external survey data and the general movement of base pay within the Group

Annual bonus plan

The executive directors participate in an annual bonus plan intended to support the Company's overall remuneration policy The bonus plan for each executive director contains meaningful targets that seek to focus attention on one or two key measures of short to medium term achievement Bonus awards are not pensionable In 2007 the target for the annual bonus for Mr M J Roney and Mr B M May was linked to the Group's achievement of earnings per share after certain specified adjustments ('eps') Detailed terms of the plan were determined by the Committee and provided for a bonus to be awarded if the Group achieved, in 2007, a threshold eps level No bonus was to be awarded for eps achievement below the threshold level The bonus plan provided for an increase in the bonus award pro rata for eps achievement above the threshold up to a target level of eps and for above target achievement Half of this annual bonus will be paid in cash to a maximum level of 52 5% of annual base pay and the other half (the total aggregate amount is capped at 105% of base pay) is deferred under the rules of the DASBS, details of which are set out below

Mr P L Larmon's bonus plan for 2007 was partly based on the profit of and capital employed in the business for which he was directly responsible In addition a portion of his bonus was based on Group performance Part of Mr P L Larmon's annual bonus is normally paid in cash to a maximum level of 60% of annual base pay and the balance (but with the total aggregate amount capped at 100% of base pay) is deferred under the rules of the DASBS

Under the DASBS, eligible executives, including the executive directors, receive the deferred element of their annual bonus as an award of ordinary shares The ordinary shares are purchased in the market and deposited with the Bunzl Group General Employee Benefit Trust (the 'Trust') until 1 March in the third year after the year in which the award is made, following which they are transferred to the executive provided normally that the executive has remained in the employment of the Group throughout that period or until their normal retirement date The DASBS forms a part of the annual bonus plan so as to provide, in total, an annual bonus opportunity linked to the performance of the Group, with a significant portion of any bonus award held in shares for a three year period The Committee believes this supports the overall remuneration policy and contributes to the alignment of executives' and shareholders' interests

The table below shows the number of shares under the DASBS held by the executive directors and by Mr A J Habgood relating to his previous service as an executive director Mr A J Habgood is not eligible to receive further awards under the DASBS

	Shares held at 1 January 2007	Shares awarded during 2007	Shares transferred during 2007	**Shares held at 31 December 2007**
A J Habgood	198,348	–	(57,994)	**140,354**
M J Roney	8,637	37,250	–	**45,887**
P L Larmon	55,202	23,504	(7,571)	**71,135**
B M May	32,677	20,542	(10,201)	**43,018**

Notes

a) All awards of shares are made in respect of bonus performance in the previous year The awards made during the year were made on 1 March 2007 at a value of 659p per share

b) The market values of the shares at the date of transfer in 2007, in each case which related to awards made in 2004, were as follows Mr A J Habgood £387,203, Mr P L Larmon £50,549 and Mr B M May £68,108

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

Share based incentives

The Committee believes that the long term performance of the Group is an important consideration for shareholders and that share based incentives are an important part of helping to align the interests of shareholders and those employed by the Group A formal share ownership guideline is in place under which executive directors are expected to retain shareholdings worth at least equal to their basic salaries A period of three years is allowed for executives who are promoted from within the Company to achieve this shareholding with an additional two years permitted in the case of external appointments

The Long Term Incentive Plan (the 'LTIP') was approved by shareholders at the Company's Annual General Meeting in May 2004 under which the executive directors and other senior executives in the Group may be granted share options and awards in respect of performance shares Participation in the LTIP is at the discretion of the Committee The Committee periodically reviews the level of grant, taking account of each executive's performance and job responsibilities Options were granted and performance shares awarded under the LTIP to the executive directors in 2007 in respect of market purchased shares some of which are held through the Trust No further options will be granted under the 1994 Executive Share Option Scheme (the '1994 Scheme') which is now closed with the exception of any outstanding options

The LTIP is divided into two parts Part A allows the Committee to grant share options Annual grants may not exceed an amount equal to three times base salary In normal circumstances options granted are exercisable, subject to satisfaction of the relevant performance conditions as referred to below, not earlier than three years and not later than 10 years after the date of grant Share options granted to date have a performance condition attached based on the Company's eps growth (adjusted to exclude items which do not reflect the Company's underlying financial performance) relative to UK inflation (RPI) over three years The performance conditions for options granted operate on the following sliding scale

Face value of annual share options granted as a proportion of salary	Total margin over UK inflation after 3 years
First 150% of salary	9%
Next 75% of salary	12%
Next 75% of salary	19%

The performance condition is tested after three years, with no provision for retesting Accordingly, to the extent the performance condition has not been met after three financial years, the relevant share options will lapse The performance condition has been satisfied in relation to the options granted prior to 2006 under Part A of the LTIP The Committee can set different performance conditions from those described above for future options, provided that the new conditions are no less challenging Similarly the Committee can adjust the performance conditions of existing options to take account of technical changes, for example changes in accounting standards or in the event of a rights issue The amended condition will be no less challenging as a result of the change

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

The table below shows the number of share options under the executive share options schemes held by the executive directors and by Mr A J Habgood relating to his previous service as an executive director Mr A J Habgood has not received any grants of executive share options since 2005 and is not eligible to receive any further grants

	Grant date	Exercise price (p)	Options exercisable between	**Options at 31 December 2007**	Options at 1 January 2007
A J Habgood	03 03 04	451 5	03 03 07 – 02 03 14	–	305,000
	01 03 05	500 25	01 03 08 – 28 02 15	**152,500**	152,500
	09 09 05	568	09 09 08 – 08 09 15	**143,029**	143,029
M J Roney	01 11 05	565	01 11 08 – 31 10 15	**180,530**	180,530
	06 03 06	648 5	06 03 09 – 05 03 16	**78,643**	78,643
	01 09 06	652 5	01 09 09 – 31 08 16	**78,500**	78,500
	01 03 07	659	01 03 10 – 28 02 17	**83,000**	–
	31 08 07	684 5	31 08 10 – 30 08 17	**79,500**	–
P L Larmon	30 08 00	384	30 08 03 – 29 08 10	–	20,000
	27 02 01	455 5	27 02 04 – 26 02 11	–	20,000
	29 08 01	450	29 08 04 – 28 08 11	**20,000**	20,000
	28 02 02	482	28 02 05 – 27 02 12	**20,000**	20,000
	29 08 02	461	29 08 05 – 28 08 12	**20,000**	20,000
	27 08 03	446 25	27 08 06 – 26 08 13	**30,000**	30,000
	03 03 04	451 5	03 03 07 – 02 03 14	**60,000**	60,000
	01 03 05	500 25	01 03 08 – 28 02 15	**53,200**	53,200
	09 09 05	568	09 09 08 – 08 09 15	**48,411**	48,411
	06 03 06	648 5	06 03 09 – 05 03 16	**38,458**	38,458
	01 09 06	652 5	01 09 09 – 31 08 16	**43,000**	43,000
	01 03 07	659	01 03 10 – 28 02 17	**47,000**	–
	31 08 07	684 5	31 08 10 – 30 08 17	**45,000**	–
B M May	30 08 00	384	30 08 03 – 29 08 10	**20,000**	20,000
	29 08 01	450	29 08 04 – 28 08 11	**35,000**	35,000
	29 08 02	461	29 08 05 – 28 08 12	**40,000**	40,000
	25 02 03	372 25	25 02 06 – 24 02 13	**20,000**	20,000
	27 08 03	446 25	27 08 06 – 26 08 13	**20,000**	20,000
	03 03 04	451 5	03 03 07 – 02 03 14	**20,000**	20,000
	01 03 05	500 25	01 03 08 – 28 02 15	**10,000**	10,000
	09 09 05	568	09 09 08 – 08 09 15	**20,000**	20,000
	06 03 06	648 5	06 03 09 – 05 03 16	**32,382**	32,382
	01 09 06	652 5	01 09 09 – 31 08 16	**32,500**	32,500
	01 03 07	659	01 03 10 – 28 02 17	**34,000**	–
	31 08 07	684 5	31 08 10 – 30 08 17	**33,000**	–

Notes

a) The following executive share options were exercised during 2007 by
   (i) Mr A J Habgood on 24 April 2007 in respect of 305,000 ordinary shares at an exercise price of 451 5p (market price 715p), and
   (ii) Mr P L Larmon on 10 April 2007 in respect of 20,000 ordinary shares at an exercise price of 455 5p and 20,000 ordinary shares at an exercise price of 384p (market price 734p)

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

c) The mid-market price of an ordinary share on 31 December 2007 was 709 5p and the range during 2007 was 626 5p to 742p

d) The performance condition has been satisfied in relation to all outstanding options granted under the 1994 Scheme

e) All share options granted prior to 25 May 2004 are under the 1994 Scheme Options granted since then have been made under the LTIP

f) The grant to Mr B M May of 20,000 options on 25 February 2003 at an exercise price of 372 25p will be settled in cash

Part B of the LTIP allows the Committee to award performance shares which is a conditional right to receive shares in the Company for nil consideration Annual awards may not exceed an amount equal to two times base salary A performance share award will normally vest (i e become exercisable) on the third anniversary of its grant to the extent that the applicable performance conditions have been satisfied and will remain capable of being exercised for the three year period following the date on which it vests

The extent to which awards made prior to October 2007 may vest will be subject to the Company's total shareholder return ('TSR') performance over a three year period relative to the TSR performance of a specified group of companies (the 'Peer Group') The process for identifying the Peer Group is the same as that used for identifying the comparator group for the setting of base pay as described under 'Remuneration policy' on page 52 These performance share awards will vest in full only if the Company's TSR performance is ranked at upper quartile or above within the Peer Group and the following vesting schedule will apply

TSR	Proportion of performance share award exercisable
Below median	Nil
Median	25%
Median to upper quartile	Pro rata between 25% – 100%
Upper quartile	100%

The companies currently within the Peer Group are

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

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

Total margin over UK inflation after 3 years	Proportion of performance share award exercisable
Below 12%	Nil
12%	25%
Between 12% and 33%	Pro rata between 25% – 100%
Over 33%	100%

The performance condition will be tested after three years and there is no provision for retesting Accordingly, to the extent the performance condition has not been met after three years, the relevant performance share awards will lapse As with share option grants, the Committee reviews the performance condition each time performance share awards are made in order to ensure that they remain challenging and may impose different conditions on performance share awards made in subsequent years provided that any new conditions are no less challenging

The table below shows the number of performance share awards under the LTIP, all for nil consideration, allocated to the executive directors and to Mr A J Habgood relating to his previous service as an executive director Mr A J Habgood has not received any awards of performance shares since 2005 and is not eligible to receive any further awards

	Award date	Awards (shares) held at 1 January 2007	Conditional shares awarded during 2007	Awards (shares) vested during 2007	Awards (shares) lapsed during 2007	**Awards (shares) held at 31 December 2007**
A J Habgood	12 10 04	228,750	–	70,455	158,295	**–**
	01 03 05	114,375	–	–	–	**114,375**
	03 10 05	107,272	–	–	–	**107,272**
M J Roney	01 11 05	120,353	–	–	–	**120,353**
	04 04 06	49,816	–	–	–	**49,816**
	04 10 06	50,000	–	–	–	**50,000**
	02 04 07	–	50,500	–	–	**50,500**
	19 10 07	–	51,000	–	–	**51,000**
P L Larmon	12 10 04	60,000	–	18,480	41,520	**–**
	01 03 05	39,900	–	–	–	**39,900**
	03 10 05	36,308	–	–	–	**36,308**
	04 04 06	27,633	–	–	–	**27,633**
	04 10 06	31,000	–	–	–	**31,000**
	02 04 07	–	32,500	–	–	**32,500**
	19 10 07	–	32,500	–	–	**32,500**
B M May	12 10 04	15,000	–	4,620	10,380	**–**
	01 03 05	7,500	–	–	–	**7,500**
	03 10 05	15,000	–	–	–	**15,000**
	04 04 06	23,076	–	–	–	**23,076**
	04 10 06	23,000	–	–	–	**23,000**
	02 04 07	–	23,500	–	–	**23,500**
	19 10 07	–	24,000	–	–	**24,000**

Notes

a) Performance share awards were made on 2 April 2007 to Mr M J Roney of 50,500 shares, Mr P L Larmon of 32,500 shares and Mr B M May of 23,500 shares at a value of 719p per share and on 19 October 2007 to Mr M J Roney of 51,000 shares, Mr P L Larmon of 32,500 shares and Mr B M May of 24,000 shares at a value of 711 5p per share

b) On 17 October 2007 the Committee determined that the TSR condition attaching to the performance share awards made on 12 October 2004 had been satisfied to the extent that 30 8% of the original award had vested with the remainder of the award lapsing The closing mid-market price of the Company's ordinary shares as at the date of vesting was 714 5p per share The following awards were subsequently exercised by
(i) Mr A J Habgood on 23 October 2007 in respect of 70,455 ordinary shares at a market price of 718p,
(ii) Mr P L Larmon on 17 October 2007 in respect of 18,480 ordinary shares at a market price of 700p, and
(iii) Mr B M May on 4 December 2007 in respect of 4,620 ordinary shares at a market price of 684p

c) In addition to the performance share awards under the LTIP to Mr M J Roney as listed above, a further 175,000 conditional shares were awarded on 1 November 2005 as an exceptional discretionary benefit to implement the terms agreed on the recruitment of Mr M J Roney as Chief Executive in order to compensate him for the loss of existing entitlements from his previous employer This award will vest if Mr M J Roney remains employed by the Company until 31 October 2008 or earlier if the Company terminates Mr Roney's employment prior to this date for any reason other than gross misconduct or if his employment terminates due to death, disability, sickness or a change of control of the Company

d) The performance condition for all awards under Part B of the LTIP provides for the exclusion from the comparator group of those companies that cease to be listed and, as agreed by the Committee during the year for awards vesting from 2007, the exclusion of those companies that have been subject to a recommended takeover offer and are therefore in the process of delisting Where companies are excluded from the comparator group, the median/upper quartile rankings are recalculated using the reduced number of companies in the comparator group

Any shares required to fulfil entitlements under the share based incentive schemes in respect of options and awards over market purchased shares will be provided by the Trust The Company's TSR over the last five years compared to that of the FTSE Support Services Sector is shown in the graph on page 25 of the Annual Review and Summary Financial Statement

The UK based executive directors may also participate in a Sharesave Scheme which was approved by shareholders in 2001, is approved by HM Revenue & Customs and is open to all UK employees who have completed at least three months of continuous service It is linked to a contract for monthly savings of up to £250 per month over a period of either three or five years Under the Sharesave Scheme options are granted to participating employees at a discount of up to 20% of the market price prevailing on the day immediately preceding the date of invitation to apply for the option Options are normally exercisable either three or five years after they have been granted The following table sets out the number of share options under the Sharesave Scheme held by the UK based executive directors

	Exercise price (p)	Options exercisable between	**Options at 31 December 2007**	Options at 1 January 2007
M J Roney	522	01 11 11 – 30 04 12	**3,136**	3,136
B M May	296	01 05 08 – 31 10 08	**1,109**	1,109
	358	01 11 08 – 30 04 09	**3,541**	3,541

US based executive directors may participate in the Bunzl Employee Stock Purchase Plan (US) This Plan provides an opportunity for employees in the US to purchase the Company's ordinary shares at a 15% discount to the market price, up to an annual maximum of 10% of remuneration or $25,000 worth of ordinary shares, whichever is lower The purchase of the ordinary shares is funded by after tax payroll deductions from the employee with the employing company contributing the 15% discount Shares held by Mr P L Larmon under this Plan are included in his ordinary share interests set out in Note 20 to the consolidated financial statements

Based on the authority obtained at the 2001 Annual General Meeting, the Company introduced the International Sharesave Plan during 2002 and the Irish Sharesave Plan in 2006 These operate on a similar basis to the Sharesave Scheme except that options are normally exercisable three years after they have been granted None of the executive directors are eligible to participate in these Plans

Retirement benefits
As stated in the Accounting Policies section of the consolidated financial statements and elaborated upon in Note 21, the Group utilises both defined benefit and defined contribution pension schemes throughout the world All defined benefit schemes are now closed to new entrants who are offered a defined contribution arrangement

In the UK the Group has historically operated as its main contributory scheme for senior executives the Bunzl Senior Pension Scheme Section of the Bunzl Pension Plan ('BSPS') BSPS provides for members' contributions currently at the rate of 9% of pensionable salary (which is basic salary) with the Group being responsible for the balance of the cost of providing the benefit as determined from time to time by the consulting actuaries to BSPS Subject to HM Revenue & Customs limits BSPS members are eligible for a pension which accrues at a maximum rate of 3% per annum up to two thirds of pensionable salary, with a normal retirement age of 60 years BSPS also provides for payment of certain benefits in the event of death or disability Because of the cap on pensionable salary introduced in the Finance Act 1989, which has been maintained by the Company notwithstanding the changes introduced to the legislation with effect from April 2006, the amount of direct contribution by the Company to defined benefit pension schemes for the UK executive director who is a member of BSPS is limited Arrangements have therefore been made to provide that executive director with an allowance of 30% of base salary above the cap which permits him to make provision, of his choice, in respect of that part of his salary which exceeds the cap Alternatively the executive director may choose to opt for a pension allowance of 30% of base salary, part of which could be paid directly into a private pension scheme Currently any UK executive director newly appointed to the Group is offered a pension allowance of 30% of base salary and has the choice of joining the defined contribution section of the Bunzl Pension Plan or to opt for a private pension scheme or other investment vehicle Company contributions to the Defined Contribution Section of the Bunzl Pension Plan match employee contributions but are limited to a maximum of 5% of base salary up to the pensionable salary cap The Company also provides lump sum life assurance cover of four times base salary

In the US the main scheme for employees is the non-contributory Bunzl USA, Inc Retirement Plan (the 'US Plan') Subject to IRS limits, members of the US Plan earn a lifetime pension which accrues at a rate of 1 67% per annum, up to 50% of the five year average pensionable salary less the primary social security benefit, with a normal retirement age of 65 years Pensionable salary in the US Plan is capped at $140,000 The US Plan also provides for certain benefits in the event of death or disability On closure of the US Plan to new entrants all existing participating employees had the choice to continue in the existing scheme or freeze their benefit and join a defined contribution plan, the Retirement Saving Benefit (the 'RSB') Contributions to the RSB are fully funded by the employer on a sliding scale that is age related The contributions are a percentage of base salary (maximum 5%) which is capped at $200,000 per annum Because of the cap on pensionable salary under the US Plan and the RSB, the pensions of senior US executives are limited and arrangements have been made to provide certain executives with supplementary pensions through a Senior Executive Retirement Agreement ('SERA') Mr P L Larmon's SERA provides for a lifetime pension of $100,000 per annum, payable upon retirement In 2007, the SERA arrangement was closed to new entrants and a new defined contribution SERA ('DC SERA') was put in place

Directors' service contracts and terms of appointment
It is the Company's policy that executive directors are normally employed on contracts that provide for 12 months' notice from the Company and six months' notice from the executive For the UK executive directors there is no predetermined compensation for termination of these contracts Mr P L Larmon's contract provides that on termination by the Company without cause he is entitled to receive payment of 12 months' base salary plus health insurance coverage, reduced by any interim earnings There are no provisions for any of the directors for predetermined compensation in excess of one year's remuneration and benefits in kind Mr M J Roney, for the first three years of service in limited circumstances only, is also entitled to receive a repatriation payment to cover relocation and school fees that have been incurred The date of each service contract is noted in the table below

	Date of service contract
M J Roney	1 September 2005
P L Larmon	1 January 2005
B M May	9 December 2005

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

In common with many senior executives in the Group, the executive directors are eligible for certain benefits which include the provision of a company car and payment of its operating expenses, or a cash allowance in lieu thereof, in line with prevailing Group policies and, in the case of Mr M J Roney and Mr B M May, private medical plan coverage under the Company's prevailing UK healthcare plan Mr P L Larmon participates in welfare benefit plans made available to all US employees of the Group covering life insurance, medical, dental and disability cover

The Chairman and the non-executive directors are paid annual fees for their services In addition, where relevant, the non-executive directors are paid a fee for chairing the Audit and Remuneration Committees of the Board Neither the Chairman nor the non-executive directors have service contracts and they are not eligible for pension scheme membership and do not participate in any of the Group's bonus, share option or long term incentive plans (save in respect of the Chairman's accrued entitlements relating to his previous service as an executive director) The Chairman receives certain benefits which include the provision of a company car and payment of its operating expenses, private medical plan coverage under the Company's prevailing UK healthcare plan and life assurance cover of four times his annual fee The Chairman's fee is reviewed annually and the non-executive directors' fees are reviewed biennially, based on external market survey data The fee for the Chairman is determined by the Remuneration Committee and the fees for the non-executive directors are determined by the Board

Directors' remuneration

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

	Salary/fees 2007 £000	Annual cash bonus 2007 £000	Pension allowance 2007 £000	Benefits 2007 £000	Total 2007 £000	Total 2006 £000
Chairman						
A J Habgood	**375.0**	–	–	**20 4**	**395 4**	365 6
Executive						
M J Roney	**725 0**	**278 0**	**213 3**	**28 9**	**1,245 2**	1,421 7
P L Larmon	**430 0**	**126 8**	–	**32.0**	**588 8**	647 7
B M May	**400 0**	**153 4**	**86 5**	**16.4**	**656 3**	605 9
Non-executive						
J F Harris	**80 5**	–	–	–	**80 5**	74 9
C A Banks	**64 5**	–	–	–	**64.5**	59 3
U Wolters	**54 5**	–	–	–	**54 5**	50 3
P W Johnson	**54 5**	–	–	–	**54 5**	50 3
D J R Sleath	**19 3**	–	–	–	**19 3**	–
	2,203 3	**558 2**	**299 8**	**97 7**	**3,159 0**	3,275 7

Notes

a) The remuneration for Mr P L Larmon is paid or determined in US dollars and has been translated at the average exchange rates for the year of £1 $2 00 in respect of 2007 and £1 $1 84 in respect of 2006

b) The figures above represent remuneration earned as directors during the relevant financial year including, in the case of the executive directors, the cash element of the bonus, which is paid in the year following that in which it is earned The deferred element of the bonus is conditionally allocated as shares as described on page 53 and is not included in the table above Shares relating to the 2006 bonus were allocated in 2007 as shown in the table on page 53 and for the 2007 bonus will be allocated in 2008

c) Mr M J Roney is a member of the defined contribution section of the Bunzl Pension Plan The Company makes matching contributions to this Plan During 2007 such contributions for Mr M J Roney amounted to £4,230 (2006 £nil) In addition he received a pension allowance, of 30% of base salary less the Company's contribution to the Pension Plan, as shown in the above table The values of the pension benefits for the other executive directors are shown in the following table and are not included in the directors' remuneration table above In addition in 2007 in respect of Mr P L Larmon the Company paid all necessary contributions, on actuarial advice, to the SERA which amounted to £48,551 (2006 £49,057) and paid £145,000 (2006 £nil) into the DC SERA

d) The remuneration of Mr D J R Sleath for 2007 relates to the period from 1 September 2007 (the date of his appointment to the Board) to 31 December 2007

e) In addition to the remuneration paid to the directors in 2006 shown above, Mr D M Williams, who retired as a director on 31 January 2006 upon reaching his normal retirement age, received remuneration of £53,402 in respect of the period from 1 January 2006 to 31 January 2006

	Accrued benefits at 31 12 06 per annum £	Accrued benefits at 31 12 07 per annum £	Transfer value of accrued benefits at 31 12 06 £	Change in transfer value of accrued benefits during the year £	Transfer value of accrued benefits at 31 12 07 £
P L Larmon*	13,330	13,127	69,221	3,292	72,513
B M May	26,851	30,589	266,280	45,511	321,849

*Excluding SERA entitlements

Notes

a) Of the additional benefits accrued since 1 January 2007, the increases attributable to factors other than inflation or foreign exchange translation were £2,690 for Mr B M May and £nil for Mr P L Larmon
b) Pension accruals shown are the amounts accrued based on service with Bunzl plc or its subsidiaries
c) The transfer values of accrued benefits have been calculated on the basis of actuarial advice in accordance with any relevant actuarial legislation and, in the case of Mr B M May, are net of his contributions
d) Mr P L Larmon's benefits under the US Plan are frozen Mr P L Larmon is now a member of the RSB to which the Company has made contributions in 2007 of £5,000 (2006 £5,435)
e) In addition Mr P L Larmon participates in the Bunzl USA, Inc Deferred Savings (401k) Plan The Company makes matching contributions to this Plan During 2007 such contributions for Mr P L Larmon amounted to £5,063 (2006 £5,380)

On behalf of the Board
C A Banks
Chairman of the Remuneration Committee
25 February 2008

FIVE YEAR REVIEW

IFRS

Continuing operations	**2007 £m**	2006 £m	2005 £m	2004 £m
Revenue	**3,581 9**	3,333 2	2,924 4	2,438 5
Operating profit before intangible amortisation	**242 9**	226 3	203 4	168 9
Intangible amortisation	**(24 4)**	(19 9)	(15 9)	(7 8)
Operating profit	**218 5**	206 4	187 5	161 1
Finance income	**21 1**	19 6	22 0	17 0
Finance cost	**(48 5)**	(36 3)	(32 8)	(19 9)
Profit before income tax	**191 1**	189 7	176 7	158 2
Profit before income tax and intangible amortisation	**215 5**	209 6	192 6	166 0
Income tax	**(61 0)**	(60 3)	(56 7)	(52 5)
Profit for the year	**130 1**	129 4	120 0	105 7
Discontinued operations				
Profit for the year	**–**	–	4 2	35 7
Total profit for the year	**130 1**	129 4	124 2	141 4
Attributable to				
Equity holders of the Company	**130 1**	129 4	123 6	140 2
Minority interests	**–**	–	0 6	1 2
Total profit for the year	**130 1**	129 4	124 2	141 4
Basic earnings per share	**39 8p**	37 8p	35 4p	30 7p
Adjusted earnings per share	**45 1p**	41 7p	38 7p	32 1p

UK GAAP

	2004 £m	2003 £m
Sales		
Continuing operations	2,438 5	2,275 6
Discontinued operations	477 5	452 6
Total sales	2,916 0	2,728 2
Operating profit		
Continuing operations	149 6	143 5
Discontinued operations	56 1	52 9
Total operating profit	205 7	196 4
Net interest payable	(4 8)	(1 8)
Profit on ordinary activities before tax	200 9	194 6
Profit before tax, goodwill amortisation and exceptional items	226 0	212 3
Tax on profit on ordinary activities	(72 3)	(69 0)
Profit on ordinary activities after tax	128 6	125 6
Profit for the year	127 4	124 6
Basic earnings per share	28 7p	27 4p
Adjusted earnings per share	34 4p	31 3p

BUNZL PLC 358948

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DELIVERING FOR OUR CUSTOMERS

ANNUAL REVIEW AND SUMMARY FINANCIAL STATEMENT 2007

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

WE HAVE PARTNERED WITH BOTH SUPPLIERS AND CUSTOMERS IN PROVIDING OUTSOURCING SOLUTIONS AND SERVICE ORIENTED DISTRIBUTION.

WE SUPPLY A BROAD RANGE OF INTERNATIONALLY SOURCED PRODUCTS THAT ARE ESSENTIAL FOR OUR CUSTOMERS TO OPERATE THEIR BUSINESSES.

+12%

Revenue at constant exchange rates

+12%

Operating profit* at constant exchange rates

+13%

Adjusted earnings per share* at constant exchange rates

+10%

Dividend per share

			Growth	
	2007	2006	Actual exchange rates	Constant exchange rates
Revenue £m	**3,581.9**	3,333 2	7%	12%
Operating profit £m	**218.5**	206 4	6%	11%
Operating profit* £m	**242.9**	226 3	7%	12%
Profit before tax £m	**191.1**	189 7	1%	6%
Profit before tax* £m	**215.5**	209 6	3%	8%
Basic earnings per share p	**39.8**	37 8	5%	10%
Adjusted earnings per share* p	**45.1**	41 7	8%	13%
Dividend per share p	**18.7**	17 0	10%	

*Before intangible amortisation

WE ARE SUCCESSFUL BECAUSE WE UNDERSTAND OUR CUSTOMERS' NEEDS AND DELIVER PRODUCTS WHEN AND WHERE THEY NEED THEM

DELIVERING INTERNATIONALLY

We have facilities in 23 countries across four business areas North America, UK & Ireland, Continental Europe and Rest of the World We also source products from many other countries We are continually developing our global network to ensure the best service for our customers and a thorough understanding of their markets In early 2008 we entered the growing Brazilian market

NORTH AMERICA

48%
of Group operating profit*

£123.3m
Operating profit*, a rise of 2%
at constant exchange rates

Pat Larmon
President and CEO North America

'Against a background of more difficult business conditions in the United States in 2007, our results once again moved forward with growth in both dollar revenue and profits'

UK & IRELAND

29%
of Group operating profit*

£74.5m
Operating profit*, a rise of 25%

James Cunningham
Managing Director UK & Ireland

'Operational initiatives, good organic growth and the exciting acquisitions we have made in both the UK and Ireland contributed to a substantial increase in our results'

CONTINENTAL EUROPE

19%
of Group operating profit*

£50.0m
Operating profit*, a rise of 21%
at constant exchange rates

Frank van Zanten
Managing Director
Continental Europe

'Strong organic growth, especially in central Europe, acquisitions to consolidate the Netherlands and to enter Belgium and Spain and efficiency gains across the region resulted in another successful year'

Brian May
Finance Director

Celia Baxter
Director of Group
Human Resources

REST OF THE WORLD

4%
of Group operating profit*

£10.8m
Operating profit*, a rise of 10%
at constant exchange rates

Kim Hetherington
Managing Director Australasia

'The full year impact of acquisitions made in 2006 and strong organic growth across the region have helped us produce another good performance with double digit increases in both revenue and profits'

Michael Roney
Chief Executive

Paul Hussey
General Counsel and
Company Secretary

Nancy Lester
Director of Corporate
Development

* Before intangible amortisation and corporate costs

DELIVERING STRONG GROWTH IN SELECTED MARKETS

As a focused organisation Bunzl has again demonstrated the strength of its customer proposition and shown its ability to grow both in existing and new markets.

Anthony Habgood
Chairman
25 February 2008

ADJUSTED EARNINGS PER SHARE p

■ UK GAAP ■ IFRS

As reported

SHARE PRICE RANGE p

Taking advantage of growth opportunities in existing and new geographies, Bunzl produced another good set of results driven both organically and by acquisition activity All four business areas were ahead of 2006 in both revenue and profits in local currencies Overall revenue rose to £3,581 9 million (2006 £3,333 2 million), an increase of 12% at constant exchange rates Operating profit before intangible amortisation was £242 9 million (2006 £226 3 million), also up 12% at constant exchange rates Earnings per share were 39 8p (2006 37 8p), an increase of 10% at constant exchange rates, and adjusted earnings per share, after eliminating the effect of intangible amortisation, were 45 1p (2006 41 7p), 13% ahead at constant exchange rates Adverse currency translation movements, especially the US dollar, reduced Group growth rates by 5% while, if recent spot rates prevail, the translation effect of both the US dollar and the euro will have a positive impact going forward

Dividend
The Board is recommending a 10% increase in the final dividend to 12 9p This brings the total dividend for the year to 18 7p, an increase of 10% Shareholders will again have the opportunity to participate in our dividend reinvestment plan

Share buy back
During the year the Company conducted an on market share buy back programme under which 14 2 million shares were bought into treasury for a total consideration of £100 million

Delisting from the New York Stock Exchange
In June the Company delisted its American Depositary Shares (ADSs) from the New York Stock Exchange and ended the registration of its securities under the Securities Exchange Act of 1934 The Board believed that the administrative burden and costs associated with the ADSs and the Exchange Act registration outweighed the benefits to the Company and its shareholders

Board
Bunzl's Board was further strengthened by the appointment of David Sleath as a non-executive director in September Currently Group Finance Director of SEGRO plc, the European industrial property group, David was formerly a Partner and Head of Audit and Assurance for the Midlands region of Arthur Andersen and subsequently became Finance Director of Wagon plc He has a strong finance background and broad international experience and has added further depth to the independent element of our Board

Strategy
Bunzl is continuing to pursue a strategy of focusing on its strengths and consolidating the markets in which it competes Through the pursuit of this strategy we have built leading positions in a number of business sectors in the Americas, Europe and Australasia In 2007 we further extended our business coverage with acquisitions that took us significantly deeper into our chosen markets in the Netherlands and Ireland, gave us a substantial position in Belgium and continued to consolidate our more established markets elsewhere Redefining and deepening our commitment to customers and markets, extending our business into new geographies and expanding and co-ordinating our procurement and international sourcing remain important elements of our strategy

Investment
Both organic growth and acquisitions require investment in the business to expand and enhance its asset base We have steadily extended and improved our warehouses and opened new ones Systems are critical to our ability to serve our customers in the most efficient and appropriate manner and we are convinced that our modern systems are a source of heightened advantage that enable us to manage our business in a way that will maintain our leadership in the marketplace We therefore continuously upgrade our systems as we integrate new businesses into the Group's operations, increase functionality and enhance customer service

Environment and climate change
Awareness of the environment and considering how to reduce our impact on it is not new for Bunzl nor is it a passing phase Our environmental programmes have been in place for over five years and we consistently review and seek to improve our performance in this area During the year we have particularly focused on educating our employees and informing our customers on environmental issues including how Bunzl can both reduce its own environmental impact and encourage sustainability by providing environmentally friendly products and services In addition, during 2007 Bunzl provided support to a number of environmental projects which included funding the London Remade Local Authority Network meetings, which promote recycling activities, as well as providing funding for a school and two educational centres to purchase wind turbines to provide them with renewable energy

Employees
Our employees' dedication, commitment and approach to their work remain key strengths Across the world we are reliant on them to provide a high level of customer care which adds value to our service offering Bunzl's reputation and spirit is shaped by the sustained relationships our employees forge with all our stakeholders We are grateful for all the hard work and effort that everyone has shown this year in continuing to grow the business successfully

REVENUE £bn

98–05 continuing operations

OPERATING PROFIT* £m

UK GAAP IFRS

* Before amortisation and corporate costs
98–05 continuing operations

DELIVERING FOR OUR CUSTOMERS

Michael Roney
Chief Executive
25 February 2008

Operating performance
The strong momentum from previous years continued in 2007 as we had another successful year due to a combination of organic growth, good performance from acquisitions made in 2006 and increased acquisition spend Although some currencies were marginally stronger than in 2006, the translation effect of the weaker US dollar resulted in overall currency movements significantly reducing the reported growth rates of revenue and operating profit The operations, including the relevant growth rates, are therefore reviewed below at constant exchange rates to remove the distorting translation impact of these currency movements and, unless stated otherwise, in this review references to operating profit are to operating profit before intangible amortisation Changes in the level of revenue and profits at constant exchange rates have been calculated by retranslating the results from 2006 at the average exchange rates used for 2007

Overall revenue was £3,581 9 million (2006 £3,333 2 million) and operating profit was £242 9 million (2006 £226 3 million), in each case up 12% at constant exchange rates While the reported operating profit margin was steady at 6 8%, the margin, excluding the impact of currency exchange and acquisitions, moved up to 6 9% At constant exchange rates revenue in North America rose by 5% and operating profit increased 2%, with the lower level of profit increase largely due to the impact of lower margin acquisitions UK & Ireland showed a 28% increase in revenue and a 25% rise in operating profit resulting from good organic growth and the positive impact of recent acquisitions In Continental Europe revenue and operating profit increased by 12% and 21% respectively at constant exchange rates due to good organic growth, continued improvement in operating margins and the positive impact of current year acquisitions At constant exchange rates the Rest of the World experienced a 10% increase in both revenue and operating profit

ORGANIC REVENUE GROWTH %
Increase in revenue for the year excluding the impact of currency and current year acquisitions but including a pro rata part year in respect of prior year acquisitions Planned revenue reductions in prior year acquisitions reduced the underlying organic revenue growth in 2007 by 0 8% from 3 5%

PROFIT MARGIN %
Ratio of operating profit before intangible amortisation to revenue

PROFIT MARGIN EXCLUDING CURRENCY AND ACQUISITIONS %
Profit margin excluding the impact of currency and current year acquisitions but including a pro rata part year in respect of prior year acquisitions

Adjusted earnings per share, after eliminating the effect of intangible amortisation, were 45 1p (2006 41 7p), an increase of 13% at constant exchange rates, while basic earnings per share were 39 8p (2006 37 8p), an increase of 10% at constant exchange rates Return on average operating capital remained consistently high at 60 9% After expenditure on acquisitions and the share buy back, partly offset by strong operating cash flow, net debt increased by £236 9 million to £667 6 million resulting in a net debt to EBITDA ratio of 2 5 and interest cover of 9 times

Acquisitions
Spend on acquisitions rose to £197 million, primarily as a result of a major expansion in the Benelux, four noteworthy investments in the UK and Ireland, an entry into the promising Spanish market and two further acquisitions in North America As a result we not only expanded the Group into new countries but also extended our product offering and customer base in our existing operations

In January we announced two acquisitions in North America Tec Products, a New Jersey based redistribution business with revenue of $14 million in 2006, is principally engaged in the supply of jan/san and associated products while Westgate, also a New Jersey based redistribution business with revenue of $18 million in 2006, supplies personal protection equipment in the eastern US and Canada

We entered the exciting, and so far unconsolidated, Spanish market in February with our acquisition of Iberlim, a cleaning and hygiene business based near Barcelona with 2006 revenue of €9 million In August we acquired King Benelux, with pro forma revenue in 2006 of €125 million, which is principally engaged in the distribution of products to the healthcare and contract cleaning sectors in the Netherlands and the foodservice, retail and healthcare sectors in Belgium This company is an excellent addition to our successful business in the Netherlands and also provides a significant business in Belgium

We announced in August the first of four UK & Ireland acquisitions with the purchase of Coffee Point, a London based business engaged in the sale and operation of vending machines and associated services for a broad customer base This business, with revenue of £45 million in the year ended March 2007, substantially increased the size of our vending business to the point that we are now the largest vending operator in the UK In October we completed the acquisition of Irish Merchants, a business based in Dublin with revenue of €45 million in the year ended March 2007, which is involved in the distribution of foodservice disposables, janitorial supplies and beverage systems to the horeca, healthcare and retail sectors throughout Ireland The acquisition of this company, which was formerly associated with King Benelux, is a good strategic fit as it significantly increases the size of our business in Ireland and strengthens our position there Finally, in December we acquired Care Shop, a Bolton based business which is a leading national supplier of consumables to the independent care and nursing homes market and which had revenue of £19 million in the year ended March 2007, and Rafferty, a distributor of guest amenity products to hotels throughout Ireland with revenue of £9 million in the year ended October 2007

Since the year end we have announced two further acquisitions Gunter Guest Supplies was acquired in January Based in Bremen, Germany, it supplies guest amenity products to hotels throughout Europe and had revenue of €9 million in 2007 In February we purchased Prot Cap, a leading national supplier of personal protection equipment based in São Paulo, which represents our first move into the large and rapidly growing Brazilian market It had revenue in 2007 of R$118 million

Prospects
The strong performance of the Group has continued into 2008 due to good organic growth bolstered by the positive impact from acquisitions Despite the current uncertainties in the wider economic environment, the combination of firm product prices, especially in paper, and new customer wins is supporting our underlying growth rates in the coming period

In North America we believe that our business model, which sells a high proportion of our products to food related sectors, is resilient and should develop well In addition the acquisitions made in previous periods are continuing to improve their profitability

We anticipate that the UK & Ireland business will continue to experience high growth rates driven by good organic growth resulting from new customer gains and the integration of acquisitions made in the second half of last year The synergies arising from the acquisitions of Coffee Point and Irish Merchants are already being realised

In Continental Europe the broad based good organic growth across the business area and the operational improvements made in France should continue to bolster our results moving forward The integration of King Benelux is ongoing and progressing well and Iberlim, our entry into Spain, is trading ahead of expectations

In the Rest of the World, our larger businesses in Australasia are performing well and we expect improved results from our smaller healthcare business Our latest acquisition, Prot Cap in Brazil, will positively impact this year's results

The continued strengthening of the Group in the international markets in which we compete and the opportunity for further growth through acquisitions, give us confidence that the prospects are good and that our business will continue to grow successfully

OUR CLEAR STRATEGY HAS RESULTED IN ANOTHER SUCCESSFUL YEAR WITH GROWTH BOTH ORGANICALLY AND THROUGH ACQUISITIONS

ACQUISITION SPEND £m
Consideration paid and payable, together with net debt assumed, in respect of businesses acquired during the year including any adjustments relating to acquisitions made in prior years

ANNUALISED REVENUE FROM ACQUISITIONS £m
Estimated revenue which would have been contributed by acquisitions made during the year if such acquisitions had been completed at the beginning of the relevant year

DELIVERING TO ENSURE OUR CUSTOMERS MEET THE DEMANDS OF THEIR CUSTOMERS

In North America we have created a dynamic new organisation that provides a comprehensive redistribution service R3 ('Reliable Redistribution Resource') is the largest business of its type with the capability to cover the whole of North America Our objective is to give our customers a competitive edge through greater choice and efficiency. The idea is simple unified services and support throughout the supply chain from initial order through to final delivery

Revenue
at constant
exchange rates

+5%

Return on average operating capital

71.9%

KEY HIGHLIGHTS

> The launch of R3 has provided a dedicated resource focusing on the growing redistribution sector
> Integration of 2006 and 2007 acquisitions successfully achieved

Nicholas Foods understands the benefits of our redistribution model and the value added service we provide to control inventory levels, cash flow and warehouse space All R3 services are scalable and, as a result, orders can range from dozens of products to several hundred

NORTH AMERICA

As part of the establishment of R3, a separate organisation to lead our sales and marketing in redistribution, we have committed resources and personnel both to our foodservice redistribution business and to develop further the jan/san business This sector allows us to increase our penetration into existing customers with new products as well as providing an

Our Retail Resources business has provided new growth for us in the non-food retail sector Their unique operating supply management programme, combined with our national platform and common IT system, has allowed us to gain business in some new retail areas The key to this success has been our ability to help manage store operating supply costs

Operating profit

+25%

Return on average operating capital

65.0%

KEY HIGHLIGHTS

> Strong growth achieved across all businesses with a number of new customer wins
> Acquisitions of Irish Merchants and Coffee Point consolidate our position in important markets

Butlers's use of our disposable products has grown rapidly as they have continued to expand since opening their first high street cafe in 1998

UK & IRELAND

The benefits of operational initiatives undertaken in 2006, good organic growth and the impact of the full year effect of 2006 acquisitions and acquisitions in 2007 resulted in revenue increasing 28% to £994 3 million and operating profit up 25% to £74 5 million

The hotel, restaurant and catering (horeca) business had a strong year as we benefited from the operational restructuring undertaken, and the new business won, in 2006 We renewed our largest customer contract and broadened the range that we supply to a leading restaurant chain Our ability to provide national accounts with both catering disposables and catering equipment enabled us to win new customers in the hotel, restaurant and pub sectors At a regional level we reorganised the salesforce in order to be more responsive to local customers During the year we piloted new vehicle routing and loading software and have started the roll out to all branches which will help us to improve our fuel and vehicle efficiency

Our retail supplies business had another successful year We renewed our second largest customer contract and also won new business with a major supermarket chain Following the opening of the Manchester warehouse extension in the second half of 2006, we reviewed the warehouse layout and procedures and have implemented a number of productivity improvements within the operation We also benefited from the full annual impact of Keenpac, which we acquired in December 2006 and provides us with expertise in the paper bag and luxury packaging sectors The business has traded in line with expectations with new business won from leading supermarket and luxury brand customers

The cleaning and safety business continued to deliver growth Greenham successfully retained a large government sector contract that demonstrated the ability of Bunzl to provide a consolidated delivery of a broad range of products We also added new customers in the construction and utilities markets The cleaning and hygiene business extended contracts with two national contract cleaners and introduced a new own label chemical range which has been accredited with the EU Eco-label We successfully rolled out a new computer system into the cleaning and hygiene business and created a new website that has generated encouraging levels of internet sales

Our vending business grew significantly in scale with the acquisition in August of Coffee Point This has made us the market leader in the UK hot beverage vending market The integration is ongoing with trading in line with our plan and we have already combined the salesforces and merged a number of the branches where overlaps existed We are implementing a new computer system that will result in additional efficiencies

In Ireland, our existing businesses performed well with growth in the horeca, cleaning and safety and retail businesses The acquisition of Irish Merchants in October increases our overall scale in Ireland and strengthens our position in the horeca, healthcare and retail sectors Its product range and focus on customer service fit well with our existing operations and we expect to gain economies of scale and purchasing benefits in 2008 In December we acquired Rafferty, a distributor of guest amenity products to hotels throughout Ireland

Our healthcare business grew significantly due principally to the first full year impact of Southern Syringe, the healthcare consumables business acquired in 2006 Southern Syringe has progressed ahead of plan as we reviewed existing contracts and implemented our operational procedures, resulting in improved operating margins, and we believe that we now have a solid base from which to grow this business The Shermond business won new contracts for its nitrile gloves and retained its position on the NHS contract for gloves In December we announced the acquisition of Care Shop, a leading distributor to the independent care and nursing homes sector, which provides us with a strong platform to develop our offering into this part of the healthcare market

DELIVERING BESPOKE FOODSERVICE PRODUCTS FOR OUR CUSTOMERS IN IRELAND

Recently acquired Irish Merchants supplies Butlers with a range of products including printed disposable cups, sugar sachets, tumblers, napkins and stirrers Butlers, through their 'Chocolate Cafés', offer high quality drinks and chocolates By supplying them with a reliable service and quality products, we assist them in providing a premium service to their customers

DELIVERING PRODUCTS THAT ENSURE CLEANER AND SAFER HOSPITALS IN THE BENELUX

The acquisition of King Benelux has expanded our business in the Netherlands into the healthcare and contract cleaning sectors and has provided us with a significant new business in Belgium This enables us to provide a broader product range, wider geographic coverage and an even better service to our customers including those in healthcare where we now have greater penetration

Operating profit at constant exchange rates

+21%

Return on average operating capital

50.2%

KEY HIGHLIGHTS

> Strong organic growth and operating efficiencies result in improved profitability
> Acquisitions of King Benelux and Iberlim expand our coverage into Belgium and Spain

We supply medical disposables, sterilisation packaging and protection wear products to the healthcare industry across Belgium and the Netherlands

CONTINENTAL EUROPE

At constant exchange rates revenue increased by 12% to £616 0 million and operating profit rose 21% to £50 0 million as continued strong organic sales and profit growth was complemented by the acquisitions of both King Benelux and Iberlim Improved profitability also resulted from better purchasing, higher imports from low cost countries, tight cost control and operating efficiency gains

In France, our cleaning and hygiene business grew revenue in difficult market conditions, with most growth again coming from larger national accounts Better margin management, substantially higher sales of our own brand range of products, Techline, and ongoing cost control helped profits to improve The roll out of the new IT system continues and is progressing well Our French personal protection equipment business saw a small reduction in revenue as particularly strong sales of avian influenza related products did not repeat in 2007 Nevertheless, the business managed to improve its margin and lower its costs to produce a significant improvement in profits

In the Benelux, the newly acquired King Benelux business has performed ahead of expectations and considerable synergies are already being delivered We have implemented a new ERP system in the Belgian business with the Dutch business to follow later this year Warehouse rationalisation in Belgium will also lead to further operating efficiencies In the Netherlands, our existing retail business saw strong revenue growth from both existing and new customers as well as product range extension Good margin management and cost efficiencies have resulted in substantial profit growth Our horeca business also achieved substantial sales growth from new account wins

In Germany, despite the loss of part of the business with a large customer and the absence of the exceptional revenue from the 2006 FIFA World Cup, good sales growth was achieved Margin pressure and higher transport costs were partially offset by operating efficiencies

In Denmark, our retail business continued to grow revenue and at the same time improve its profitability as a change in business mix resulted in lower sales of lower margin products A customer lost in 2006 was regained and better purchasing also improved the results Costs remained well controlled leading to another year of strong profit growth Our Danish horeca business generated strong growth As the business is reaching full capacity following rapid expansion in recent years, a new warehouse to provide increased capacity will be opened by the end of 2008

Growth has remained strong in central Europe In Romania we have relocated to larger warehouses in Bucharest to cater for further anticipated strong growth The retail business across the region improved its margin despite pricing pressures and benefited from further economies of scale and from its new ERP system while our cleaning and hygiene business grew revenues strongly following a restructuring of its salesforce to improve focus and sales efficiency The increased scale of the business has led to greater cost efficiencies

We acquired Iberlim at the end of February Specialising in cleaning and hygiene products, it serves customers in Spain from one site near Barcelona Performance to date has been ahead of expectations and the business represents a good platform from which to pursue further growth in Iberia

In January 2008 we acquired Gunter Guest Supplies which provides guest amenity products to hotels throughout Europe

Revenue
at constant
exchange rates

+10%

Return on average operating capital

49.8%

KEY HIGHLIGHTS

> Strong organic growth across Australasia
> First move into the large and rapidly growing Brazilian market

We provide a broad range of disposable products to Qantas Flight Catering, from paper towels for cleaning to food preparation gloves, clingwrap and foil These items help them to operate efficient inflight meals kitchens at major airports throughout Australia

REST OF THE WORLD

Benefiting from the full year impact of acquisitions made in 2006 combined with continued strong organic growth across the region, at constant exchange rates the Australasia business increased both revenue and operating profit by 10% to £132 6 million and £10 8 million respectively

Our largest business experienced strong organic growth and significant improvement in profitability by providing consolidation supply solutions to their customers across the core sectors of healthcare, industrial, horeca and retail throughout Australia and New Zealand In addition our catering equipment consumables business based in Queensland has complemented our offer by providing a wider range of products to existing customers and creating opportunities to develop in new markets

Our food processor supplies businesses delivered strong growth over the previous year The two businesses are evolving into one complementary focused food processor supplies business creating an excellent platform for continued growth We have invested in additional key sales development resources to capitalise on new business opportunities and infrastructure to support future growth

Our specialist healthcare business had a difficult year but has taken steps to improve operational performance and is now well positioned to develop in the growing aged care sector We are rolling out an electronic ordering system to their customer base which delivers efficiencies by simplifying the ordering process and enhancing access to information online

To support the growth of the Australasia business and to enable it to operate in a more efficient manner, we continue to invest in IT initiatives that will bring benefits to both our customers and suppliers In 2007 we introduced RF scanning technology into our largest business with excellent results This process increases accuracy and in turn enhances our customer satisfaction by reducing credits, as well as improving the order picking process We plan to roll the programme out into the branch network throughout 2008

In February 2008 we acquired Prot Cap, a leading national supplier of personal protection equipment based in São Paulo, which represents our first move into the large and rapidly growing Brazilian market Its results will be reported within the Rest of the World business area

DELIVERING ESSENTIAL FOOD PREPARATION PRODUCTS FOR QANTAS INFLIGHT MEALS

We supported Qantas in the consolidation of foodservice and janitorial supplies and now provide a large range of Bunzl own brands in addition to some specialist food packaging products They needed the flexibility and quality of service, cost efficiency and product availability to respond to delayed or diverted flights We are delighted to have the opportunity to bring our national distribution and consolidation expertise to such a prestigious business

DELIVERING SHAREHOLDER VALUE

Bunzl's strong independent Board continues to focus on a consistent strategy to add shareholder value.

1 Ulrich Wolters
***†• (Age 65)**
Non-executive director since 2004 Formerly Managing Director of Aldi Sud in Germany, he built the business into one of the world's leading retailers operating principally in Germany and Austria, the US, the UK and Australia He is Chairman of Lenze AG and a non-executive director of Douglas Holding AG

2 Michael Roney
(Age 53)
Chief Executive since 2005 having been a non-executive director since 2003 After holding a number of senior general management positions within Goodyear throughout Latin America and then Asia, he became President of their Eastern European, African and Middle Eastern businesses and subsequently Chief Executive Officer of Goodyear Dunlop Tires Europe BV He is a non-executive director of Johnson Matthey Plc

3 Charles Banks
***†#• (Age 67)**
Non-executive director since 2002 and Chairman of the Remuneration Committee Previously Chief Executive of Ferguson Enterprises, the largest North American subsidiary of Wolseley plc, he joined the Board of Wolseley in 1992 and was Group Chief Executive from 2001 until 2006 He is a partner of private equity firm Clayton Dubilier & Rice

4 David Sleath
***†• (Age 46)**
Non-executive director since September 2007 Formerly a Partner and Head of Audit and Assurance for the Midlands region of Arthur Andersen, he subsequently became Finance Director of Wagon plc before joining SEGRO plc, the European industrial property group, in 2005 where he is now Group Finance Director

5 Anthony Habgood
 # (Age 61)
Chairman since 1996, having joined as Chief Executive in 1991, and Chairman of the Nomination Committee 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 Chairman of Whitbread PLC and the senior independent director of SVG Capital plc

6 Brian May
(Age 43)
Finance Director since 2006 A chartered accountant, he qualified with KPMG and joined Bunzl in 1993 as Internal Audit Manager Subsequently he became Group Treasurer before taking up the role of Finance Director, Europe & Australasia in 1996 and Finance Director designate in June 2005

7 Pat Larmon
(Age 55)
Executive director since 2004 and President and Chief Executive Officer, North America Having joined Bunzl in 1990 when Packaging Products Corporation, of which he was an owner, was acquired, he held various senior management positions over 13 years before becoming President of North America in 2003 He was appointed Chief Executive Officer in 2004

8 Peter Johnson
***†• (Age 60)**
Non-executive director since 2006 Having spent most of his earlier career in the motor industry, he joined Inchcape plc in 1995 and became Chief Executive in 1999 and Chairman in 2006 He is Chairman of The Rank Group Plc

9 Jeff Harris
***†#• (Age 59)**
Non-executive director since 2000, senior independent director and Chairman of the Audit Committee Appointed Finance Director of UniChem Plc in 1986 and Chief Executive in 1992, he became Chief Executive of the enlarged Alliance UniChem Plc in 1997 and was Chairman from 2001 until 2005 He is Chairman of Filtrona plc

* Member of the Audit Committee
† Member of the Remuneration Committee
# Member of the Nomination Committee
• Independent director

FINANCIAL REVIEW

Cash generated from operations was £258 million, £44 million higher than in 2006.

Group performance
Revenue was £3,581 9 million (2006 £3,333 2 million), up 12% at constant exchange rates and operating profit before intangible amortisation was £242 9 million (2006 £226 3 million), up 12% at constant exchange rates This reflected good organic growth, acquisitions made in 2007 and the full year impact of acquisitions made in 2006 Intangible amortisation of £24 4 million was up £4 5 million reflecting the incremental effect of a full year's charge for the 2006 acquisitions and the amortisation relating to acquisitions made in 2007

Operating profit margin excluding intangible amortisation was maintained at 6 8% due to a small improvement in the base business offset by the full year impact of lower margin acquisitions

The net interest charge increased to £27 4 million from £16 7 million in 2006 due to an increased level of average net debt as a result of acquisition activity in 2006 and 2007 and the impact of the on market share buy back in the second half of 2006 and further buy back activity in 2007 Interest cover was 9 times

Profit before income tax and intangible amortisation was £215 5 million (2006 £209 6 million), up 8% at constant exchange rates

Adverse currency movements, especially the US dollar, reduced Group growth rates by 5% This translation effect is the major way that currency impacts the Group results although there is also a small transaction effect on certain parts of the business

Tax
A tax charge at a rate of 31 6% (2006 32 0%) has been provided on the profit before tax and intangible amortisation Half of the reduction is due to a decrease in deferred tax provisions as a result of the change in the UK corporation tax rate to 28% which will take effect in April 2008 Including the impact of intangible amortisation of £24 4 million (2006 £19 9 million) and the related deferred tax of £7 1 million (2006 £6 7 million), the overall tax rate is 31 9% (2006 31 8%) The tax rate of 31 6% is higher than the nominal UK rate of 30% principally because many of the Group's operations are in countries with higher tax rates

Profit for the year
Profit after tax was £130 1 million (2006 £129 4 million), up 5% at constant exchange rates

Share buy back
During the year 14 2 million shares were bought into treasury at a total cost of £100 0 million as part of an on market share buy back programme These purchases were consistent with the Board's capital management strategy which is to maintain an appropriate balance sheet structure taking into account completed and prospective acquisitions and disposals

Earnings and dividends
The weighted average number of shares decreased to 326 9 million from 342 1 million due to the full year impact of the 2006 share buy back and further buy back activity in 2007 more than offsetting shares issued on option exercises Earnings per share were 39 8p (2006 37 8p), up 10% at constant exchange rates After adjusting for intangible amortisation and the related deferred tax, earnings per share were 45 1p (2006 41 7p), up 13% at constant exchange rates This adjustment removes a non-cash charge which is not taken into account by management when assessing the underlying performance of the businesses

An interim 2007 dividend of 5 8p per share and a proposed final 2007 dividend of 12 9p per share will deliver an increase of 10% for the year with dividend cover based on adjusted earnings per share at 2 4 times A final 2006 dividend of 11 7p per share and the interim 2007 dividend of 5 8p per share at a total cost of £57 2 million have been charged to shareholders' equity in 2007

FREE CASH FLOW £m
Cash generated from operations less net capital expenditure, interest and tax

RETURN ON AVERAGE OPERATING CAPITAL %
Ratio of operating profit before intangible amortisation to the average of the month end operating capital employed, being tangible fixed assets, inventories and trade and other receivables less trade and other payables

FINANCIAL REVIEW CONTINUED

Balance sheet
Return on average operating capital before intangible amortisation decreased slightly to 60 9% from 61 7% in 2006 due to the impact of acquisitions made in 2007 Intangible assets increased by £213 6 million to £990 3 million reflecting goodwill and customer relationships arising on acquisitions in the year of £200 0 million and a favourable exchange impact of £38 0 million, net of an amortisation charge of £24 4 million Shareholders' equity decreased by £11 8 million to £476 2 million principally due to profit after tax of £130 1 million and an actuarial gain on pensions, net of deferred tax, of £7 3 million, being more than offset by the share buy back of £100 0 million and dividends charged to shareholders' equity of £57 2 million Net debt increased by £236 9 million to £667 6 million due to a net cash outflow of £198 9 million combined with an adverse exchange movement of £38 0 million Net debt to EBITDA was 2 5 times

Cash flow
Cash generated from operations was £258 0 million, a £43 8 million increase compared to 2006, primarily due to an increase in operating profit before intangible amortisation and favourable working capital movements offset by a £9 5 million special pension contribution Spend on acquisitions was £191 7 million and capital expenditure net of sale proceeds was £16 6 million Net cash outflow before financing was £10 1 million which, combined with a net cash inflow from employee shares of £1 0 million and a cash outflow from the share buy back of £100 0 million together with interest and dividends paid of £33 6 million and £56 2 million respectively, produced a net cash outflow of £198 9 million

Pensions
At 31 December 2007 the Group's net pension liabilities were £13 2 million This represents a £24 3 million decrease compared to 2006 primarily due to an actuarial gain of £10 3 million and £17 3 million of cash contributions offset by the current service cost of £5 0 million The cash contributions include a £9 5 million additional cash contribution paid into the UK pension scheme in addition to £5 0 million paid in 2006 following the triennial actuarial valuation

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

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

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

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

EXCHANGE RATES

Average	2007	2006
US$ £	**2 00**	1 84
€ £	**1 46**	1 47
A$ £	**2 39**	2 45

Year end		
US$ £	**1 99**	1 96
€ £	**1 36**	1 48
A$ £	**2 27**	2 48

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

Treasury policies and controls
The Group has a centralised treasury department to control external borrowings and manage liquidity, interest rate and foreign currency risks Treasury policies are approved by the Board and cover the nature of the exposure to be hedged, the types of financial instruments that may be employed and the criteria for investing and borrowing cash There have been no changes to the treasury policies and controls during the year The Group uses derivatives to manage its foreign currency and interest rate risks arising from underlying business activities No transactions of a speculative nature are undertaken The treasury department is subject to periodic independent review by the internal audit department Underlying policy assumptions and activities are reviewed by the executive directors Controls over exposure changes and transaction authenticity are in place and dealings are restricted to those banks with the relevant combination of geographic presence and suitable credit rating The Group continually monitors the credit ratings of its counterparties and the credit exposure to each counterparty

Liquidity risk
The Group's objective is to maintain a balance between continuity of funding and flexibility The Group is funded by multi-currency credit facilities from the Group's bankers and US dollar bonds The bank facilities have tenures ranging from one to seven years and mature between 2008 and 2013 At 31 December 2007 the available bank facilities totalled £655 0 million of which £439 3 million was drawn down In addition the Group maintains overdraft and uncommitted facilities to provide short term flexibility At 31 December 2007 the total US dollar bonds outstanding were $535 million with maturities ranging from 2008 to 2018

Interest rate risk
The Group's strategy is to ensure with a reasonable amount of certainty that the overall Group interest charge is protected against material adverse movements in interest rates The US dollar bonds have been swapped to floating rates using interest rate swaps Bank loans are drawn for various periods at interest rates linked to LIBOR Interest rate caps and interest rate collars are in place to reduce the Group's floating rate exposure to movements in LIBOR

The interest rate swaps had a notional principal of £268 8 million outstanding at 31 December 2007 The floating interest rate is based on US dollar LIBOR repricing every three months

Financial liabilities with a notional principal of £193 0 million were capped at 31 December 2007 The interest rate is based on US dollar and euro LIBOR repricing every three months The interest rate collars have been entered into to manage the interest rate risk on US dollar borrowings with a notional principal of £50 3 million in 2008 and £150 8 million in 2009 and 2010

Foreign currency risk
The majority of the Group's net assets are in currencies other than sterling The Group's policy is to limit the translation exposure and resulting impact on equity by borrowing and/or using forward foreign exchange contracts to hedge the translation exposure in those currencies in which the Group has significant net assets At 31 December 2007 there were no material currency exposures after accounting for the effect of the hedging transactions

Throughout the year the Group's borrowings were primarily held in sterling and US dollars The Group does not hedge the impact of exchange rate movements arising on consolidation on the translation of the income statement from the respective functional currencies into sterling

The majority of the Group's transactions are carried out in the respective functional currencies of the Group's operations and so transaction exposures are limited However where they do occur the Group's policy is to hedge significant exposures of firm commitments for a period of up to one year as soon as they are committed using forward foreign exchange contracts and these are designated as a cash flow hedge

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

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

The credit risk in relation to cash and derivative financial instruments is limited because the Group restricts its dealings to counterparties with high credit ratings The credit risk policy specifies the maximum permitted exposure to each counterparty

For receivables, the amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment

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

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

DELIVERING ON OUR RESPONSIBILITY TO REDUCE OUR ENVIRONMENTAL IMPACT

Through a diverse range of initiatives from improving our paper and plastic recycling to fitting energy saving lights in our warehouses and reducing our fuel consumption, we are committed to reducing the environmental impact of our operations We are also continually developing further ideas on green products as well as providing staff education and customer information

Tonnes of waste per month being recycled in UK & Ireland

+24%

Accident severity rate

-9%

KEY HIGHLIGHTS

> Development of broader green product ranges to provide greater choice for our customers
> The accident severity rate has improved compared to 2006

Computerised routing systems which assist in the reduction of fuel consumption are in place in the US and have been introduced in the UK in 2007 Further fuel efficiencies have been achieved by driver training

The Company takes the area of social responsibility seriously and has for many years had policies with respect to business standards, health, safety and the environment The Board believes 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 Company and considers environmental, social and governance matters for identifying, evaluating and managing risks to the Group Bunzl is a member of the FTSE4Good index

Bunzl's corporate social responsibility policy provides a reference point to guide stakeholders, including all employees, on the elements that drive the conduct of the business and relationships with the world in which the Company operates The overall policy is made up of the following underlying elements Standards of business conduct (Code of ethics), Environment (including climate change)/Health and Safety, Employees, Customers, Suppliers and Community Further details are available on the Company's website, www bunzl com

Standards of business conduct (Code of ethics)
The Group has standards of business conduct which were updated most recently in 2007 The standards set out the behaviour expected of each Bunzl employee and cover the areas of conflicts of interest, compliance with laws, rules and regulations, dealing in Bunzl shares, protection of confidential information and company assets and relationships with stakeholders The Code sets out requirements for reporting unethical behaviour, including any issues relating to accounting, internal controls and auditing matters To raise employee awareness further, notices have been posted across the Company encouraging employees to 'Speak Out' regarding any business related concerns The notices include details of confidential contacts should they feel unable to discuss such issues with their line managers Business area heads are responsible for implementation of the standards and compliance is monitored annually During 2007 no incidents of non-compliance have been recorded

Environment (including climate change) and Health & Safety ('EHS')
The Group has a long standing commitment to achieving continual improvement in environment, health and safety performance The Group Environment, Health and Safety Committee comprises representatives from each business area and is responsible to the Board for reviewing the Group's policy and agreeing standards and objectives for the Group worldwide as well as auditing performance against those objectives An integrated web-based tool, the Bunzl Group System ('BGS'), has been developed which is universally applicable and adds value to the environmental and the health and safety management programmes both at subsidiary and Group level The following objectives were set for 2007 to improve further the Group's performance

- achieve an overall reduction over 2006 in accident incidence and severity rates and waste to landfill and fuel usage and continue to increase the amount of waste for recycling,
- maintain and develop a continued awareness of EHS across the Group with a particular focus in 2007 on 'Health' in the workplace as well as continued vigilance on safety and environment issues,
- analyse audit reports, understand common themes and introduce measures across the Group to address failings, and
- investigate and analyse the possibility of moving the Group's environmental measures towards assessing the Group's 'carbon footprint'

The Company continuously seeks to improve the quality and the reliability of data collection to support the key metrics used to measure the Group's EHS performance As a result of other improvements in the source data collected, some of the prior year's measures have been restated to align them with the bases used for 2007

Group health and safety performance is assessed by two indices incidence rate, reflecting the total number of accidents/incidents which involve lost time, and severity rate, reflecting the number of days lost as the result of accidents or work-related ill-health Trends against these two measures are tracked using monthly averages

Data covering Denmark and France has been included from 2005 onwards The central European businesses have not yet been integrated into the Group's health and safety reporting framework

The accident severity rate has improved compared to 2006 due in the main to better performance in the US and Continental Europe Regretfully during the year there has been one fatality (a member of the general public) involved in a road accident in the US
A variety of actions have been taken to raise awareness of health and safety issues and provide managers with information to enable them to identify areas of poor performance and to improve accident rates including publication of business area statistics on a quarterly basis and, within some business areas, the publication of accident statistic league tables

Manual handling and slipping and tripping remain the highest cause of incidents but the level of severity is variable The Company remains focused on reducing these risks as far as reasonably practicable by ensuring good housekeeping, reviewing weights of products supplied, providing appropriate equipment and raising personal awareness of safe working practices A variety of further initiatives were undertaken during the year to improve the safety performance including extending existing employee training programmes to include areas such as defensive driving and handling hazardous materials, implementing a series of visits by senior managers and insurers to review those sites with a high accident level and a

number of promotions on themes such as fire safety and general safety awareness In addition, there have been a number of programmes aimed at encouraging employees to take greater ownership of their own health and well-being including smoking cessation, prevention of skin cancer, fitness, including cycling to work, and distribution of information on nutrition

The major environmental impacts of Bunzl are associated with management of waste, which is predominantly the packaging that suppliers use for delivering their products to Bunzl, and the consumption of fuel to transport products to Bunzl's customers During the year the Group has continued to focus on quantifying its environmental performance in these areas

The UK & Ireland businesses maintained good performance relating to waste to landfill and waste to recycling The average tonnes of waste per month being taken to landfill in the UK & Ireland has fallen each year from 2005, while the average tonnes of waste being recycled in the UK & Ireland has increased over the same period

The Group maintained its improvement in fuel efficiency of the commercial fleet compared to 2005, measured as the consumption of diesel against revenue, for the US and the UK & Ireland businesses and, for 2007 only, the businesses in France However, there continues to be a focus on the efficient use of fuel by better transport management In the US a vehicle tracking system has been implemented which has helped to reduce fuel consumption by reducing 'engine idling time' In the UK, Bunzl Catering Supplies has introduced a computerised routing system which has substantially improved route planning and thereby increased fuel efficiency In addition, the viability of purchasing electrically powered commercial vehicles for use in central London is being investigated

A number of initiatives in each of the business areas are continuing which have a positive environmental benefit Balers, used to compress waste paper, cardboard and plastic shrink wrap for disposal, and waste segregation programmes have been introduced at more sites Discussions have been held with suppliers to eliminate unnecessary transit packaging and wherever possible reusable packaging is utilised In the UK the Group is a member of Valpak who discharge the relevant obligations under the Producer Responsibility (Packaging Waste) Regulations and is a member of the Save-a-Cup scheme whereby plastic cups used on Bunzl premises are recycled In Germany the Group is a member of Duales System Deutschland who operate the 'Green Dot' recycling system Bunzl Netherlands launched 'Bunzl Bewust' to promote environmental education and practice within Bunzl and its customer base UK & Ireland have set up a 'Green Team' to develop further ideas on green products and operations as well as staff and customer education

Central to Bunzl's environmental programme has been a drive across the business to gain ISO 14001 accreditation During 2007, ISO 14001 accreditation has been attained by Bunzl Outsourcing Australia, Sanicare and Lesnies To date, all principal UK & Ireland businesses have gained accreditation, with the exception of the newest acquisitions, Southern Syringe, Keenpac and Coffee Point (Coffee Point's Dagenham site is accredited) Within Continental Europe Bunzl Netherlands, Denmark and Germany are accredited Le Goff has started to take part in the Bunzl environmental reporting processes In Australasia it is expected that Allcare and CHS will start working towards accreditation in 2008 North America has started a pilot programme for recycling plastic and installing energy efficient lighting systems as well as continuing to provide information on truck fleet fuel usage

During 2007 measuring Bunzl's CO_2 emissions to develop a carbon footprint has been reviewed This highlighted the emerging nature of the science behind the calculation of CO_2 emissions and the fact that there are no agreed international protocols on the methodology or conversion factors to be used in determining a carbon footprint In the absence of international protocols it was agreed that we would adopt the greenhouse gas conversion factors developed by the UK Department for Food and Rural Affairs These factors will be used unless local conversion factors are more appropriate Calculation of Bunzl's carbon footprint will be phased Phase one, which started during 2007, will be to measure the Group's direct carbon footprint i e the emissions caused directly by the activities of Bunzl to include energy/ electricity used for operation of premises and fuel used for transportation of goods from our premises for delivery to the customer and for business travel (not including commuting) In addition to fuel used for the distribution of goods, as such data is currently collected, we will also be endeavouring to measure CO_2 emissions of third party carriers used in connection with the transportation of Bunzl's goods Business travel will include the fuel used by the car fleet as well as public transport such as rail, air and taxis Indirect emissions have not been factored in at this stage

Employees

Bunzl remains committed to the recruitment of high quality staff and developing them within the businesses to maximise personal performance and progression This is achieved by a combination of structured Group development programmes, specific skills training within respective businesses, performance management processes and the provision of challenging and responsible roles During 2007 the Bunzl VIP (value, integrity and performance) sales training and development initiative developed in North America was successfully implemented in Australasia In addition a new development programme, 'Managing Business Integration', has been introduced which is aimed at senior managers involved in the integration of acquired businesses into the Group In the UK & Ireland a customer care programme WoW! was launched to change attitudes to customer care across the business The Group aims to provide development

WASTE TO LANDFILL
(Tonnes per month)
Average tonnes per month of waste materials from the UK & Ireland businesses sent to landfill

RECYCLED WASTE
(Tonnes per month)
Average tonnes per month of waste materials from the UK & Ireland businesses sent for recycling

FUEL USAGE – DIESEL FOR TRANSPORT
(Litres per £'000 revenue)
Quarterly average volume of diesel used in the businesses in the US and the UK & Ireland and, for 2007 only, France, for transporting the Company's products per £'000 of revenue

opportunities to employees and strives to promote from within whenever appropriate Graduates continue to be recruited into the businesses in the US and UK and have a successful structured training programme to enhance their development

Appropriate and well-timed communication to and from employees is essential to ensure the continued effectiveness of the business The European Information and Consultation Forum continues to meet to provide information to, and to consult with, elected employee representatives on Group and business area policies, strategy and performance Some UK businesses have formalised information and consultation arrangements to ensure better employee involvement and feedback locally During 2007 businesses worked on action plans drawn up to address [illegible]

an understanding of their service requirements and gain their perceptions on how these requirements are being met The quality of the operations and service is key and many sites have attained ISO 9001 2000 accreditation A number of customers have recognised the quality of service provided by Bunzl businesses during 2007 and a variety of awards have been received These include in the US, where the Processor division was awarded the Spirit of Excellence Award by Hormel Foods Corporation for attaining excellent service standards, and in the UK, where Shermond was named Supplier of the Year 2007 by The Consortium, a national procurement and fulfilment business, due to its excellent level of service relating to both the supply of products and the proactive resolution of queries, Bunzl Cleaning and [illegible]

environment In 2007 Bunzl and its employees across the world made significant donations to various cancer research and cancer care charities including sponsorship of projects relating to leukaemia research undertaken by the Leukaemia Research Fund and donations and local fund raising for Macmillan Cancer Support and Marie Curie Cancer Care Bunzl continued to support Queen Elizabeth's Training College in the UK to assist in funding a new Customer Service training course Support was once again given to Leonard Cheshire, this year to support a new training programme on TV production to assist people in applying for media jobs Funding was provided to the British Occupational Health Research Forum to support research on 'The Wellbeing of Mobile Personnel'

SUMMARY DIRECTORS' REPORT

Principal activity and business review
The principal activity of the Group is providing value-added distribution and outsourcing services in the Americas, Europe and Australasia Details of the Group's activities, developments and performance for the year and information which fulfils the requirements of the Companies Act 1985 relating to the production of a Business Review are set out in the Chairman's Statement, the Chief Executive's Review, the Financial Review and the Corporate Social Responsibility report on pages 4 to 15 and 17 to 23 and in the section entitled 'Principal risks and uncertainties' set out in the full Directors' Report included within the Directors' Report and Accounts

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

Purchase of own shares
During the year ended 31 December 2007 the Company purchased 14,212,090 of its own shares into treasury at an aggregate cost including expenses of £100 0 million pursuant to the shareholder authorities granted at the 2006 and 2007 Annual General Meetings As at 25 February 2008 the Company held a total of 23,325,000 shares in treasury

Directors
Mr D J R Sleath was appointed to the Board in September 2007 and, being eligible, offers himself for election at the forthcoming Annual General Meeting in accordance with the Company's Articles of Association (the 'Articles')

Mr P L Larmon and Dr U Wolters retire by rotation at the Annual General Meeting in accordance with the Articles and, being eligible, offer themselves for re-election

Biographical details of the current directors are set out on page 16

Directors' interests in ordinary shares are shown in Note 20 to the consolidated 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 2007

Dividends
An interim dividend of 5 8p was paid in respect of the year and the directors recommend a final dividend of 12 9p, making a total for the year of 18 7p This compares with 17 0p for the year ended 31 December 2006

Corporate governance
The Company is committed to high standards of corporate governance The Company confirms that it has complied throughout 2007 with the provisions of the Combined Code on Corporate Governance

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

Internal control
The directors acknowledge that they have overall responsibility for the Group's system of internal control and for reviewing its effectiveness However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss In accordance with the Turnbull guidance the Company has established the procedures necessary to ensure that there is an ongoing process for identifying, evaluating and managing significant risks to the Group The directors confirm that such procedures have been in place for the year ended 31 December 2007 and up to the date of approval of these financial statements and have been reviewed during the year

The directors also confirm that they have reviewed the effectiveness of the system of internal control in operation during 2007

Annual General Meeting
The Annual General Meeting will be held at the The Park Suite, The Dorchester, Park Lane, London W1K 1QA on Wednesday 14 May 2008 at 11 00 am The notice convening the Meeting is set out in a separate letter from the Chairman to shareholders which explains the items of special business

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

P N Hussey
Secretary
25 February 2008

SUMMARY REMUNERATION REPORT

The Company's current remuneration policy for 2007 and beyond is designed to help ensure the recruitment, retention and motivation of the executive directors by providing fair reward for the responsibilities they undertake and the performance they achieve on behalf of shareholders In this context, the Remuneration Committee's policy is to set the overall remuneration package at a competitive level and in a form that permits significant additional remuneration to be earned for high performance over a sustained period This is normally achieved by benchmarking base pay against comparator companies and a range of factors, including performance, and by providing, in addition, short and long term incentives geared to performance

In assessing the balance of performance related and non-performance related elements of remuneration, base pay and benefits are treated as non-performance related, whereas annual bonus (including awards under the Deferred Annual Share Bonus Scheme – 'DASBS') and long term incentives are treated as performance related For this purpose, share options and performance shares are valued at an appropriate proportion of their face value on grant or award On this basis, the Committee sets the remuneration package such that about half the total target remuneration package is derived from the performance related elements

Base pay
The base pay of each executive director is set to reflect the size and scope of that director's responsibilities undertaken on behalf of the Board, the level of overall performance achieved, including that related to environmental, social and governance issues and experience in the post It is benchmarked against comparator companies and the actual pay level is set after taking into account individual performance and the general movement of base pay within the Group

Annual bonus plan
The executive directors participate in an annual bonus plan intended to support the Company's overall remuneration policy The bonus plan for each executive director contains meaningful targets that seek to focus attention on one or two key measures of short to medium term achievement Half of this annual bonus is normally paid in cash and the balance (but with the total aggregate amount capped) is deferred under the rules of the DASBS

Under the DASBS, eligible executives, including the executive directors, receive the deferred element of their annual bonus as an award of ordinary shares The ordinary shares are transferred to the executive on 1 March in the third year after the year in which the award is made, provided normally the executive has remained in the employment of the Group throughout that period or until their normal retirement date

Share based incentives
The Remuneration Committee believes that the long term performance of the Group is an important consideration for shareholders and that share based incentives are an important part of helping to align the interests of shareholders and those employed by the Group A formal share ownership guideline is in place under which executive directors are expected over a period of time to retain a shareholding worth at least equal to their basic salaries

The Group operates a Long Term Incentive Plan under which the executive directors and other senior executives in the Group may be granted options and awards in respect of performance shares Participation in the Plan is at the discretion of the Committee The Committee reviews biannually the level of grant taking account of each executive's performance and job responsibilities Annual grants of share options may not exceed an amount equal to three times base salary In normal circumstances options granted are exercisable, subject to satisfaction of the relevant performance condition, after three years with no provision for retesting, not earlier than three years and not later than 10 years after the date of grant Annual awards of performance shares may not exceed an amount equal to two times base salary A performance share award will normally vest (i e become exercisable) on the third anniversary of its grant to the extent that the applicable performance condition has been satisfied, with no provision for retesting, and will remain capable of being exercised for the three year period following the date on which it vests

Retirement benefits
The Group utilises both defined benefit and defined contribution pension schemes throughout the world All defined benefit schemes are closed to new entrants who are now offered a defined contribution arrangement The executive directors are eligible to participate in the relevant pension scheme and/or may choose to take a pension allowance, part of which can be paid into a private pension scheme

Service contracts
It is the Company's policy that executive directors are normally employed on contracts that provide for 12 months' notice from the Company and six months' notice from the executive The non-executive directors do not have service contracts

Directors' emoluments for 2007
The directors' aggregate emoluments for 2007 were £3 2 million, the aggregate amount of gains made by directors on the exercise of share options during the year was £0 9 million, the aggregate market value of performance share awards exercised by directors under long term incentive schemes during the year was £0 7 million, the aggregate market value of shares exercised by directors under the DASBS was £0 5 million and the aggregate amount of contributions paid by the Company to money purchase pension schemes in respect of the directors was £0 2 million Two of the current directors participate in defined benefit pension schemes, one of whom (who is no longer accruing future benefits under the defined benefit scheme) also participates in a money purchase pension scheme

Total shareholder return
The Company's total shareholder return over the last five years compared to that of the FTSE Support Services Sector is shown below

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2007

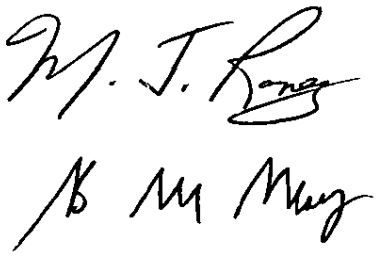
	2007 £m	2006 £m
Revenue	**3,581 9**	3,333 2
Operating profit before intangible amortisation	**242 9**	226 3
Intangible amortisation	**(24 4)**	(19 9)
Operating profit	**218 5**	206 4
Finance income	**21.1**	19 6
Finance cost	**(48 5)**	(36 3)
Profit before income tax	**191 1**	189 7
Profit before income tax and intangible amortisation	**215 5**	209 6
UK income tax	**(4 4)**	(9 1)
Overseas income tax	**(56 6)**	(51 2)
Total income tax	**(61 0)**	(60 3)
Profit for the year attributable to the Company's equity holders	**130 1**	129 4
Earnings per share attributable to the Company's equity holders		
Basic	**39 8p**	37 8p
Diluted	**39 6p**	37 5p
Dividend per share	**18 7p**	17 0p

CONSOLIDATED BALANCE SHEET

at 31 December 2007

	2007 £m	2006 £m
Assets		
Property, plant and equipment	**91 0**	74 3
Intangible assets	**990 3**	776 7
Derivative assets	**11 3**	5 4
Deferred tax assets	**0 5**	4 1
Total non-current assets	**1,093 1**	860 5
Inventories	**331 6**	290 8
Income tax receivable	**4 4**	2 7
Trade and other receivables	**575 4**	521 2
Derivative assets	**1 5**	0 1
Cash and deposits	**76 0**	49 0
Total current assets	**988 9**	863 8
Total assets	**2,082 0**	1,724 3
Equity		
Share capital	**112 4**	112 0
Share premium	**124 6**	119 8
Merger reserve	**2 5**	2 5
Capital redemption reserve	**8 6**	8 6
Cash flow hedge reserve	**(1 1)**	(0 3)
Translation reserve	**9 5**	1 4
Retained earnings	**219 7**	244 0
Total equity attributable to the Company's equity holders	**476 2**	488 0
Liabilities		
Interest bearing loans and borrowings	**656 4**	456 9
Retirement benefit obligations	**13 2**	37 5
Other payables	**10 6**	5 6
Provisions	**50 6**	44 6
Deferred tax liabilities	**92 3**	73 0
Total non-current liabilities	**823 1**	617 6
Bank overdrafts	**20 3**	23 9
Interest bearing loans and borrowings	**79 4**	4 3
Income tax payable	**60 5**	58 4
Trade and other payables	**611 8**	524 5
Derivative liabilities	**1 5**	0 7
Provisions	**9 2**	6 9
Total current liabilities	**782 7**	618 7
Total liabilities	**1,605 8**	1,236 3
Total equity and liabilities	**2,082.0**	1,724 3

Approved by the Board of Directors of Bunzl plc on 25 February 2008 and signed on its behalf by Mr M J Roney, Chief Executive and Mr B M May, Finance Director



CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2007

	2007 £m	2006 £m
Cash flow from operating activities		
Profit before income tax	**191 1**	189 7
Adjustments for non-cash items		
depreciation	**15 9**	14 6
intangible amortisation	**24 4**	19 9
share based payments	**4 8**	3 0
Working capital movement	**13 5**	(20 0)
Finance income	**(21 1)**	(19 6)
Finance cost	**48 5**	36 3
Provisions and pensions	**(9 0)**	(5 7)
Special pension contribution	**(9 5)**	(5 0)
Other	**(0 6)**	1 0
Cash generated from operations	**258 0**	214 2
Income tax paid	**(65 1)**	(40 5)
Cash inflow from operating activities	**192 9**	173 7
Cash flow from investing activities		
Interest received	**5 3**	8 5
Purchase of property, plant and equipment	**(19 9)**	(15 8)
Sale of property, plant and equipment	**3 3**	4 3
Purchase of businesses	**(191 7)**	(156 7)
Other	**–**	(1 0)
Cash outflow from investing activities	**(203 0)**	(160 7)
Cash flow from financing activities		
Interest paid	**(33 6)**	(24 9)
Dividends paid	**(56 2)**	(53 3)
Increase/(decrease) in short term loans	**34 9**	(28 5)
Increase in long term loans	**192 1**	141 4
Net proceeds from employee shares	**1 0**	5 2
Purchase of own shares into treasury	**(100 0)**	(63 1)
Cash inflow/(outflow) from financing activities	**38 2**	(23 2)
Exchange gain/(loss) on cash and cash equivalents	**2 5**	(1 4)
Increase/(decrease) in cash and cash equivalents	**30 6**	(11 6)
Cash and cash equivalents at start of year	**25 1**	36 7
Increase/(decrease) in cash and cash equivalents	**30 6**	(11 6)
Cash and cash equivalents at end of year	**55 7**	25 1

NOTES

1 Analysis of revenue and operating profit

	Revenue		Operating profit*	
	2007 £m	2006 £m	**2007 £m**	2006 £m
North America	**1,839 0**	1,896 8	**123 3**	131 2
UK & Ireland	**994 3**	774 6	**74 5**	59 7
Continental Europe	**616 0**	544 7	**50 0**	40 9
Rest of the World	**132 6**	117 1	**10 8**	9 6
Corporate			**(15 7)**	(15 1)
	3,581 9	3,333 2	**242 9**	226 3

*Before intangible amortisation

2 Income tax

A tax charge at a rate of 31 6% (2006 32 0%) has been provided on the profit before tax and intangible amortisation Including the impact of intangible amortisation of £24 4m (2006 £19 9m) and the related deferred tax of £7 1m (2006 £6 7m), the overall tax rate is 31 9% (2006 31 8%)

3 Earnings per share

	2007 £m	2006 £m
Profit for the year	**130 1**	129 4
Adjustment	**17 3**	13 2
Adjusted profit*	**147 4**	142 6
Basic weighted average ordinary shares in issue (million)	**326 9**	342 1
Dilutive effect of employee share plans (million)	**1 8**	2 6
Diluted weighted average ordinary shares (million)	**328 7**	344 7
Basic earnings per share	**39 8p**	37 8p
Adjustment	**5 3p**	3 9p
Adjusted earnings per share*	**45 1p**	41 7p
Diluted basic earnings per share	**39 6p**	37 5p

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

4 Dividends

	Per share		Total	
	2007	2006	**2007 £m**	2006 £m
2005 final		10 8p		36 5
2006 interim		5 3p		17 6
2006 final	**11 7p**		**38 6**	
2007 interim	**5 8p**		**18 6**	
Total	**17 5p**	16 1p	**57 2**	54 1

The 2007 final dividend of 12 9p per share will be paid on 3 July 2008 to shareholders on the register at the close of business on 9 May 2008

Total dividends for the year to which they relate are

	Per share	
	2007	2006
Interim	**5 8p**	5 3p
Final	**12 9p**	11 7p
Total	**18 7p**	17 0p

5 Cash and cash equivalents and net debt

	2007 £m	2006 £m
Cash at bank and in hand	**69 0**	45 2
Short term deposits repayable in less than three months	**7 0**	3 8
Cash and deposits	**76 0**	49 0
Bank overdrafts	**(20 3)**	(23 9)
Cash and cash equivalents	**55 7**	25 1
Interest bearing loans and borrowings		
Current liabilities	**(79 4)**	(4 3)
Non-current liabilities	**(656 4)**	(456 9)
Derivative assets – fair value of interest rate swaps hedging fixed interest rate borrowings	**12 5**	5 4
Net debt	**(667 6)**	(430 7)

STATEMENT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BUNZL PLC

SHAREHOLDER INFORMATION

Financial calendar	2008
Annual General Meeting	14 May
Results for the half year to 30 June 2008	26 August
	2009
Results for the year to 31 December 2008	February
Annual Report circulated	March

Dividend payments are normally made on these dates

Ordinary shares (final)	3 July
Ordinary shares (interim)	4 January

Analysis of ordinary shareholders

At 31 December 2007 the Company had 5,704 (2006 5,643) shareholders who held 349 8 million (2006 348 5 million) ordinary shares (including treasury shares) between them, analysed as follows

Size of holding	Number of shareholders	% of issued share capital
0 – 10,000	5,117	2
10,001 – 100,000	327	3
100,001 – 500,000	155	11
500,001 – 1,000,000	39	8
1,000,001 and over	66	76
	5,704	100

Shareholder security
Shareholders are advised to be cautious about any unsolicited financial advice, offers to buy shares at a discount or offers of free company reports More detailed information about this can be found at www moneymadeclear fsa gov uk Details of any sharedealing facilities that the Company endorses will be included in Company mailings

Share dealing
Bunzl plc shares can be traded through most banks and stockbrokers The Company's Registrar also offers an internet and telephone dealing service Further details can be found at www computershare com/dealing/uk or by telephoning 0870 703 0084

ShareGift
Sometimes shareholders have only a small holding of shares which may be uneconomical to sell Shareholders who wish to donate these shares to charity can do so through ShareGift, an independent charity share donation scheme (registered charity no 1052686) Further information about ShareGift may be obtained from ShareGift on 020 7930 3737 or at www sharegift org

Registered office
Until 15 March 2008
110 Park Street
London W1K 6NX
Telephone 020 7495 4950
Fax 020 7495 4953

From 16 March 2008
York House
45 Seymour Street
London W1H 7JT
Telephone 020 7725 5000
Fax 020 7725 5001

Website www bunzl com
Registered in England No 358948

Registrar
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZY
Telephone 0870 889 3257
Fax 0870 703 6116
Website www computershare com

Secretary
P N Hussey

Auditors
KPMG Audit Plc

Stockbrokers
JPMorgan Cazenove
Citigroup

The Annual Review and Summary Financial Statement is only a summary of information in the Company's annual accounts, the Directors' Report and the Directors' Remuneration Report and does not contain sufficient information to allow as full an understanding of the results of the Group and state of affairs of the Company or the Group and of their policies and arrangements concerning directors' remuneration as would be provided by the full annual accounts and reports For further information the Directors' Report and Accounts (which includes the full Directors' Report and Directors' Remuneration Report) should be consulted Copies of the Directors' Report and Accounts may be obtained, free of charge, from the Company Secretary at the registered office or from the Company's website www bunzl com 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 2006 have been filed at Companies House and the full accounts for 2007 will be filed after they have been approved at the Annual General Meeting

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