



# BUSINESS SOLUTIONS



ANNUAL REPORT 2012



A photograph of a warehouse interior. A yellow forklift is in motion, carrying a pallet of white boxes with 'clean c' labels. The forklift is moving from right to left, creating a motion blur. In the background, a large white overhead door is partially open, revealing a storage area with wooden pallets and a yellow wall. The ceiling has red pipes and metal brackets. The floor is concrete with a textured mat at the doorway.

**WE ARE BUNZL**

## WHO WE ARE

# WE ARE A FOCUSED AND SUCCESSFUL INTERNATIONAL DISTRIBUTION AND OUTSOURCING GROUP WITH OPERATIONS ACROSS THE AMERICAS, EUROPE AND AUSTRALASIA.

WE SUPPORT OUR CUSTOMERS ALL OVER THE WORLD WITH A VARIETY OF PRODUCTS THAT ARE ESSENTIAL FOR THE SUCCESSFUL OPERATION OF THEIR BUSINESSES.

BY OUTSOURCING THE PURCHASING, CONSOLIDATION AND DELIVERY OF A BROAD RANGE OF EVERYDAY ITEMS, OUR CUSTOMERS ARE ABLE TO FOCUS ON THEIR CORE BUSINESSES, ACHIEVE PURCHASING EFFICIENCIES AND SAVINGS, FREE UP WORKING CAPITAL, IMPROVE DISTRIBUTION CAPABILITIES AND SIMPLIFY THEIR INTERNAL ADMINISTRATION.

## FINANCIAL HIGHLIGHTS

# +6%

Revenue at constant exchange rates

# +7%

Operating profit\* at constant exchange rates

# +7%

Adjusted earnings per share† at constant exchange rates

# +7%

Dividend per share

	2012	2011	Growth	
			Actual exchange rates	Constant exchange rates
Revenue £m	<b>5,359.2</b>	5,109.5	5%	6%
Operating profit £m	<b>293.8</b>	279.3	5%	7%
Operating profit* £m	<b>352.4</b>	335.7	5%	7%
Profit before tax £m	<b>269.3</b>	193.7	39%	42%
Profit before tax† £m	<b>323.9</b>	306.1	6%	8%
Basic earnings per share p	<b>59.9</b>	38.2	57%	61%
Adjusted earnings per share† p	<b>71.8</b>	68.5	5%	7%
Dividend per share p	<b>28.2</b>	26.35	7%	

\*Before intangible amortisation and acquisition related costs

† Before intangible amortisation, acquisition related costs and disposal of business

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### Business review

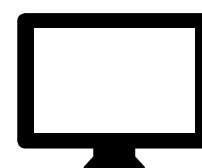
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The Annual Report can be downloaded online. To find out more visit **[www.bunzl.com](http://www.bunzl.com)**.

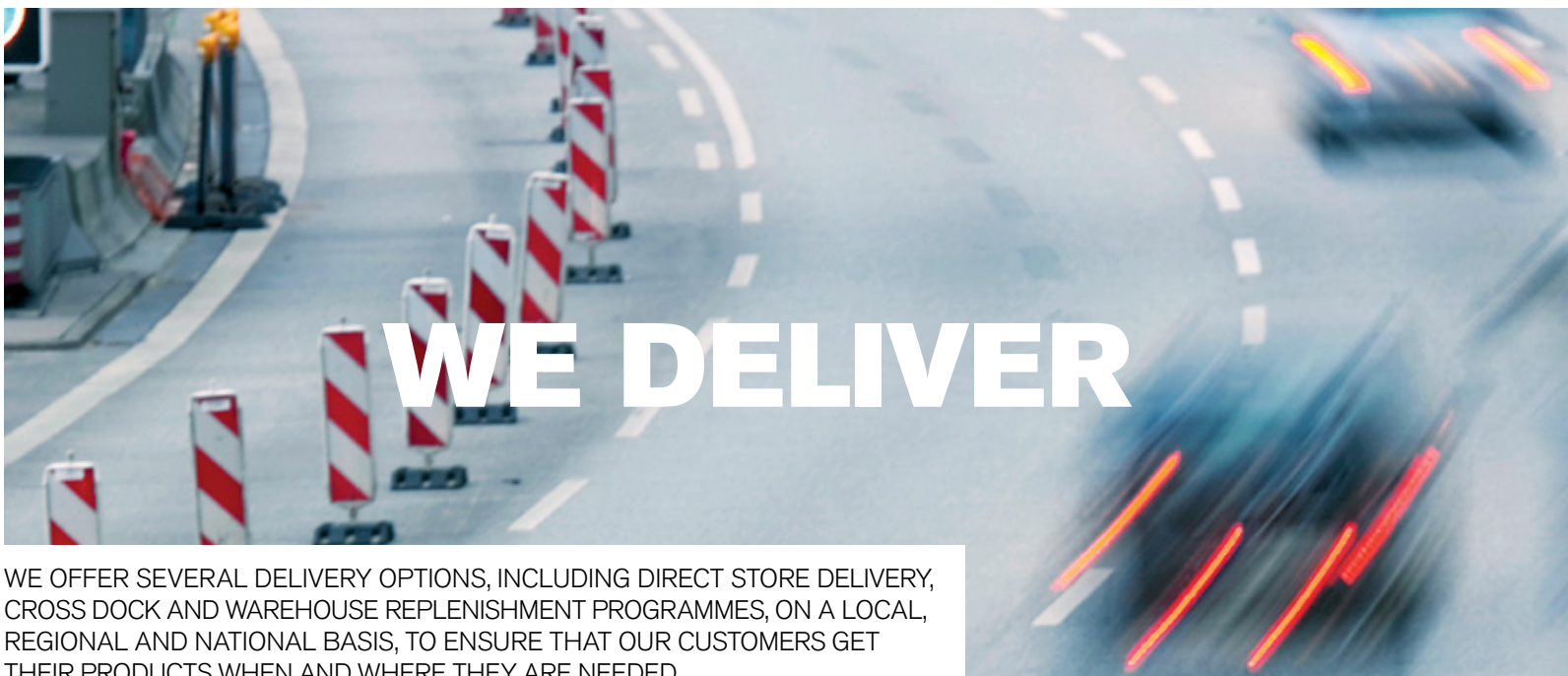




WE SOURCE AND PROCURE BRANDED, OWN BRAND AND UNBRANDED PRODUCTS GLOBALLY, WORKING WITH BOTH MULTINATIONAL AND LOCAL SUPPLIERS, TO ENSURE THAT OUR CUSTOMERS HAVE ACCESS TO THE BEST AND MOST SUITABLE PRODUCTS TO MEET THEIR NEEDS.



BY APPLYING OUR RESOURCES AND CONSOLIDATING A BROAD RANGE OF PRODUCTS INTO OUR EXTENSIVE WAREHOUSING INFRASTRUCTURE, WE ARE ABLE TO OFFER OUR CUSTOMERS A ONE-STOP-SHOP SOLUTION WHICH REDUCES OR ELIMINATES MANY OF THE HIDDEN COSTS OF SELF-DISTRIBUTION.



WE OFFER SEVERAL DELIVERY OPTIONS, INCLUDING DIRECT STORE DELIVERY, CROSS DOCK AND WAREHOUSE REPLENISHMENT PROGRAMMES, ON A LOCAL, REGIONAL AND NATIONAL BASIS, TO ENSURE THAT OUR CUSTOMERS GET THEIR PRODUCTS WHEN AND WHERE THEY ARE NEEDED.





## FOR MANY YEARS BUNZL HAS CONTINUED TO PURSUE A CONSISTENT STRATEGY OF FOCUSING ON ITS STRENGTHS AND CONSOLIDATING THE MARKETS IN WHICH IT COMPETES.

CONTINUALLY REDEFINING AND DEEPENING OUR COMMITMENT TO CUSTOMERS AND MARKETS, AS WELL AS EXTENDING OUR BUSINESS INTO NEW GEOGRAPHIES, REMAIN IMPORTANT ELEMENTS OF OUR STRATEGY.

### HOW OUR GROWTH IS ACHIEVED

#### Organic growth

We achieve organic growth by applying our resources and expertise to enable customers to outsource to Bunzl the purchasing, consolidation and delivery of a broad range of products, thereby enabling them to achieve efficiencies and savings.

#### Acquisition growth

Since 2004 we have announced more than 70 acquisitions with an average annual spend of £167 million, adding average annualised revenue of £263 million.

#### Operating model efficiencies

We continually strive to make our businesses more efficient by investing in new IT systems and warehouse facilities and implementing best practice operational procedures.

### OUR STRATEGY BUILDING BLOCKS

#### Unique business model

Our supply chain management and one-stop-shop offering allows our customers to focus on their core businesses more effectively and at the same time reduce their working capital.

#### Attractive markets

We operate across six fragmented markets sectors, many of which are growing and resilient to challenging economic conditions.

#### Balanced business portfolio

We have a geographically balanced but diversified business portfolio operating across 27 countries.

#### Operational focus

With a decentralised operational structure, our management are able to focus on our customers' needs while retaining full responsibility for the financial performance of their businesses.

#### Strong financial discipline

Over the last 10 years we have delivered consistently good results with very high returns on capital and operating cash flow conversion.

#### Experienced management

Our executive directors and business area heads have extensive experience in managing the Group's businesses with an average of 15 years' service with Bunzl.

#### Acquisition strategy and track record

Our acquisition strategy is to seek out those businesses which satisfy key criteria, including having good financial returns in resilient and growing markets, while at the same time providing opportunities to extract further value as part of the Bunzl Group.

# WE PROVIDE A ONE-STOP-SHOP DISTRIBUTION AND OUTSOURCING SERVICE SUPPLYING A BROAD RANGE OF INTERNATIONALLY SOURCED NON-FOOD PRODUCTS TO A VARIETY OF MARKET SECTORS.

## NORTH AMERICA

**£2,905.8m**

Revenue

**£184.6m**

Operating profit\*

- Improvement in operating margin from 6.2% to 6.4%.
- Six acquisitions in the year with annualised revenue of more than £400 million.

> Read more on page 14

## CONTINENTAL EUROPE

**£1,079.4m**

Revenue

**£87.5m**

Operating profit\*

- Lower margins due to pricing pressure and weaker euro impacting imports.
- Revenue growth bolstered by acquisitions.

> Read more on page 15

## UK & IRELAND

**£992.1m**

Revenue

**£65.2m**

Operating profit\*

- Higher organic growth and operating margin up from 6.0% to 6.6%.
- Continued focus on operating efficiency and own brand development.

> Read more on page 18

## REST OF THE WORLD

**£381.9m**

Revenue

**£33.2m**

Operating profit\*

- Strong organic revenue growth in both Australasia and Brazil.
- Expansion in South America outside Brazil with acquisition of Vicsa.

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\*Before intangible amortisation and acquisition related costs

## MARKET CONTEXT

### GROCERY

Goods not for resale (items grocers use but do not actually sell), including food packaging, films, labels and cleaning and hygiene supplies, to grocery stores, supermarkets and retail chains.



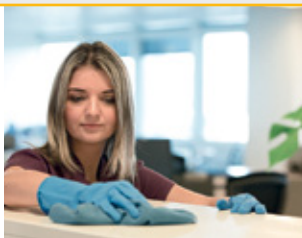
### FOODSERVICE

Non-food consumables, including food packaging, disposable tableware, guest amenities, catering equipment, cleaning products and safety items, to hotels, restaurants, contract caterers, food processors and the leisure sector.



### CLEANING & HYGIENE

Cleaning and hygiene materials, including chemicals and hygiene paper, to cleaning and facilities management companies and industrial and healthcare customers.



### SAFETY

A complete range of personal protection equipment, including hard hats, gloves, boots and workwear, to industrial and construction markets.



### NON-FOOD RETAIL

Goods not for resale, including packaging and a full range of cleaning and hygiene products, to department stores, boutiques, office supply companies, retail chains and home improvement chains.



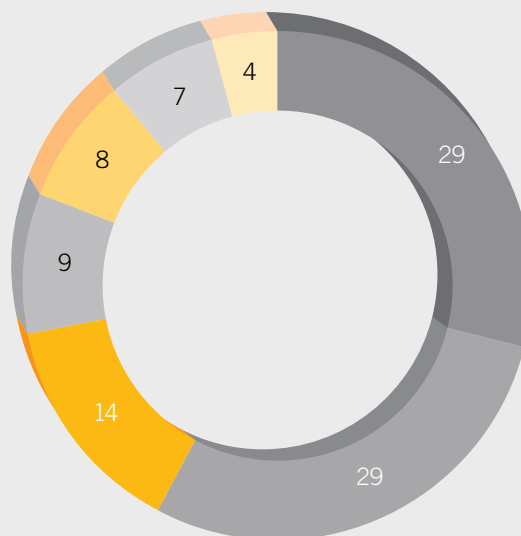
### HEALTHCARE

Disposable healthcare consumables, including gloves, swabs, gowns and bandages, to the healthcare sector.



### OTHER

A variety of product ranges supplied to other markets such as government and education establishments.



■ GROCERY  
 ■ FOODSERVICE  
 ■ CLEANING & HYGIENE  
 ■ SAFETY  
 ■ NON-FOOD RETAIL  
 ■ HEALTHCARE  
 ■ OTHER  
 % 2012 REVENUE

### Growth drivers

- Increasing trend to outsourcing.
- Expansion of 'away from home' activity.
- Global legislative trends for health & safety.
- Favourable demographics in healthcare.

### Fragmented markets

- No one does what we do, on our scale, across our international markets.
- Bunzl's national distribution networks provide competitive advantage.

### Customers

- Strong national, regional and local customer base.
- Working with national and international leading companies.



# MEASURING

## ORGANIC REVENUE GROWTH %

Increase in revenue for the year excluding the impact of currency, current year acquisitions and disposal of business, but including a pro rata part year in respect of prior year acquisitions.



## ADJUSTED EARNINGS PER SHARE p

Earnings per share excluding the impact of currency, intangible amortisation, acquisition related costs and disposal of business.



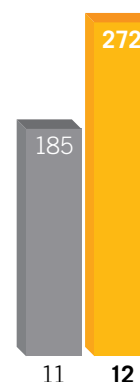
## PROFIT MARGIN %

Ratio of operating profit before intangible amortisation and acquisition related costs to revenue.



## ACQUISITION SPEND £m

Consideration paid and payable, together with net debt assumed, in respect of businesses acquired or agreed to be acquired during the year.



## UNDERLYING PROFIT MARGIN %

Profit margin excluding the impact of currency, current year acquisitions and disposal of business but including a pro rata part year in respect of prior year acquisitions.



## ANNUALISED REVENUE FROM ACQUISITIONS £m

Estimated revenue which would have been contributed by acquisitions made or agreed to be made during the year if such acquisitions had been completed at the beginning of the relevant year.





# OUR PERFORMANCE

## FREE CASH FLOW £m

Cash generated from operations before acquisition related costs less net capital expenditure, interest and tax.



## SCOPE 1 CARBON EMISSIONS Tonnes of CO<sub>2</sub> per £m revenue

Measured in accordance with the Greenhouse Gas Protocol applying 2012 Defra conversion factors.



## RETURN ON AVERAGE OPERATING CAPITAL %

Ratio of operating profit before intangible amortisation and acquisition related costs 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.



## SCOPE 2 CARBON EMISSIONS Tonnes of CO<sub>2</sub> per £m revenue

Measured in accordance with the Greenhouse Gas Protocol applying 2012 Defra conversion factors.



## RETURN ON INVESTED CAPITAL %

Ratio of operating profit before intangible amortisation and acquisition related costs to the average of the month end invested capital, being equity after adding back net debt, retirement benefit obligations, cumulative intangible amortisation, acquisition related costs and amounts written off intangible assets, net of the related tax.



## FUEL USAGE Ltrs per £'000 revenue

Diesel, petrol and LPG used in the Group's own vehicles.



All data for carbon emissions and fuel usage for each year is based on the 12 months ended 30 September.



**‘EXECUTING OUR CONSISTENT AND PROVEN STRATEGY HAS RESULTED IN ANOTHER SUCCESSFUL YEAR, WITH CONTINUED GROWTH IN EARNINGS AND DIVIDENDS, THROUGH A COMBINATION OF ORGANIC AND ACQUISITION GROWTH AND OPERATING EFFICIENCIES.’**

**Philip Rogerson**  
Chairman

## RESULTS

I am very pleased to be able to report another good set of results for Bunzl despite the continuing difficult macroeconomic conditions which have persisted for the last few years across many of the international markets in which we compete.

Group revenue increased to £5,359.2 million (2011: £5,109.5 million), an increase of 6% at constant exchange rates, due to organic growth of 2.6% combined with the impact of recent acquisitions, net of the disposal of the UK vending business in August 2011.

Operating profit before intangible amortisation and acquisition related costs was £352.4 million (2011: £335.7 million), up 7% at constant exchange rates, with the improvement in the Group operating margin on the same basis being driven by the impact of acquisitions and the sale of the UK vending business. Adjusted earnings per share before intangible amortisation, acquisition related costs and the vending disposal were 71.8p (2011: 68.5p), an increase of 7% at constant exchange rates.

Adverse currency translation movements, principally the euro, reduced the growth rates marginally by between 1% and 2%.

## DIVIDEND

The Board is recommending a final dividend of 19.4p. This brings the total dividend for the year to 28.2p, up 7% compared to 2011. Shareholders will again have the opportunity to participate in our dividend reinvestment plan.

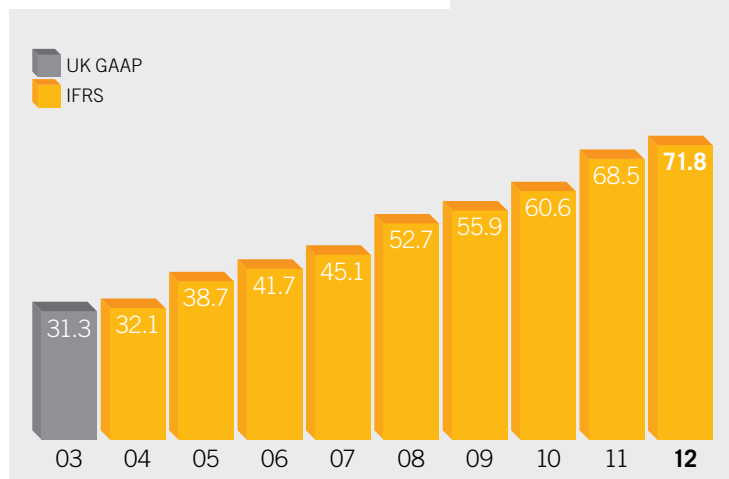
## STRATEGY

We continue to pursue our proven strategy of developing the business through organic growth, consolidating the markets in which we compete through focused acquisitions in both existing and new geographies and continuously improving the efficiency of our operations.

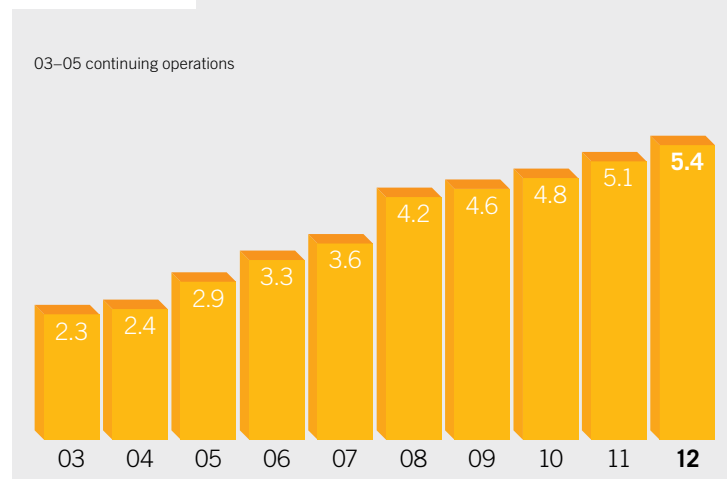
We achieve our organic growth by applying our resources and expertise to enable customers to outsource to Bunzl the purchasing, consolidation and distribution of a broad range of goods not for resale. By doing so our customers are able to focus on their core business more cost effectively by achieving purchasing efficiencies and savings, freeing up working capital, improving their distribution capabilities and simplifying their internal administration.

Acquisition activity increased significantly in 2012, particularly towards the end of the year, with 13 acquisitions announced and a total investment of approximately £270 million adding annualised revenue of over £500 million. A key highlight this year was our first acquisition in South America outside Brazil which has provided Bunzl with a first entry into four new countries in the region. Having pursued our strategy consistently over many years, we have built leading positions in a variety of market sectors across the Americas, Europe and Australasia.

## ADJUSTED EARNINGS PER SHARE p



## REVENUE £bn





## INVESTMENT

While Bunzl does not have high levels of capital expenditure for a company of its size, both organic growth and acquisitions require investment in the business to expand and enhance its asset base. Our IT systems and warehouse facilities are critical to our ability to serve our customers in the most efficient and appropriate manner. We have therefore continued to invest in order to support our growth strategy and ensure that we retain our competitive advantage. By doing so we maintain our leadership in the marketplace, as we integrate new businesses into the Group and look to improve our existing infrastructure.

## CORPORATE RESPONSIBILITY

Efficient and ethical management of our business and long term relationships with all our stakeholders, whether customers, employees or suppliers, remain key to our sustained business success. During 2012 our managers and sales and procurement staff completed tailored training covering our Corporate Responsibility ('CR') policies which included our Business Standards/Code of Ethics and our stance on gifts and entertainment, facilitation payments and information on our whistle blowing process. Our employee survey again provided useful feedback and resulted in a variety of actions. We have also continued to assist our customers in meeting their CR objectives by providing them with product choices, including some innovative environmentally friendly products made from materials such as bamboo and sugar cane as well as, in some cases, offering them a closed loop recycling facility. Our Quality Assurance and Quality Control department based in Shanghai continues to work with our Asian suppliers to ensure that high quality and ethical standards of operation are maintained.

## EMPLOYEES

Our employees' experience, dedication, commitment and approach to their work remain key strengths of Bunzl. Across the world we depend on them to continue to provide high quality care to our customers, adding value to our service provision. The relationships formed by our employees with all our stakeholders shape the reputation of Bunzl and build our culture of a positive 'can-do' company. As ever, we are genuinely grateful for the loyalty and hard work of all our employees and we are delighted that 2012 has been a year in which many new employees have joined the Group through acquisition, providing new ideas and challenges to continue the development of Bunzl internationally.

## CREDIT FACILITIES

The Group remains highly cash generative and we continue to have access to diverse sources of funding to achieve our strategic objectives. In October 2012 we refinanced some of our debt facilities by raising US\$350.0 million of fixed interest rate borrowings in the US private placement market with maturities ranging from seven to 11 years at an average interest rate of 3.4%. US\$110.0 million was drawn in December with the balance due to be drawn in April 2013. During the year we also refinanced or agreed new banking facilities totalling £150.7 million. Our undrawn committed facilities at the end of the year were £589.3 million.

## BOARD

Ulrich Wolters, who has served as a non-executive director since 2004, will be retiring after the Company's Annual General Meeting in April 2013. We thank Ulrich for his significant contribution over many years and he will leave the Board with our gratitude and best wishes for the future.

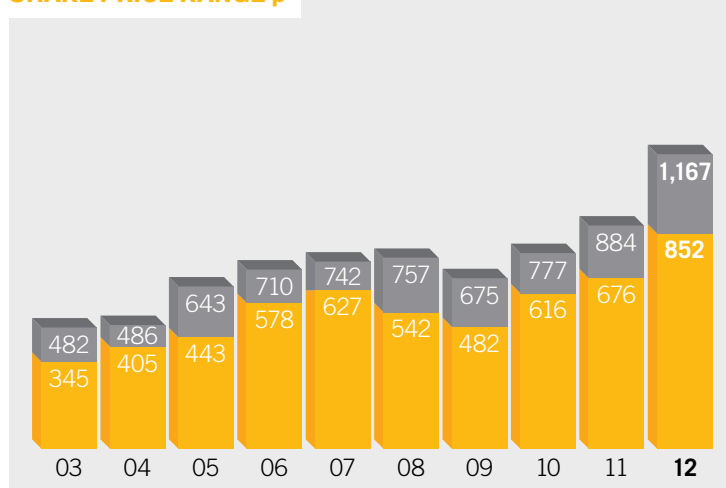
Jean-Charles Pauze was appointed as a non-executive director in January 2013 and Meinie Oldersma will join the Board in the same capacity in April. Based in Paris, Jean-Charles is presently Chairman of Europcar and Chairman of the Supervisory Board of CFAO Group and was Chairman and Chief Executive of Rexel for 10 years until 2012. Prior to that he held a number of senior positions with PPR Group, Strafor Facom Group and Alfa Laval Group in France and Germany. A Dutch national, Meinie is currently based in the UK and has been Chief Executive of 20:20 Mobile Group since 2008 and previously held a variety of senior positions with Ingram Micro, most recently as Chief Executive and President of their China Group and Managing Director of their business in Northern Europe. Both Jean-Charles and Meinie have extensive international experience across a range of distribution and service sectors, particularly in Europe and Asia, which will be of great value to Bunzl as we continue to expand and develop. I am delighted to welcome them to the Board.

*Philip Rogerson*

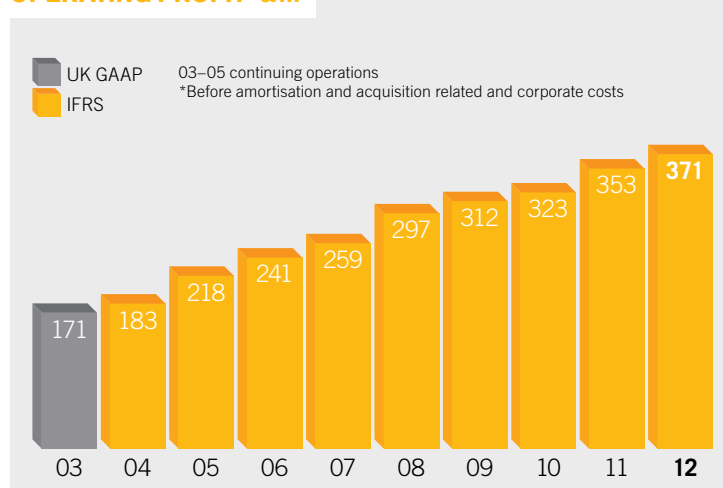
## Philip Rogerson

Chairman  
25 February 2013

## SHARE PRICE RANGE p



## OPERATING PROFIT\* £m





## **'BUNZL HAS AGAIN DEMONSTRATED THE STRENGTH OF ITS VALUE PROPOSITION AND SHOWN ITS ABILITY TO DEVELOP BOTH IN EXISTING AND NEW MARKETS.'**

**Michael Roney**

Chief Executive

### **OPERATING PERFORMANCE**

The Group once again had a successful year in 2012 due to a combination of organic growth, good performance from the acquisitions made in 2011 and increased acquisition spend during the year.

Although some currencies, notably the US dollar, were marginally stronger than in 2011, the translation effects of the weaker euro and overall currency movements have reduced the reported growth rates of revenue and operating profit. The operations, including the relevant growth rates, are reviewed below at constant exchange rates to remove the distorting impact of these currency movements. Changes in the level of revenue and profits at constant exchange rates have been calculated by retranslating the results for 2011 at the average rates used for 2012. Unless otherwise stated, all references in this review to operating profit are to operating profit before intangible amortisation and acquisition related costs.

Revenue increased 6% (5% at actual exchange rates) to £5,359.2 million and operating profit was £352.4 million, an increase of 7% (5% at actual exchange rates). The percentage growth in operating profit at constant exchange rates was greater than that of revenue due to the improvement in Group operating margin by 10 basis points to 6.6% as a result of the impact of acquisitions and the sale of the UK vending business in August 2011.

In North America revenue rose 6% (7% at actual exchange rates) due to good organic revenue growth and the impact of acquisitions completed in 2011 and 2012, while operating profit increased 8% (9% at actual exchange rates). Revenue in Continental Europe rose 8% (1% at actual exchange rates) as a result of some organic revenue growth and the impact of acquisitions but operating profit was down 2% (8% at actual exchange rates) as margins came under pressure. In UK & Ireland revenue was flat at both constant and actual exchange rates primarily due to good organic revenue growth and the impact of relatively small acquisitions being more than offset by the impact of the sale of vending during the second half of 2011. However operating profit rose 8% at both constant and actual exchange rates due to the positive impact of cost reduction initiatives, product mix improvements in some businesses and the disposal of vending. In Rest of the World revenue increased 23% (20% at actual exchange rates) and operating profit was up 22% (17% at actual exchange rates) due to both excellent organic revenue growth and the impact of acquisitions.

Basic earnings per share were 61% higher (57% at actual exchange rates) at 59.9p due to the significant impact in 2011 of the loss on disposal of the vending business. Adjusted earnings per share, after eliminating the effect of intangible amortisation, acquisition related costs and the disposal of vending, were 71.8p, an increase of 7% (5% at actual exchange rates). Although the underlying return on average operating capital increased, the overall return decreased slightly from 57.4% to 56.4% due to the recent acquisitions currently having a lower return on operating capital than the rest of the Group.

Our operating cash flow continued to be strong. Despite an acquisition cash outflow of £254.7 million and net capital expenditure of £20.2 million, our year end net debt of £738.1 million was only £85.2 million higher than at the end of 2011. The net debt to EBITDA ratio increased marginally to 1.8 times compared to 1.7 times at the previous year end.

Our continued focus on the sustainability of our business has once again led to a further reduction, relative to revenue, of our Scope 1 and 2 carbon emissions. This has been achieved partly as a result of further investment in energy efficient lighting systems in our facilities and the introduction

### **MANAGEMENT TEAM**

Managers from across the Group meet regularly to review performance, discuss trends affecting our businesses and seek further opportunities for growth and competitive advantage.



**Brian May**  
Finance Director



**Patrick Larmon**  
President and CEO North America



**Celia Baxter**  
Director of Group Human Resources



**Paul Hussey**  
General Counsel and Company Secretary



**Paul Budge**  
Managing Director UK & Ireland



**Andrew Mooney**  
Director of Corporate Development



**Frank van Zanten**  
Managing Director Continental Europe



**Rodrigo Mascarenhas**  
Managing Director South America



**Kim Hetherington**  
Managing Director Australasia

Having been Director of Corporate Development since 1999, Nancy Lester left Bunzl at the beginning of 2013. We thank her for her valuable contribution and wish her all the very best for the future.



within our transport fleet of a number of vehicles which have lower emissions. The health, safety and well-being of our staff remains a key feature of the way in which we operate.

## ACQUISITIONS

Our committed acquisition spend in 2012 of £272 million was the highest level since 2004 with 13 transactions announced.

In February we acquired the business of CDW Merchants. Based in Chicago, the business is principally engaged in the sale of retail gift packaging and visual merchandising solutions and products to the specialty retail and online retailing sectors throughout the US. Revenue in the year ended 31 December 2011 was US\$12 million. The business, which works closely with its customers to increase brand appeal and consumer loyalty through innovative gift packaging concepts and merchandising displays, complements our existing non-food retail supplies business in North America and extends our customer base, particularly in the specialty and online retail sector.

We acquired three businesses at the end of April. FoodHandler, also based in Chicago, is a leading supplier of a broad range of disposable gloves and other foodhandling products to the foodservice sector throughout the US. Revenue in the year ended 31 December 2011 was US\$99 million. The business enhances our existing foodservice operations in North America and expands our product offering and import programme in this sector. Based near Tel Aviv, Zahav is a leading distributor of packaging supplies to the foodservice sector throughout Israel. Revenue in the year ended 31 December 2011 was ILS66 million. This is our second acquisition in Israel which is a market we entered in 2010 with the purchase of Silco. It has a strong and broad customer base, especially in the bakery sector, and significantly increases the size of our business in that country. The Group also purchased in April the Queensland based redistribution operations of Star Services International in Australia. Based in Brisbane and Cairns, the business is engaged in the supply of foodservice disposable products to wholesalers and redistributors throughout Queensland. Revenue for the year ended 30 June 2012 was A\$12 million. The acquisition complements our existing foodservice supplies operations in Queensland and will allow us to penetrate further into the redistribution sector of this market.

Based near Seattle, Service Paper was purchased in June. The business is principally engaged in the distribution of disposable supplies to the grocery, foodservice, food processor and industrial packaging sectors throughout the Pacific Northwest. Revenue of the business acquired for the year ended 31 December 2011 was US\$61 million. The business, which has a reputation for providing high levels of customer service, will expand our existing business in the region.

At the end of June we acquired Distrimondo which is based near Zurich and is principally engaged in the distribution of foodservice disposables and cleaning and hygiene products throughout Switzerland. Revenue in the year ended 31 December 2011 was CHF17 million. The acquisition extends our operations in Switzerland which is a key market that we entered in 2010 with the purchase of Weita.

The acquisition of Indigo Concept Packaging was completed in October. Indigo is based in the UK and is principally engaged in the sale of quality retail packaging products to a variety of customers. Revenue in the year ended 31 December 2011 was £6 million.

At the end of October we acquired Atlas Health Care in Australia. Based in Adelaide, the business is principally engaged in the supply of medical consumables to the healthcare sector and gives us an enhanced market position in this growing sector. Revenue in the year ended 30 June 2012 was A\$22 million.

In December we entered into agreements to acquire five businesses. Based near Toronto, McCordick Glove & Safety is a distributor of gloves and other personal protection equipment to a variety of industrial and retail customers as well as to redistributors. It has enabled us to enter the personal protection equipment sector in Canada and enhances the

Company's existing safety product offering. Revenue in the year ended 31 December 2011 was C\$53 million. Vicsa Safety in Chile and its subsidiaries based in Peru, Argentina, Colombia and Mexico specialise in the sourcing and sale of a variety of personal protection equipment throughout the region. The aggregate revenue of the Vicsa businesses in 2012 was US\$65 million of which more than half was accounted for by the business in Chile. At the same time we entered into an agreement to purchase Vicsa Brasil which was completed earlier this month following clearance from the Brazilian Competition Authority. Revenue in 2012 was US\$9 million. The acquisition of the Vicsa businesses is an exciting development for us as they expand our operations in South America outside Brazil into four new countries as well as extending our business in Mexico into the safety sector. In December we also acquired Destiny Packaging in the US which had revenue in 2012 of US\$52 million. Based in Monterey, California, Destiny Packaging is a leading distributor of flexible packaging supplies, principally produce bags, to fruit and vegetable growers throughout California and Arizona and complements both Cool-Pak and Netpak which we acquired in 2010 and 2011 respectively. Together these three businesses give us an increasing presence in the market of innovative packaging solutions for both growers and food retailers in North America. Finally the Company purchased Schwarz Paper Company in the US at the end of December. Based in Chicago and operating from 14 locations, Schwarz Paper Company is principally engaged in the provision of consumables and supply chain solutions for the non-food retail and grocery sectors. It significantly increases the size of our non-food retail business and will further enhance the Company's market leading position in the grocery sector. Revenue of the acquired business in the year ended 30 September 2012 was US\$363 million.

The acquisition of McNeil Surgical in Australia was completed at the beginning of February 2013. With revenue of A\$16 million in the year ended 30 June 2012, the business is engaged in the sale of healthcare consumables and equipment to aged care facilities, hospitals and medical centres as well as to redistributors and increases our market presence in this growing sector.

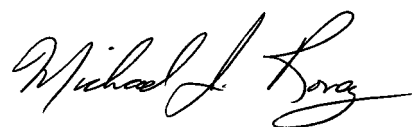
## PROSPECTS

The macroeconomic outlook continues to be challenging but we believe that our resilient customer base and the opportunities for additional market consolidation will provide the Group with a good platform for further growth.

In North America we expect to see stronger growth as a result of the six acquisitions completed last year and an improvement in organic revenue growth from the levels seen in the second half of 2012. In spite of the difficult market conditions in Continental Europe, we currently anticipate some growth with a stable operating margin. The performance of UK & Ireland should continue to improve, in spite of the sluggish economies, led by organic growth and ongoing cost reduction initiatives. Rest of the World should see a strong performance through a combination of good organic growth and the impact of the recent significant acquisition activity.

Acquisition growth is an important part of our strategy. The pipeline is promising as we continue discussions with a number of potential targets.

The Board believes that the prospects for the Group are positive due to our strong market position, growing customer sectors and good opportunities to consolidate further the markets in which we compete.



**Michael Roney**  
Chief Executive  
25 February 2013

# SOURCING

A high-angle, rear-view photograph of a large container ship sailing on a deep blue ocean under a bright blue sky with scattered white clouds. The ship's deck is densely packed with numerous intermodal containers in various colors, including white, grey, blue, red, and green. The ship's wake is visible in the water. The word 'SOURCING' is printed in large, bold, white capital letters across the center of the image.

WE SOURCE HUNDREDS OF THOUSANDS OF DIFFERENT PRODUCTS FROM ALL OVER THE WORLD, LIAISING CLOSELY WITH OUR SUPPLIERS SO THAT WE ARE ABLE TO OFFER A FULL RANGE OF ITEMS WHICH SATISFY OUR CUSTOMERS' DEMANDS. FROM SAFETY HARNESSSES AND HARD HATS TO BAKERY PACKAGING AND COFFEE CUPS, WE ENSURE THAT THE PRODUCTS WE SOURCE ARE THE MOST APPROPRIATE FOR THEIR EVERYDAY REQUIREMENTS.



# EVERYDAY ESSENTIAL PRODUCTS



## NORTH AMERICA

# +8%

INCREASE IN OPERATING PROFIT AT  
CONSTANT EXCHANGE RATES WITH  
IMPROVEMENT IN OPERATING MARGIN.



In North America revenue increased by 6% to £2,905.8 million due to sales growth with existing customers, new business wins and acquisitions. This, together with the impact of higher margin acquisitions and good cost control, contributed to an 8% increase in operating profit to £184.6 million, with the operating profit margin improving 20 basis points to 6.4%. Our extensive distribution network and delivery fleet across North America and our experienced sales force continued to produce value for our customers in the diversified business sectors we service.

Our largest business, which serves the grocery sector, produced good growth in 2012 principally as a result of the full year impact of a significant customer win in the third quarter of 2011 but also as we expanded our business with other customers by offering integrated supply chain product and information supply chain solutions. Execution of our cornerstone programmes of direct store delivery, cross dock and warehouse replenishment programmes on a local, regional or national basis provides us with a unique competitive advantage in the marketplace and generates opportunities for us to reduce the operating costs and working capital investment of our customers. Our overall business in the Pacific Northwest was boosted by the acquisition of Service Paper in June.

The redistribution business also grew as we continued to enable our distributor customers, predominantly in the foodservice, jan/san (janitorial/sanitation) and office products sectors, to achieve increased profitability through our proximity and scale. Our business model allows not only these customers but all of our customers to consolidate their sources of supply and reduce their administrative and operating costs through our one-stop-shop offering. As a result of our excellent fill rates and dependable delivery capabilities, our customers can improve their profitability and asset utilisation by dedicating storage space, once occupied by the stock items we now provide, to support higher revenue generating items.

Our food processor business continued to perform well, with customers across the full breadth of the food processor supply chain from the fields to the stores. These include growers, packers, large food companies and meat, fresh cut produce, home meal and specialty food processors. The recent addition of Destiny Packaging and its flexible packaging offering complements Cool-Pak's and Netpak's rigid packaging product lines and increases our ability to provide innovative packaging solutions for growers, packers and retailers.

### **'OUR IT PLATFORM, EXTENSIVE WAREHOUSE NETWORK AND DELIVERY FLEET CONTINUE TO POSITION US WELL TO MEET OUR CUSTOMERS' DEMANDS IN THE FUTURE.'**

**Patrick Larmon**

President and CEO North America

Our business serving the non-food retail sector also developed well despite slow US retail sales growth. Our coast to coast distribution network gives us the scale needed to support national retail chains cost effectively through our uniform operating platform. Our recent acquisition of Schwarz Paper Company complements our existing non-food retail and grocery distribution businesses. Schwarz will significantly expand our customer base and market presence in these sectors across the US in the coming year. We also continued to improve our expertise and breadth of product line through our acquisition of CDW Merchants in February. Their design and marketing offerings will further enhance our ability to introduce new and unique point of sale designs and, together with Keenpac, allow us to offer innovative packaging and store supply programmes that will lead to increased business with our existing customer base as well as attract new customers, particularly in the specialty and online retail sectors.

Although the convenience store sector is still impacted by higher fuel costs, it continued to expand in 2012. We continuously work with retail convenience store chains to provide additional programmes and products to help them meet the demands of the new services being offered at the store level. Our investment in a well trained sales force gives us a better opportunity to develop more expansive programmes with these local, regional and national chains. Wholesalers in this sector also continue to extend their services which provides us with additional sales opportunities.

We continue to strengthen our relationships with our preferred suppliers and further integrate our supply chains as we position their products closer to the customer reducing their operating costs and improving their profitability. Working as supply chain partners allows us to leverage our combined strengths to create unique programmes and products that best satisfy our customers' needs at competitive prices.

Our private label import and import logistics programmes saw further expansion by utilising our state-of-the-art Shanghai distribution centre and quality control services and leveraging our international logistics expertise. We also penetrated more deeply into the foodservice sector and strengthened our competitive position through our acquisition of FoodHandler, a leading supplier of own brand disposable gloves and other food handling products. Not only does FoodHandler expand our foodservice product offering, it also complements our existing foodservice operations, augments our sales force with extensive product sales and marketing expertise and extends our customer base. In addition, our recent acquisition of McCordick Glove & Safety enables us to enter the personal protection equipment sector in Canada which is a product area where we have already been very successful in a number of other geographies. It also has a wide range of successful own brands that will enhance our existing safety product offering.

We continued to manage successfully our operating costs despite ongoing pressures on fuel, freight and healthcare costs. As part of this process we diligently evaluate new warehouse technologies that could improve warehouse efficiencies and continually analyse the number of facilities we require in order to optimise our operating costs and service levels.



# CONTINENTAL EUROPE

## £1,079.4m

RECORD LEVEL OF SALES AS BUSINESS AREA REVENUE INCREASES 8% AT CONSTANT EXCHANGE RATES.



Revenue rose by 8% to £1,079.4 million due to a combination of some organic growth and acquisition activity in 2011 and 2012, although operating profit fell 2% to £87.5 million. In the difficult economic environment in most of the countries in which we are present, pricing pressure in our markets together with a weaker euro impacting import prices has led to a decline in gross margin. Although operating costs remain tightly controlled, underlying revenue growth has slowed compared to recent years such that the revenue growth, together with the impact from acquisitions, was not sufficient to compensate for the gross margin decline.

Our largest business, the cleaning and hygiene operations in France, saw a slight reduction in sales. Gross margin continues to be under pressure, in particular from the healthcare and public sectors with cost control measures at our customers continuing to impact our business, leading to a decline in operating profit. Measures to increase gross margin and reduce costs have been implemented with a view to improving future profitability. By contrast, our personal protection equipment business in France enjoyed good sales growth with an improved operating profit.

In the Netherlands, sales continued to grow significantly in our businesses supplying the food and non-food retail sectors. Our healthcare business saw reasonable growth although the horeca (hotel, restaurant and catering) sector recorded a small decline. Margins remain under pressure although improved in the healthcare sector, partly due to synergies from recent acquisitions. Overall underlying operating profit improved and was further enhanced by the full year impact of the acquisition of D-Care which was acquired in 2011.

2012 was the first full year of ownership of Majestic Products, a personal protection equipment and safety products business in the Netherlands, Belgium, Germany and the US. While trading in the European businesses was soft, the US business recorded strong growth both in sales and operating profit, in particular due to the successful introduction of new products. It also relocated to a larger, purpose-built facility to allow for further growth in the coming years.

**‘OUR BROAD PORTFOLIO OF BUSINESSES ACROSS A NUMBER OF MARKET SECTORS AND GEOGRAPHIES ENABLES US TO MEET THE CHALLENGING MARKET CONDITIONS WE ARE FACING.’**

**Frank van Zanten**

Managing Director Continental Europe

In Belgium, we recorded strong sales growth in the cleaning and hygiene sector due to further gains with a number of existing customers although sales in the retail sector declined following the loss of one larger account leaving overall sales flat. Good margin management led to an overall increase in operating profit and margins.

In Germany, sales growth was modest with gains in sales to fast food chains, coffee shops and wholesalers being partly offset by lower sales to contract caterers. Margins remain under pressure in particular from larger accounts. Costs were reduced during the year to compensate for lower margins leaving operating profit flat.

In Switzerland, our Weita business saw a slight decline in sales as the Swiss economy, and in particular its tourism industry, has been adversely impacted by the continuing strength of the Swiss franc, although margins were in line with last year. At the end of June we acquired DISTRIMONDO, a distributor of foodservice disposables and cleaning and hygiene products throughout Switzerland, which is integrating well into the Group and generating synergies with Weita.

In Denmark, sales have declined in the retail and horeca sectors and grown in the personal protection equipment sector. Gross margins are also under pressure in the retail and public sectors and this, combined with some one-off costs associated with implementing a new IT system, resulted in a reduced operating profit.

In Spain, extremely difficult economic circumstances led to a fall in underlying sales in both the cleaning and hygiene and personal protection equipment businesses, although overall sales in the cleaning and hygiene business were ahead due to the purchase of King Espana in 2011. Margins have also fallen as a result of the weaker euro increasing import prices and competitive pressures although this has partially been mitigated by synergies achieved following the acquisition of King Espana.

In central Europe, sales grew after the decline of 2011 with the strongest growth in the retail sector although the cleaning and hygiene and safety sectors also improved. Margins, however, remain under pressure across the region leading to a lower level of operating profit.

In Israel, our foodservice disposables business, Silco, continued to deliver strong sales growth but margins have declined, partly due to the strength of the US dollar. In April we acquired Zahav, a leading distributor of packaging supplies to the foodservice sector which is integrating well into the Group.





# CONSOLIDATION

WE HAVE AN EXTENSIVE FOOTPRINT OF WAREHOUSE FACILITIES ACROSS FOUR CONTINENTS WHICH MEANS THAT OUR PRODUCTS ARE NEVER FAR FROM WHERE THEY NEED TO BE. WHETHER CUSTOMERS REQUIRE ORDERS FOR A NETWORK OF LOCATIONS OR INDIVIDUAL OUTLETS, WE CAN QUICKLY AND EASILY FACILITATE THEIR NEEDS FROM OUR BROAD RANGE OF STOCK KEEPING UNITS.





**THAT OFFERS OUR  
CUSTOMERS  
ONE-STOP-SHOP  
SOLUTIONS**

## UK & IRELAND

# 86.5%

RETURN ON OPERATING CAPITAL,  
THE HIGHEST OF ALL OF THE  
BUSINESS AREAS.



Our businesses in the UK & Ireland have shown a continued improvement in performance in 2012. Although total revenue was flat at £992.1 million, due to the impact of the sale of vending in August 2011, operating profit increased 8% to £65.2 million. In a market where demand is still suppressed and there is constant pressure from customers to make savings, we have achieved underlying growth and margin improvement by further developing our market position and by successfully integrating the recent acquisitions. We have also improved results by constantly appraising our resource levels and operating efficiency, investing in product sourcing and procurement and the continued development of our own brands.

The London 2012 Olympics was an important event for Bunzl as we provided a number of products specifically for the Games through our catering and hospitality customers. These included catering disposables, healthcare consumables and cleaning and hygiene supplies. In addition to the business opportunity it presented, we were able to enhance our reputation for delivering an outstanding level of service.

The safety market has continued to be subdued as a result of reduced demand, particularly in the construction and industrial sectors, although the results for the year of our safety supplies business were boosted by the integration of SIG Safety and Workwear which was purchased during 2011. Our cleaning and hygiene supplies business performed well as a result of good organic growth in the facilities management sector and the full year impact of the Cannon Consumables business also acquired in 2011. We remained focused on operating costs in this difficult environment and further consolidated the branch network of our cleaning and safety businesses, reducing the number of facilities by two.

**‘OUR ORGANIC REVENUE GROWTH INCREASED THIS YEAR TO ITS HIGHEST LEVEL FOR FIVE YEARS AS WE CONTINUED TO IMPROVE OUR PERFORMANCE.’**

**Paul Budge**

Managing Director UK & Ireland

In hospitality we saw good growth, particularly with high street coffee shops and contract caterers. Our ability to offer an extensive range of own brand products, which complement branded products, helped to make savings for our customers and maintain our operating margins. This remains a very competitive market, so we are conscious of the need to provide high levels of service at low levels of operating cost. As part of our programme to deliver these, we have further rationalised our network and closed two locations.

In our food retail business we have continued to increase sales by gaining an additional major grocery retailer during the year, together with the impact of a new grocery account won towards the end of 2011. Our non-food retail packaging business had a successful year, despite the significant challenges being faced by many of our high street customers, due to continuing strong demand from luxury branded retailers and the acquisition of Indigo Concept Packaging in October. Gross margins are under constant pressure in the retail supplies market and it is through offering innovative supply solutions and reducing customers' existing costs that we have managed to continue to be successful.

Although the healthcare market has been challenged by ongoing government spending constraints, we have made good progress during 2012. This has been achieved by focusing on more profitable business, expanding and developing our range of own brand products and by taking measures to reduce operating costs. During the year we also increased the efficiency of our operations by introducing a new electronic ordering platform for our customers.

In spite of a continuing difficult economy in Ireland and the negative impact of the weaker euro, our business there has seen further recovery in 2012. This reflects the work that had already been done to reduce our cost base and improve the sales performance. The overall market that we serve has stabilised, reflecting an increase in demand from hotels and the hospitality sector. We have also been successful in winning tenders for supply to government agencies and facilities management companies. This has enabled us to offset the ongoing weak demand from high street retailers and the takeaway food market.



# REST OF THE WORLD

## +22%

RISE IN OPERATING PROFIT AT CONSTANT EXCHANGE RATES DUE TO STRONG ORGANIC GROWTH AND IMPACT FROM ACQUISITIONS.



In Rest of the World revenue increased 23% to £381.9 million while profits rose 22% to £33.2 million. Both Australasia and Brazil experienced strong organic revenue growth with the results also benefitting from the impact of recent acquisitions.

In Australasia, our largest business, Outsourcing Services, which supplies the healthcare, cleaning and catering sectors, continued to perform strongly and again delivered strong results. This was achieved through a consistent strategy of focusing on the resilient market sectors and growing market share in aged care facilities and hospitals where we supply a wide range of disposable and medical consumables. We also saw some solid growth with our catering and cleaning customers who supply into the mining and resource sectors. In addition in April we made our first entry into the redistribution sector through the acquisition of the redistribution business of Star Services International in Queensland.

To help consolidate our market position in healthcare, in October we acquired Atlas Health Care which is a major supplier of specialist healthcare consumables in South Australia. This acquisition brings additional market specialisation and expertise in woundcare and nutrition and complements our current product offering. The purchase of McNeil Surgical in February 2013 will further strengthen our position in this growing sector.

Although sales in our food processor business increased in 2012, it performed below expectations. The business is continuing to develop expertise with major national non-meat food processors which diversifies and balances our stronger position with retail supermarkets. We are also growing in our traditional markets by introducing a number of new product development initiatives. The business has created capacity for continued growth and made a number of operational improvements, recently implementing scanning technology into the warehouse operations, to improve accuracy and increase productivity in the future.

Our catering equipment businesses had a disappointing year as we continued to be challenged by further softening in the traditional hospitality markets. To offset this, the business has been refocusing its

**‘OUR BUSINESS IN AUSTRALASIA HAS CONTINUED TO IMPROVE ITS OPERATIONAL EFFICIENCY THROUGH INVESTMENT IN NEW FACILITIES AND TECHNOLOGY WHICH SHOULD FACILITATE FURTHER GROWTH.’**

**Kim Hetherington**

Managing Director Australasia

**‘OUR EXPANSION INTO NEW COUNTRIES IN SOUTH AMERICA NOT ONLY EXTENDS OUR SAFETY BUSINESS IN THE REGION BUT ALSO PROVIDES A PLATFORM FOR FUTURE GROWTH INTO OTHER MARKET SECTORS.’**

**Rodrigo Mascarenhas**

Managing Director South America

efforts to grow market share in the more resilient healthcare and resources sectors. During the year we successfully integrated our largest business onto the main IT platform which has improved operational performance and increased efficiency and service levels.

Our business in Australasia continues to invest in infrastructure and technology to enable the business to grow efficiently. During 2012 two of our business units successfully relocated their New South Wales operations into our new 20,000m<sup>2</sup> distribution centre in the Sydney suburb of Enfield. This facility will improve operational efficiency and represents a major investment to facilitate future growth in Australia's most populated region. In 2013 we will consolidate two further facilities into this location as their current property leases expire.

In Brazil our personal protection equipment businesses performed well despite the continuing slowdown in the rate of economic growth as the year progressed and weakness in the Brazilian real which particularly impacted import prices. Danny, the redistribution business with a focus on own brands acquired in November 2011, was successfully integrated into the Group and launched a series of new products. Prot Cap also grew and increased its profitability, partly as a result of new customer wins particularly in the oil and gas sectors which are continuing to expand, and developed some important relationships with additional suppliers which has enhanced our product offering. The recent acquisition of Vicsa Brasil, which was completed on 19 February 2013, complements and further extends our range of safety products.

Ideal, the cleaning and hygiene business which was also acquired in 2011, gained a number of new accounts in the retail sector and was able to realise operational efficiencies and increase the operating margin through the implementation of a new IT system and a logistics restructuring programme.

The purchase in December of Vicsa Safety with its operations in Chile, Peru, Argentina, Colombia and Mexico, expands our personal protection equipment business in the region outside Brazil and provides Bunzl with an exciting first entry into five high growth safety markets.





WITH OUR FLEETS OF DELIVERY VEHICLES AND THIRD PARTY CARRIERS, WE ARE ABLE TO GET PRODUCTS TO OUR CUSTOMERS IN A TIMELY MANNER. WHETHER DELIVERIES ARE DAILY, WEEKLY OR MONTHLY, WE WORK WITH OUR CUSTOMERS TO MEET THEIR REQUIREMENTS AND ENABLE THEM TO FOCUS ON THEIR CORE BUSINESSES, HELPING TO INCREASE THE EFFICIENCY AND COMPETITIVENESS OF THEIR OPERATIONS.



A photograph of a woman with blonde hair, wearing a blue sweater and a blue and white patterned scarf, standing at a supermarket checkout counter. She is holding a clear plastic bag filled with various fruits, including apples and oranges, and a clear plastic container of mixed fruit. In the background, a cashier wearing a green cap and a white apron is visible, working behind the counter. The counter is cluttered with various items, including a yellow bottle of juice, a bag of bread, and other groceries. The overall scene is brightly lit, typical of a supermarket environment.

**ON TIME TO  
KEEP YOUR  
BUSINESS MOVING**





## **‘COMMITTED ACQUISITION SPEND OF £272 MILLION WILL ADD MORE THAN £500 MILLION OF ANNUALISED REVENUE.’**

**Brian May**  
Finance Director

### **GROUP PERFORMANCE**

Revenue increased by 6% at constant exchange rates to £5,359.2 million (2011: £5,109.5 million) reflecting organic growth and the benefit of acquisitions net of the disposal of the UK vending business in August 2011. Operating profit before intangible amortisation and acquisition related costs increased by 7% at constant exchange rates to £352.4 million (2011: £335.7 million) as a result of the revenue growth and the operating profit margin at constant exchange rates increasing from 6.5% to 6.6%. Currency translation had a 1% to 2% negative impact on the results for the year principally due to some weakening of the euro and the Brazilian real, partially offset by the strengthening of the US dollar. At actual exchange rates, both revenue and operating profit before intangible amortisation and acquisition related costs increased by 5%.

Intangible amortisation and acquisition related costs of £58.6 million were up £2.2 million due to a £2.3 million increase in transaction costs and expenses and a £1.2 million increase in intangible amortisation, partially offset by a £1.3 million decrease in net deferred consideration payments relating to the continued employment of former owners of businesses acquired and earn outs.

The net interest charge of £28.5 million was down £1.1 million on 2011, principally due to lower average net debt levels. Interest cover improved to 12.4 times compared to 11.3 times in 2011.

The profit on disposal of business of £4.0 million reflects the reassessment of provisions relating to the disposal of the UK vending business in 2011 (2011: loss of £56.0 million).

Profit before income tax, intangible amortisation, acquisition related costs and disposal of business was £323.9 million (2011: £306.1 million), up 8% on 2011 at constant exchange rates and up 6% at actual exchange rates, due to the growth in operating profit before intangible amortisation and acquisition related costs and the benefit from the lower interest charge.

### **TAX**

A tax charge at a rate of 27.7% (2011: 27.5%) has been provided on the profit before tax, intangible amortisation, acquisition related costs and disposal of business. Including the impact of intangible amortisation of £47.7 million, acquisition related costs of £10.9 million, the profit on disposal of business of £4.0 million and the associated deferred and current tax of £15.7 million, the overall tax rate is 27.5% (2011: 36.1%). The underlying tax rate of 27.7% is higher than the nominal UK rate of 24.5% for 2012 principally because many of the Group's operations are in countries with higher tax rates.

### **PROFIT FOR THE YEAR**

Profit after tax of £195.3 million was up £71.5 million, primarily due to the non-recurrence of the £56.0 million loss on disposal of vending in 2011 and the 6% increase in profit before income tax, intangible amortisation, acquisition related costs and disposal of business.

### **EARNINGS**

The weighted average number of shares increased to 326.1 million from 324.0 million due to employee option exercises, partially offset by shares being purchased from the market into the Company's employee benefit trust. Earnings per share were 59.9p, up 57% on 2011, principally due to the non-recurrence of the loss on disposal of business in 2011. After adjusting for intangible amortisation, acquisition related costs and the respective associated tax and the profit/loss on disposal of business, earnings per share were 71.8p, an increase on 2011 of 7% at constant exchange rates and 5% at actual exchange rates.

The intangible amortisation and associated tax and the profit/loss on disposal of business are non-cash charges which are not taken into account by management when assessing the underlying performance of the business. Similarly, the acquisition related costs and associated tax do not relate to the underlying performance of the business. Accordingly, such charges are removed in calculating the adjusted earnings per share on which management assesses the performance of the Group.

### **DIVIDENDS**

An analysis of dividends per share for the years to which they relate is shown below:

	2012	2011	Growth
Interim dividend (p)	<b>8.80</b>	8.05	9%
Final dividend (p)	<b>19.40</b>	18.30	6%
Total dividend (p)	<b>28.20</b>	26.35	7%
Dividend cover (times)*	<b>2.5</b>	2.6	

\*Based on adjusted earnings per share

### **ACQUISITIONS**

The principal acquisitions made or agreed to be made in 2012 were CDW Merchants, the redistribution business of Star Services International, FoodHandler, Zahav, Service Paper, Distrimondo, Indigo Concept Packaging, Atlas Health Care, McCordick Glove & Safety, Vicsa Safety, Vicsa Brasil, Destiny Packaging and Schwarz Paper Company. Annualised revenue and operating profit before intangible amortisation and acquisition related costs of the businesses acquired or agreed to be acquired were £518.4 million and £36.1 million respectively. A summary of the effect of acquisitions is as follows:

	£m
Fair value of assets acquired	156.5
Goodwill	63.6
Consideration	220.1
Satisfied by:	
cash consideration	206.0
deferred consideration	13.1
other consideration	1.0
	220.1
Contingent payments to former owners	16.3
Net bank overdrafts acquired	21.8
Transaction costs and expenses	6.9
<b>Total expected spend in respect of current year completed acquisitions</b>	<b>265.1</b>
Committed spend in respect of current year acquisitions not completed	7.2
<b>Total committed spend in respect of current year acquisitions</b>	<b>272.3</b>

The net cash outflow in the year in respect of acquisitions comprised:

	£m
Cash consideration	206.0
Net bank overdrafts acquired	21.8
Deferred consideration in respect of prior year acquisitions	6.7
Net cash outflow in respect of acquisitions	234.5
Acquisition related costs	20.2
<b>Total cash outflow in respect of acquisitions</b>	<b>254.7</b>



## CASH FLOW

Cash generated from operations before acquisition related costs was £349.1 million, a £41.0 million decrease from 2011, primarily due to a working capital outflow in 2012 of £22.4 million compared to a £31.4 million inflow in 2011, attributable to a particularly low working capital level at the end of 2011, partially offset by a £17.8 million increase in profit before tax, intangible amortisation, acquisition related costs and disposal of business. The Group's free cash flow of £234.7 million was down £40.5 million from 2011. After payment of dividends of £85.7 million in respect of 2011, a £3.7 million outflow on employee share schemes and an acquisition cash outflow of £254.7 million, the net cash outflow was £109.4 million. The summary cash flow for the year was as follows:

	£m
Cash generated from operations*	349.1
Net capital expenditure	(20.2)
Operating cash flow*	328.9
<b>Operating cash flow* to operating profit†</b>	<b>93%</b>
Net interest	(30.6)
Tax	(63.6)
<b>Free cash flow</b>	<b>234.7</b>
Dividends	(85.7)
Acquisitions	(254.7)
Employee share schemes	(3.7)
<b>Net cash outflow</b>	<b>(109.4)</b>

\*Before acquisition related costs

†Before intangible amortisation and acquisition related costs

## BALANCE SHEET

Return on average operating capital employed before intangible amortisation and acquisition related costs decreased to 56.4% from 57.4% in 2011 due to the impact of acquisitions having a lower return on operating capital than the rest of the Group. Return on invested capital increased from 17.3% in 2011 to 17.9% due to a combination of improved returns in the underlying business and the disposal of the UK vending business, partly offset by the impact of recent acquisitions. Intangible assets increased by £66.1 million to £1,322.9 million reflecting goodwill and customer relationships arising on acquisitions in the year of £158.3 million, partially offset by an amortisation charge of £47.7 million and a reduction of £44.5 million due to exchange. The Group's pension deficit of £75.5 million at 31 December 2012 was £1.2 million higher than at 31 December 2011, with an actuarial loss of £13.5 million and a service cost of £5.4 million being largely offset by contributions of £13.2 million, a net financial return of £2.2 million and an exchange gain of £2.3 million. The actuarial loss arose primarily as a result of the £28.8 million impact of changes in assumptions relating to the present value of scheme liabilities, principally due to lower discount rates, partially offset by the actual return on scheme assets being £15.3 million higher than expected.

The movements in shareholders' equity and net debt during the year were as follows:

Shareholders' equity	£m
At 1 January 2012	806.7
Profit for the year	195.3
Dividends	(85.7)
Currency	(30.4)
Actuarial loss on pension schemes	(13.5)
Share based payments	11.1
Other	2.0
<b>At 31 December 2012</b>	<b>885.5</b>
<b>Net debt</b>	<b>£m</b>
At 1 January 2012	(652.9)
Net cash outflow	(109.4)
Currency	24.2
<b>At 31 December 2012</b>	<b>(738.1)</b>
<b>Net debt to EBITDA (times)</b>	<b>1.8</b>

## EXCHANGE RATES

Average	2012	2011
US\$: £	<b>1.59</b>	1.60
€: £	<b>1.23</b>	1.15
A\$: £	<b>1.53</b>	1.55
C\$: £	<b>1.58</b>	1.59
Brazilian real: £	<b>3.10</b>	2.68

Closing	2012	2011
US\$: £	<b>1.63</b>	1.55
€: £	<b>1.23</b>	1.20
A\$: £	<b>1.57</b>	1.52
C\$: £	<b>1.62</b>	1.58
Brazilian real: £	<b>3.33</b>	2.90

## 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 average operating capital employed and the return on invested 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, the Group arranges a mixture of borrowings from 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. The Group seeks to maintain an appropriate 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.

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 have been approved by the Board and cover the nature of the exposure to be hedged, the types of financial instruments that may be employed and the criteria for investing and borrowing cash. The Group uses derivatives 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 periodically reviewed by the executive directors and the Board. Controls over exposure changes and transaction authenticity are in place.

## HEDGE ACCOUNTING

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; (b) a hedge of the cash flow risk resulting from changes in interest rates or foreign exchange rates; or (c) a hedge of a net investment in a foreign operation. The Group tests the effectiveness of hedges on a prospective and retrospective basis to ensure compliance with IAS 39 'Financial Instruments: Recognition and Measurement'. Methods for testing effectiveness include dollar offset, critical terms and regression analysis.

### LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group continually monitors net debt and forecast cash flows to ensure that sufficient facilities are in place to meet the Group's requirements in the short, medium and long term and, in order to do so, arranges borrowings from a variety of sources. Additionally, compliance with the Group's biannual debt covenants is monitored on a monthly basis. The principal covenant limits are net debt to EBITDA of no more than 3.5 times and interest cover of no less than 3.0 times. Sensitivity analyses using various scenarios are applied to forecasts to assess their impact on covenants and net debt. During 2012 all covenants have been complied with and based on current forecasts it is expected that such covenants will continue to be complied with for the foreseeable future.

The Group has substantial borrowing facilities available to it comprising multi-currency credit facilities from the Group's banks and US dollar and sterling bonds. During the year an issue of fixed interest rate US dollar bonds was agreed for a total value of US\$350.0 million of which US\$110.0 million was drawn down in December 2012 and US\$240.0 million is due to be drawn by the Group in April 2013 to refinance bonds which are maturing. At 31 December 2012 the total bonds outstanding were £618.9 million (2011: £585.1 million) with maturities ranging from 2013 to 2023. During the year the Group also refinanced or agreed new banking facilities totalling £150.7 million. The Group's committed bank facilities mature between 2013 and 2017. At 31 December 2012 the available committed bank facilities totalled £758.5 million (2011: £730.8 million) of which £169.2 million (2011: £109.3 million) was drawn down. The undrawn committed facilities available to the Group at 31 December 2012 were £589.3 million (2011: £621.5 million). The committed facilities maturity profile at 31 December 2012 is set out in the chart below.

### INTEREST RATE RISK

The Group is funded by a mixture of fixed and floating rate debt. In addition, interest rate swaps and interest rate caps are used to manage the interest rate risk profile. At 31 December 2012 fixed rate debt of £472.2 million (2011: £425.2 million) related to fixed rate US dollar and sterling bonds stated at amortised cost with maturities ranging from 2014 to 2023.

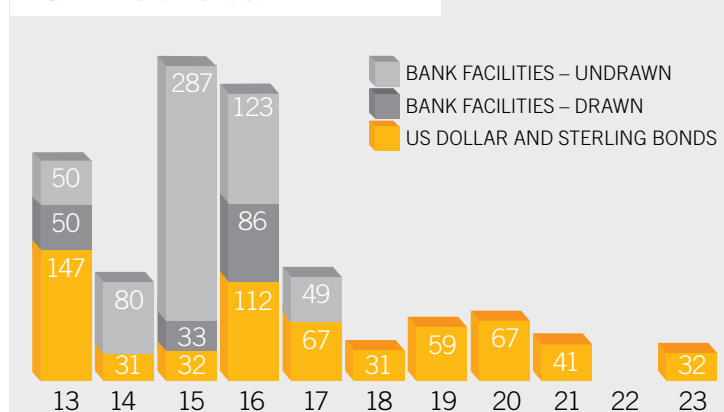
At 31 December 2012 floating rate debt comprised £174.3 million of floating rate bank loans (2011: £109.3 million) and £146.7 million of fixed rate US dollar bonds which have been swapped to floating rates using interest rate swaps (2011: £159.9 million). Bank loans are drawn for various periods of up to three months at interest rates linked to LIBOR. The interest rate swaps reprice every three or six months.

The interest rate risk on the floating rate debt is managed using interest rate options. Borrowings with a notional principal of £162.6 million were capped at 31 December 2012 (2011: £266.7 million).

### FOREIGN CURRENCY RISK

The principal underlying currencies of the Group's earnings are sterling, US dollars and euros. The Group does not hedge the impact of exchange rate movements arising on translation of earnings into sterling at average exchange rates. For the year ended 31 December 2012, a movement of one cent in the US dollar and euro average exchange rates would have

### COMMITTED FACILITIES MATURITY PROFILE 2013-2023 £m



changed profit before tax by £0.8 million and £0.3 million respectively and profit before tax, intangible amortisation, acquisition related costs and disposal of business by £0.9 million and £0.5 million respectively.

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 usually relatively limited. 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 cash flow hedges. However, the economic impact of foreign exchange on the value of uncommitted future purchases and sales is not hedged. As a result, sudden and significant movements in foreign exchange rates can impact profit margins where there is a delay in passing on to customers the resulting price increases.

The majority of the Group's borrowings are effectively denominated in sterling, US dollars and euros, aligning them to the respective functional currencies of its operating profit before depreciation, intangible amortisation and acquisition related costs ('EBITDA'). This currency profile is achieved using short term foreign exchange contracts, long term cross currency interest rate swaps and foreign currency debt. This currency composition minimises the impact of foreign exchange rates on the ratio of net debt to EBITDA.

### 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 and deposits, derivative financial instruments and trade and other receivables which represent the Group's maximum exposure to credit risk in relation to financial assets. The maximum exposure to credit risk for these financial assets is their carrying amount.

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.

For trade and other receivables, the amounts represented 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.

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

### GOING CONCERN

Details of the Group's activities, developments and performance are set out on pages 8 to 31. This Financial review summarises the Group's financial performance, balance sheet and cash flows and provides information on its treasury policies, exposure to financial risks, debt profile and funding headroom. Note 13 to the consolidated financial statements provides further details of the Group's debt profile, capital management policy, treasury policies and controls, hedging activities and financial instruments and its policies and exposures to liquidity, interest rate, foreign currency and credit risks.

The Group has significant financial resources, a well established, fragmented customer base, strong supplier relationships and a diverse geographic presence. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully. Based on the expected future profit generation, cash conversion and current facilities' headroom over the 12 months to March 2014, the directors have a reasonable expectation 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.



Bunzl has an extensive risk management framework designed to identify and assess the likelihood and consequences of risk and to manage the actions necessary to mitigate their impact.

## RISK OVERVIEW

The effective identification, management and mitigation of risks and uncertainties across the Group are an integral part of delivering the Group's strategic objectives. The 'Risk management and internal control' section of the Corporate governance report on pages 36 and 37 includes further information on the specific procedures designed to identify, manage and mitigate business risk which could have a material impact on the Group's business, financial condition or results of operations.

The Company's approach involves risks being regularly reviewed by each business area and measured against a defined set of probability and impact criteria. This is then captured in a consistent reporting format, enabling management to consolidate the business area risk information and summarise the material risks in the form of a Group risk assessment. The Executive Committee then reviews the Group risk assessment, the relevant controls and other steps taken to mitigate the risks identified and the assurance procedures in place over such controls with a view to determining any further actions required in order to reduce the levels of risk to acceptable levels. The risk assessment is then submitted for review and approval by the Board.

## CHANGES TO THE RISK PROFILE

The Group operates in many business environments and across a number of geographies in which risks and uncertainties exist, not all of which are necessarily within the Company's control. The risks identified in the 2011 Annual Report remain those of most concern to the business at the end of 2012. However in particular the risks relating to the impact of price deflation and competitive pressures are considered to have increased and the risk relating to financial liquidity has decreased since the previous year. The principal risks and uncertainties faced by the Group and the steps taken to mitigate such risks and uncertainties are detailed below. This summary is not intended to be exhaustive and is not presented in order of potential probability or impact.

Market risks	Mitigating factors
<b>Competitive pressures</b> The Group operates in highly competitive markets and faces competition from international companies as well as national, regional and local 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 Group's growth potential, either through pressure on margins or loss of customers.	The Group seeks to remain competitive by maintaining high service levels and close contacts with its customers to ensure that their needs and demands are being met satisfactorily, developing a national presence in the markets in which the Group operates and maintaining strong relationships with a variety of different suppliers thereby enabling the Group to offer a broad range of products to its customers.
<b>Product price changes</b> The purchase price and availability of products distributed by the Group can fluctuate from time to time, thereby potentially affecting the results of operations. Adverse economic conditions resulting in a period of commodity price deflation and increased levels of imported products may lead to reductions in the price and value of the Group's products. If this were to occur, the Group's revenue and, as a result, its profits, could be reduced and the value of inventory held in stock may not be fully recoverable.	The Group 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. Increased focus on the Group's own import programmes and brands, together with the reinforcement of the Group's service and product offering to customers, helps to minimise the impact of price deflation.  The Group mitigates against the risk of holding overvalued inventory in a deflationary environment by managing stock levels efficiently and ensuring they are kept to a minimum.
<b>Economic environment</b> The Group'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 Group's business and results of operations.	The Group's operations and its customer base are diverse, with a variable and flexible cost base, and many of the sectors in which it competes are traditionally, by their nature, relatively resilient to economic downturns.
Financial risks	Mitigating factors
<b>Foreign exchange</b> The majority of the Group's sales are made and income is earned in US dollars, euros and other foreign currencies. As a result, movements in exchange rates may have a material translation impact on the Group's reported results.  The Group may also be subject to transaction exposures where products are purchased in one currency and sold in another and movements in exchange rates may also adversely affect the value of the Group's net assets.  The Group's businesses, reported results and net assets could similarly be affected by the exit from the eurozone of countries where the Group has operations.	The Group believes that the benefits of its geographical spread outweigh the associated risks.  The majority of the Group's transactions are carried out in the functional currency of the Group's operations. As a result, transaction exposures are usually limited and exchange rate fluctuations have minimal effect on the quality of earnings unless there is a sudden and significant adverse movement of a foreign currency in which products are purchased which may lead to a delay in passing on to customers the resulting price increases.  Although the consequences of a country leaving the eurozone, and the resulting impact this will have on other countries both within and outside the eurozone, are difficult to predict, the Group's operations in those countries most likely to do so at the current time are relatively small.

Financial risks continued	Mitigating factors
<p><b>Financial liquidity and debt covenants</b></p> <p>The Group needs continuous access to funding in order to meet its trading obligations, to support investment in organic growth and to make acquisitions when appropriate opportunities arise. There is a risk that the Group may be unable to obtain the necessary funds when required or that such funds will only be available on unfavourable terms.</p> <p>The Group's borrowing facilities include a requirement to comply with certain specified covenants in relation to the level of net debt and interest cover. A breach of these covenants could result in a significant proportion of the Group's borrowings becoming repayable immediately.</p>	<p>The Group arranges a mixture of borrowings from different sources and continually monitors net debt and forecast cash flows to ensure that it will be able to meet its financial obligations as they fall due and that sufficient facilities are in place to meet the Group's requirements in the short, medium and long term.</p> <p>Compliance with the Group's biannual debt covenants is monitored on a monthly basis based on the management accounts. Sensitivity analyses using various scenarios are applied to forecasts to assess their impact on covenants.</p>
Operational risks	Mitigating factors
<p><b>Acquisitions</b></p> <p>A significant portion of the Group's historical growth has been achieved through the acquisition of businesses and the Group's growth strategy includes additional acquisitions. Although the Group operates in a number of fragmented markets which provide future acquisition opportunities, there can be no assurance that the Group will be able to make acquisitions in the future or that any acquisitions made will be successful.</p> <p>In the longer term, if an acquisition consistently underperforms compared to its original investment case, there is a risk that this will lead to a permanent impairment in the carrying value of the intangible assets attributed to that acquisition.</p>	<p>The Group's acquisition strategy is to focus on those businesses which operate in sectors where it has or can develop competitive advantage and which have good growth opportunities. The Group continually reviews acquisition targets and has established processes and procedures with regard to detailed pre-acquisition due diligence and post-acquisition integration.</p> <p>The Group endeavours to maximise the performance of an acquisition through the recruitment and retention of high quality management combined with effective strategic planning, investment in resources and infrastructure and regular reviews of performance by both business area and Group management.</p>
<p><b>Business continuity</b></p> <p>The Group would be affected if there was a significant failure of its major distribution facilities or information systems.</p>	<p>The Group seeks to reduce the impact of facilities' failure through the use of multi-site facilities with products stocked in more than one location and the impact of information systems' failure through the adoption of detailed back up plans which are periodically tested and which would be implemented in the event of any such failure.</p>
<p><b>Laws and regulations</b></p> <p>The international nature of the Group'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.</p> <p>In addition the Group faces potential claims from customers in relation to the supply of defective products or breaches of their contractual arrangements. The sourcing of products from lower cost countries increases the risk of the Group being unable to recover any potential losses relating thereto from the relevant supplier.</p>	<p>Although the Group does not operate in particularly litigious market sectors, it has in place processes to report, manage and mitigate against third party litigation using external advisers where necessary.</p> <p>The use of reputable suppliers and internal quality assurance and quality control procedures reduce the risks associated with defective products.</p>

The Financial review on pages 22 to 24 and Note 13 to the consolidated financial statements include information relating to the Group's risk management policies so far as they relate to financial instruments.



OUR BUSINESS RELIES ON DEVELOPING STRONG AND STABLE RELATIONSHIPS WITH ALL OUR STAKEHOLDERS WHICH REQUIRES US TO MANAGE OUR BUSINESS WITH INTEGRITY, MAKING SUSTAINABLE, LONG TERM DECISIONS.

### STRATEGY

We believe that Corporate Responsibility ('CR') is not only about the good management of our business but also excellent and responsive long term relationships with all our stakeholders, whether customers, employees or suppliers. We have identified seven CR elements relevant to our business model: business conduct/code of ethics; employees; health & safety; environment; community; customers; and suppliers. These are governed by a policy framework, which is approved and monitored by the Board, with implementation at a business area level.

### BUSINESS CONDUCT/CODE OF ETHICS

The Group's business conduct/code of ethics policy is disseminated to every employee as a guide to how employees are expected to conduct themselves both from a corporate and individual perspective. The policy clearly states that employees should avoid conflicts of interest, provides guidance on the giving and receiving of gifts and entertainment, prohibits illegal payments as well as political donations and reinforces the need to comply with laws, rules and regulations, protect confidential information and company assets and maintain high standards in relationships with our customers and suppliers.

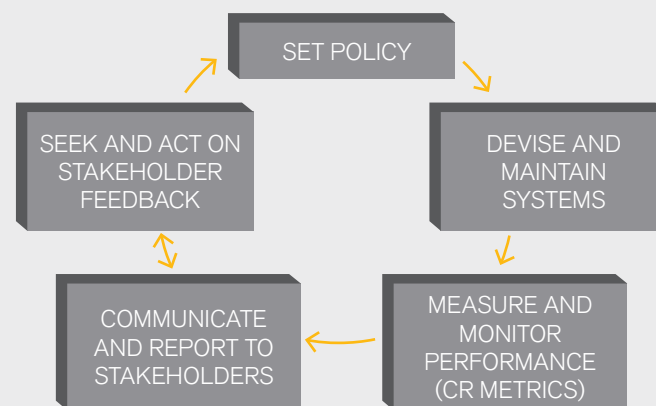
No material breaches of our business conduct/code of ethics policy were recorded in 2012. However, some minor incidents relating to employee conduct, such as theft or misuse of the Group's property, did occur and were dealt with during the normal course of business using Group human resource ('HR') policies and procedures. Seven (2011: seven) calls/letters were received through the 'Speak Up' process, none of which raised any issues of material concern.

### Performance against 2012 objectives

- By April 2012 all management and sales and purchasing staff across the Group had undertaken a suite of nine tailored e-learning modules which highlight the key responsibilities of employees in relation to CR. One of the modules provides an overview of the business conduct/code of ethics policy and this is supplemented by modules relating to anti-bribery issues such as facilitation payments and gifts and entertainment. A further module details our whistle blowing process 'Speak Up'. These modules now form part of the induction process for managers and sales and purchasing staff who join the Group. From inception to date there have been at total of approximately 19,000 viewings of the modules.
- During the year our internal audit department monitored and reviewed many of the new processes and procedures introduced in 2011 as a consequence of the Bribery Act, such as the enhanced Gifts Register to ensure that both gifts received and given are recorded by employees in all companies in the Group. Any areas of non-compliance have been highlighted and the relevant processes and controls have subsequently been implemented. In addition we have strengthened our Quality Assurance and Quality Control ('QA/QC') function based in Shanghai to ensure that we are able to ensure that our suppliers in the Far East are maintaining appropriate ethical standards.

### OUR APPROACH

To transform our strategy into tangible activities we undertake the following steps:



Further details of the Group's CR policies, processes and controls and how they are monitored are available in the Responsibility section of the Company's website, [www.bunzl.com](http://www.bunzl.com).

### 2013 objectives

- Review the CR training modules to identify any gaps and, if appropriate, add to the existing e-learning modules.
- Taking into account the results of our monitoring and reviewing of the existing policies, processes and controls, make any necessary amendments thereto as well as considering further training and/or communication requirements that may be necessary.

### EMPLOYEES

Bunzl currently operates in 27 countries worldwide. We are a service provider, not a manufacturer and, as such, our business relies heavily on the skills and experience of our employees. We pride ourselves on the fact that we run our businesses locally with local managers. We do not unfairly discriminate and we respect human rights. We seek to recruit the right people who are passionate about our business and provide opportunities for people to progress within the organisation on the basis of their skills, experience and aptitude. We believe that to get the best from people we need to respect each other and encourage honest, straightforward communication. Our acquisition pipeline continues to be a valuable source of management talent for the Group and the completion of a number of acquisitions during the year has brought further highly skilled people into Bunzl.

### Performance against 2012 objectives

- The 2012 Employee Survey was run which covered all employees in UK & Ireland, Continental Europe and Rest of the World which together represent two thirds of the Group's workforce. A variety of actions have subsequently been implemented in different businesses across the Group as a result of feedback from the survey, for example the introduction of more flexible working, improved communication and team briefings.
- We have also continued to monitor key HR measures:
  - voluntary turnover remains at low levels in all business areas other than Rest of the World, reflecting the current economic conditions within the countries in which we operate rather than any intrinsic reasons related to the Group; and
  - sickness absence has fallen slightly in Continental Europe, remained flat in North America and Rest of the World and slightly increased in UK & Ireland. No underlying issues of concern have been identified.

### 2013 objectives

- Continue to monitor key HR measures such as voluntary turnover, sickness absence, training days, workforce gender and age mix and, as appropriate, take action to address any issues that may arise.

WE WORK CONTINUOUSLY WITH OUR EMPLOYEES, SUPPLIERS AND CUSTOMERS TO IMPROVE OUR HEALTH AND SAFETY PRACTICES, AS WELL AS DECREASING ALL OF OUR STAKEHOLDERS' IMPACTS ON THE ENVIRONMENT BY EFFICIENT ROUTE PLANNING, SAFE DRIVING AND REDUCING WASTE.



11%

DECREASE IN SCOPE 1 CARBON EMISSION RATES.



12%

IMPROVEMENT IN ACCIDENT INCIDENCE RATE.





- Review and assess the benefits of the introduction into UK & Ireland in 2012 of an IT based networking tool and to consider the potential application of the tool across the Group to improve communication and share best practice.

## HEALTH & SAFETY

The health and safety of our employees and other stakeholders is a priority. Although we try to minimise the risks which occur, particularly relating to the operation of our warehouses and vehicles, incidents relating to manual handling, slipping and tripping remain the highest cause of accidents. Regretfully in 2012 there was a fatality (2011: no fatalities) when a member of the public died in a road traffic accident in North America having collided with a Bunzl vehicle that was parked on the hard shoulder. This accident was fully investigated and Bunzl was found not to be at fault. A number of actions have been taken to raise awareness and continue to improve our health and safety performance.

### Performance against 2012 objectives

- The 2012 target was to reduce the Group accident incidence rate by 3% and the Group accident severity rate by 5% from the 2011 accident rates:
  - for the year ended 30 September 2012 our accident incidence rate improved by 12%. This was principally due to better performance in North America, UK & Ireland and Continental Europe; and
  - for the same period our accident severity rate increased by 3%. This was principally due to a slight increase in Rest of the World and a relatively flat performance in the rest of the Group. In the previous year the accident severity rate improved by 29%.

Details of our performance from 2010 to 2012 are provided in the bar charts below. The accident data provided is for the whole Group with the exception of some of the most recent acquisitions which represent less than 1% of the total workforce.

### 2013 objectives

- Reduce the Group accident incidence rate by 3% from 2012.
- Reduce the Group accident severity rate by 6% from 2012.

## ENVIRONMENT

We seek to prevent, mitigate and remediate the harmful effects of Bunzl's operations on the environment. To ameliorate our impact on and exposure to climate change, our facilities operate worldwide to Group standards, we promote environmental awareness throughout the business and our branch network mitigates against the effects of extreme local climate conditions. Our reported environmental data includes all businesses that are subsidiaries of the Group for financial reporting purposes, with the exception of recent acquisitions which are excluded from environmental data reporting to allow the acquired businesses sufficient time to adopt our reporting guidelines. Bunzl had no environmental incidents in 2012.

Our direct water usage and emissions are minimal. Water usage is principally confined to workplace cleaning and hygiene purposes. In 2012 we monitored water usage across a sample of our sites worldwide. This confirmed the conclusions drawn from the 2011 water audit. We will continue to monitor both usage and emissions going forward.

ISO 14001 accreditation was renewed in a number of locations. To date all sites in UK & Ireland, Australasia and many sites in Continental Europe are accredited. By revenue this represents more than 30% of the Group.

### Performance against 2012 objectives

The reported environmental data has been restated as a result of the disposal of our vending business in August 2011 and double reporting of fuel from some locations in previous years and updated in accordance with the Defra carbon conversion factors published in 2012. These updated factors have been applied retrospectively to 2010 and 2011 to develop the Group Carbon Footprint given in the table below:

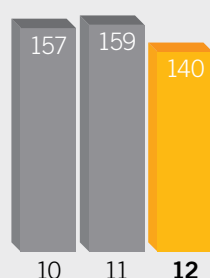
#### Greenhouse gas emissions data for period 1 October to 30 September

	Tonnes of CO <sub>2</sub> e		
	Base year 2010	2011	2012
Scope 1	93,125	89,286	<b>84,727</b>
Scope 2	30,117	28,637	<b>27,497</b>
Total gross emissions	123,242	117,923	<b>112,224</b>
Total carbon emissions per £m revenue	26.1	23.6	<b>21.2</b>

- Our target for 2012 was to reduce our Scope 1 and Scope 2 carbon emissions relative to revenue by 13% and 14% respectively from the 2010 base year. These figures cover more than 95% of the Group by revenue as businesses recently acquired are not yet included.
- Scope 1: emission rates per £m of revenue have decreased between 2011 and 2012 by 11% (see the KPI bar chart on page 7) and from 2010, our base year, by 19%. Fuel for transportation contributes about 90% of Bunzl's Scope 1 emissions. The level of fuel consumed per £000 of revenue decreased between 2011 and 2012 by 8% (see the KPI bar chart on page 7). Fuel efficiency has increased through improved driver behaviour as a result of training and the use of telematics providing in-cab feedback on performance. In addition we regularly renew our fleet and new vehicles introduced in the UK are showing significant reductions in fuel consumption. Many of the businesses acquired since 2010 do not operate their own transport fleets and there has been some transfer from own fleet to carriers where this has been shown to be more cost effective. Natural gas consumption has been positively affected by a number of site consolidations, a focus on usage and boiler maintenance and a relatively warm winter.
- Scope 2: emission rates per £m of revenue have decreased between 2011 and 2012 by 9% (see the KPI bar chart on page 7) and from 2010, our base year, by 19%. We have continued to implement a number of measures to reduce electricity consumption including the installation of energy efficient lighting systems and voltage optimisation equipment, replacement of battery chargers with high frequency energy efficient chargers and 'Switch off' campaigns. During 2012 the Group invested more than £500,000 in a further 10 projects with payback periods of up to three years giving estimated annual savings of almost 3 million kwh.
- North America appointed waste disposal contractors who are able to provide us with data on the weight of waste collected from our sites. As data was not available for the whole of 2012 we have extrapolated the full year's data from a sample of three months. Through the year there has been an improvement in the segregation of waste, with some of our facilities achieving zero waste to landfill. Where segregation of waste for recycling is not possible we continue to seek an increase of waste to incineration in preference to landfill.

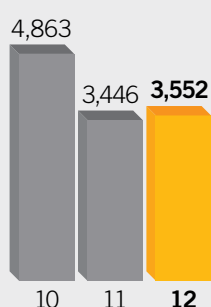
### INCIDENCE RATE

AVERAGE NUMBER OF INCIDENTS PER MONTH PER 100,000 EMPLOYEES.



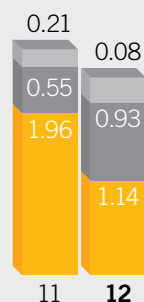
### SEVERITY RATE

AVERAGE NUMBER OF DAYS LOST PER MONTH PER 100,000 EMPLOYEES.



## WASTE TONNES PER £m REVENUE

INCINERATED WASTE  
GENERAL WASTE  
RECOVERED/RECYCLED WASTE



The bar chart shows waste indexed against revenue of those businesses reporting data. The 2011 data includes UK & Ireland, parts of Continental Europe and Australasia only. The 2012 data includes these areas as well as, for the first time, North America. As a result, the waste data reported for 2012 covers 91% of the Group by revenue. Although there has been improvement in waste management in the Group, the primary driver of the reduction in the index shown in the chart is the inclusion of North America in the 2012 statistics. Obtaining accurate waste data continues to be challenging. Now we have the majority of the Group providing such data, going forward we will be better able to measure our waste streams and identify trends and opportunities to improve waste management.

## 2013 objectives

- Using the 2010 data as the baseline, reduce the Scope 1 and 2 carbon emissions by 22%.
- Continue to improve the accuracy of waste data and include this as Scope 3 data.
- Review current reporting practices and prepare for mandatory environmental reporting.

## COMMUNITY

Although Bunzl's operations are international, our strength is in the local nature of our businesses. In keeping with this ethos, we particularly support the fund raising activities championed by our employees locally. This is supplemented by donations made at Group level to charities predominantly in the fields of healthcare, disability and the environment as well as benevolent societies to support projects in communities where our operations are based. Where possible and appropriate, Bunzl also looks to donate stock free of charge ('in-kind'). Group wide, Bunzl donated a total of £480,000 (2011: £444,000) to charities in 2012. This does not include in-kind donations or employee fund raising.

## Performance against 2012 objectives

- We continued to support projects with a high environmental impact on the communities in which we operate. In the UK this has included donating towards the provision of outdoor play equipment for Alexander Park in Belfast; supporting a community project 'Seeds, Soups and Sarnies' being run by the Eden Project to bring communities together around the themes of 'plant', 'grow', 'share' and 'eat' and also by assisting Groundwork in Leicester to convert the EcoHouse into an Ecoactivity Centre for young people. Other larger donations were made to support healthcare initiatives, which assist both our employees and the communities in which they live, through Macmillan Cancer Support, Diabetes UK and the Alzheimer's Society.
- Group companies and employees worldwide have continued to support local charitable initiatives. In North America employees raised money for the National Multiple Sclerosis Society, while employees in Buffalo

undertook a number of activities to support St Luke's mission, which helps the Buffalo area's needy, and six Bunzl Phoenix employees participated in a five kilometre 'Race for the Cure' in support of breast cancer research. In Shanghai a number of employees undertook a sponsored run to support UNICEF. In the UK employees have raised funds through cycling from London to Paris for the Alzheimer's Society and taking part in Olympic themed activities to raise monies for PALS, a charity that provides leisure activities for children and young people with physical and or sensory disabilities.

- For the seventh consecutive year North America was honoured with a Greater St Louis Top 50 Business Shaping our Future Award from the St Louis Regional Commerce and Growth Association. Bunzl was honoured for being among the best companies in its field and for making significant contributions to the St Louis region and the future of its business community. In the UK, one of Greenham's managers was awarded the British Safety Industry Federation's first ever 'Outstanding Contribution Award' for being an outstanding contributor to improvements in Occupational Health & Safety.

- We continued to make a number of in-kind donations of goods. In the UK, the majority of such donations have been made through In-Kind Direct and Crisis at Christmas. In North America donations of sanitation and foodservice products were made to assist the families struck by the tragedy in Connecticut when 27 people were killed at Sandy Hook Elementary School in Newton.

## 2013 objectives

- Continue to strengthen the links of the business with the communities in which we operate, supporting employee fundraising and charitable projects in the fields of environment and healthcare.
- Improve our corporate website to communicate better Bunzl's approach to Corporate Responsibility and improve community awareness.

## CUSTOMERS

As a service business, our ability both to anticipate and meet our customers' needs is key to our success. We strive to ensure that we provide high levels of service. We achieve this by building solid relationships at a local level by regularly meeting with and seeking feedback from our customers. In line with our 2012 objective we have continued to provide innovative service and product solutions to meet our customers' needs including requirements to meet sustainability goals.

## Performance against 2012 objective

- In the Netherlands we introduced a new environmentally friendly laundry bag and a green carrier bag for fruit and vegetables. Our guest amenities business in Europe launched a sustainable and environmentally friendly handwash and shampoo dispenser. A number of UK businesses have been working with customers to provide a closed loop waste recycling service which supplements the work we continue to do with suppliers to reduce the amount of packaging used by them.
- The Group has received a number of awards from our customers including North America's Processor Division being the proud recipient of the Spirit of Excellence Award from Hormel Foods for the 15th year for achieving or exceeding a 92% supplier rating during a 12 month period and the R3 Safety team was named as the 2011 Distributor Partners of America (DPA) Safety Supplier of the Year. In the UK Bunzl Retail won Supplier of the Year from Boots and Bunzl Cleaning & Hygiene Supplies won Supplier of the Year from ISS.

## 2013 objective

- Continue to provide innovative products and improve customer service.



## SUPPLIERS

Bunzl has relationships with many suppliers. We want our suppliers to meet the same CR standards we set ourselves and to that end we have set up our own QA/QC department as part of our purchasing office in Shanghai. Our QA/QC staff perform regular audits of many of our Asian suppliers and work with them to implement appropriate CR standards. During the year we have increased the staffing of this department. Although the team is based in Shanghai, they make regular trips to other parts of Asia to undertake audits as required.

## RISKS AND OPPORTUNITIES

The Principal risks and uncertainties section on pages 25 and 26 details the principal risks and uncertainties which could have a material impact on the Group's business, financial condition or results of operations. Although many CR risks are not seen as principal risks to the Group, as part of the Group risk analysis the following CR risks which could impact the Group's business have been identified together with the steps taken by management to mitigate such risks:

Risk	Mitigating factors
<b>CR compliance failures</b> Lack of adherence to the Group's CR policies could result in a variety of issues including those relating to inappropriate business practices, accidents at work and increased levies due to levels of waste or carbon emissions.	The Group has comprehensive CR policies and procedures (including those relating to anti-bribery and corruption) in place throughout the business as well as an established reporting framework.
<b>Loss of key employees</b> The Group is not capital intensive but the business is based on strong customer and supplier relationships which are built up locally. Stability of key relationship roles amongst the Group's employees is therefore important.	The Group seeks to secure key staff with appropriate incentive packages, development opportunities and career progression. Voluntary staff turnover is measured on a monthly basis, which enables any issues to be identified and resolved.
<b>Loss of operating facilities/unavailability of staff</b> Climate change may result in higher frequency of extreme weather conditions. This could result in some of the Group's facilities being affected or employees being unable to attend for work.	The Group has multi-site facilities with products stocked in more than one location as a result of which the Group usually has the ability to distribute products from nearby facilities. Business continuity plans are in place to minimise the impact of any such issues.
<b>Suppliers' non-compliance with good CR practices</b> The Group is not a manufacturer and has many international suppliers across the world. The failure of one of the Group's key suppliers to adhere to recognised CR standards could affect the Group's reputation.	The Group's key suppliers are principally publicly owned multinational organisations with high standards of operations. Suppliers are monitored by the Group's purchasing departments and the QA/QC department based in China audits many suppliers throughout Asia. Key suppliers are made aware of the Group's CR aspirations.

These risks are seen to be outweighed by a variety of opportunities that arise as a consequence of CR and its impact on the business environment. The principal opportunities include:

Opportunity	Response
<b>Environment</b> Throughout the world there is an increased awareness of the need to conserve resources and reduce carbon emissions.	Bunzl is not a manufacturer and therefore there is complete flexibility to offer products that meet customers' requirements. A full range of environmentally friendly products are available.  The Group provides customers with the ability to benefit from a consolidated delivery of their consumable products. This reduces carbon emissions by eliminating the need for multiple deliveries from many different suppliers and streamlining the related administration for our customers.
<b>Climate change</b> Climate change may result in higher frequency of extreme weather conditions such as floods, cyclones and heavy snowfall.	There is likely to be an increase in demand for protective clothing to cope with climate change as well as the need for other products supplied by the Group, such as cleaning and hygiene products.
<b>Employees</b> Competition for good quality people continues to be strong.	A key element of Bunzl's strategy is the acquisition of high quality businesses. This results in a number of motivated, high performing people joining the Group each year. It also brings new ideas and fresh approaches to the business which can be utilised elsewhere in the Group.
<b>Health &amp; safety</b> Throughout the world there has been an increase in health & safety legislation and an emphasis on safe working environments.	This leads to an increased demand from both existing and new customers for the Group's personal protection equipment as well as providing the potential to introduce new innovative products in this area.

## Performance against 2012 objective

- During the year we have reviewed our key suppliers, i.e. those suppliers that provide us with approximately 50% of our products by value.

## 2013 objectives

- Contact any new key suppliers as identified to update them on our CR aspirations and to encourage them to adopt a similar approach.
- Continue to build long term sustainable relationships with our key suppliers.

**1 PHILIP ROGERSON #** (AGE 68)

Appointed to the Board in January 2010 and became Chairman in March 2010. Chairman of the Nomination Committee. He was an executive director of BG plc (formerly British Gas plc) from 1992 to 1998, latterly as Deputy Chairman. He is Chairman of Carillion plc and De La Rue plc.

**2 MICHAEL RONEY #** (AGE 58)

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 the senior independent non-executive director of Johnson Matthey Plc.

**3 ULRICH WOLTERS\*†#** (AGE 70)

Non-executive director since 2004. Formerly Managing Director of Aldi Süd 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 a non-executive director of Douglas Holding AG and Deichmann SE. He will retire from the Board following the Annual General Meeting on 17 April 2013.

**4 PETER JOHNSON\*†#** (AGE 65)

Non-executive director since 2006, senior independent director and Chairman of the Remuneration Committee. Having spent most of his earlier career in the motor industry, he joined Inchcape plc in 1995, became Chief Executive in 1999 and was Chairman from 2006 until 2009. He is the senior independent non-executive director of Wates Group Limited and was Chairman of The Rank Group Plc from 2007 until 2011.

**5 PATRICK LARMON** (AGE 60)

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 and additionally assuming the role of Chief Executive Officer in 2004.

**6 BRIAN MAY** (AGE 48)

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 2005. He is a non-executive director of United Utilities Group PLC and United Utilities Water PLC.

**7 DAVID SLEATH\*†#** (AGE 51)

Non-executive director since 2007 and Chairman of the Audit Committee. 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, where he was Group Finance Director from 2006 until 2011 and is now Chief Executive.

**8 EUGENIA ULASEWICZ\*†#** (AGE 59)

Non-executive director since 2011. After holding a number of senior retail positions with Bloomingdale's, Galeries Lafayette and Saks Fifth Avenue, she joined Burberry Group plc in 1998 as President of Burberry, Americas, one of four global regions of Burberry Group plc which includes North and Latin Americas.

**9 JEAN-CHARLES PAUZE\*†#** (AGE 65)

Non-executive director since January 2013. Having previously held a number of senior positions with PPR Group, Strafor Facom Group and Alfa Laval Group in France and Germany, he was Chairman and Chief Executive of Rexel SA from 2002 until 2012. He is presently Chairman of Europcar Groupe SA and Chairman of the Supervisory Board of CFAO SA.

**MEINIE OLDERSMA\*†#** (AGE 53) (not pictured)

Appointed as a non-executive director and member of the Audit, Remuneration and Nomination Committees of the Board with effect from 1 April 2013. With over 20 years' experience in the technology distribution sector, he held a variety of senior positions with Ingram Micro and served as Chief Executive and President of their China Group and Managing Director of their business in Northern Europe before joining 20:20 Mobile Group Limited in 2008 as Chief Executive.

\* Member of the Audit Committee

† Member of the Remuneration Committee

# Member of the Nomination Committee

• Independent director



## INTRODUCTION

Bunzl's corporate governance framework is designed to facilitate effective, entrepreneurial and prudent management that can safeguard shareholders' interests and sustain the success of the Company over the longer term. In order to achieve this the Company is committed to high standards of corporate governance. The UK Corporate Governance Code issued by the Financial Reporting Council in 2010 ('the Code') contains broad principles together with more specific provisions which set out standards of good practice in relation to Board leadership and effectiveness, accountability, remuneration and relations with shareholders. This report describes how these principles have been applied by the Company during the year ended 31 December 2012. The Company confirms that it has complied throughout 2012 with the provisions of the Code, a copy of which is available at [www.frc.org.uk](http://www.frc.org.uk).

## BOARD COMPOSITION

As at 31 December 2012 the Board was made up of eight members comprising a Chairman, a Chief Executive, two other executive directors and four non-executive directors. As at the date of this report, the Board was made up of nine members following the appointment of Jean-Charles Pauze as a non-executive director with effect from 1 January 2013. As announced in December 2012, an additional non-executive director, Meinie Oldersma, will join the Board on 1 April 2013 and Ulrich Wolters will retire from the Board following the Company's Annual General Meeting on 17 April 2013. Brief biographical details of the directors are given on page 32. None of the Company's non-executive directors had any previous connection with the Company or its executive directors on appointment to the Board and all of them are considered by both the Board and the criteria set out in the Code to be independent. The Chairman and each of the non-executive directors have a breadth of strategic, management and financial experience gained in each of their own fields in a range of multinational businesses. In accordance with the terms of the Code, with the exception of Ulrich Wolters who retires at the conclusion of the Annual General Meeting, each of the directors will be subject to re-election at the forthcoming Annual General Meeting.

## THE ROLE OF THE BOARD

To ensure directors maintain overall control over strategic, financial and operational and compliance issues, 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. Key aspects of the Board's role include:

- setting the Group's strategic aims and ensuring that the Company has the necessary capabilities to deliver the Group's strategy;
- reviewing the Group's operating performance and approving the Group's financial results;
- reviewing and approving larger capital expenditure and acquisition/divestment proposals and material increases to borrowing and loan facilities; and
- overseeing the Group's risk management and internal controls processes and procedures.

There is a clear division of responsibilities between the Chairman and the Chief Executive which is set out in writing and has been agreed by the Board and encompasses the following parameters:

- the primary job of the Chairman is to be responsible for the leadership of the Board and ensuring its effectiveness on all aspects of its role while the Chief Executive is responsible for the leadership and the operational and performance management of the Company within the strategy agreed by the Board.

- the Chairman is viewed by investors as the ultimate steward of the business and the guardian of the interests of all the shareholders.
- the Chairman:
  - takes overall responsibility for the composition and capability of the Board and its Committees;
  - consults regularly with the Chief Executive and is available on a flexible basis to provide advice, counsel and support to the Chief Executive; and
  - ensures corporate governance is conducted in accordance with current best practice, as appropriate to the Group.
- the Chief Executive:
  - manages the executive directors and the Group's management and day-to-day activities;
  - prepares and presents to the Board the strategy for growth in shareholder value;
  - sets the operating plans and budgets required to deliver the agreed strategy;
  - ensures that the Group has in place appropriate risk management and control mechanisms; and
  - communicates with the Company's shareholders and analysts on a day-to-day basis as necessary (subject to an overview of such matters by the Chairman).

The Chief Executive is also the designated member of the Board responsible for environmental, social and governance matters and reports to the Board in relation to such matters.

Peter Johnson is the senior independent director and is available to shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive or Finance Director has failed to resolve or for which such contact is inappropriate.

The Board has appointed Audit, Remuneration and Nomination Committees all of which comply with the provisions of the Code and play an important governance role through the detailed work they carry out to fulfil the responsibilities delegated to them. Briefing papers are prepared and circulated to Committee members in advance of each meeting and, in respect of the Audit Committee, made available to the other directors. Further information relating to the Board Committees is set out below.

## INFORMATION AND SUPPORT

Board agendas are set by the Chairman in consultation with the Chief Executive and with the assistance of the Company Secretary, who maintains a rolling programme of items for discussion by the Board to ensure that all matters reserved for the Board and other key issues are considered at the appropriate time. To enable informed decision making, briefing papers are prepared and circulated to directors approximately one week before the scheduled Board meeting. All Directors have access to the advice and services of the Company Secretary who is tasked with ensuring that Board procedures are complied with and the Board is fully briefed on relevant legislative, regulatory and corporate governance developments. Directors may also take independent professional advice at the Company's expense where they judge this to be necessary in the furtherance of their duties to discharge their responsibilities as directors.

The Board meets formally at least eight times a year and the Board calendar is planned to ensure that the directors discuss a wide range of topics throughout the year. Normally at least two Board meetings a year

are held at or near Group locations in the UK and overseas where the directors have the opportunity to meet and interact with senior executives from different businesses within the Group's portfolio as well as observe the operations in situ. During 2012 a number of the Group's senior executives made presentations to the Board about the businesses for which they are responsible. These included presentations from the management of the cleaning and safety, non-food retail and hospitality businesses in the UK and the Group's operations in the Netherlands and Denmark as well as operational reviews by the business area management in North America and Continental Europe.

In addition to routine Board meetings, the directors meet annually to review and discuss the Group's overall strategy. As part of this process, presentations are made by the Chief Executive and the heads of each of the business areas together with the Director of Corporate Development. The Board also oversees the process for reviewing any potential conflicts of interest which may arise in relation to each member of the Board and this process was carried out satisfactorily during the year.

All new directors receive a tailored induction on joining the Board, including meetings with senior management and visits to some of the Group's locations. They also receive a detailed information pack which includes details of directors' duties and responsibilities, procedures for dealing in Bunzl's shares and a number of other governance related issues. Directors are continually updated on the Group's businesses and their markets and the changes to the competitive and regulatory environments in which they operate.

Training and development needs of the Board are kept under review and directors attend external courses where it is considered appropriate for them to do so.

## AUDIT COMMITTEE

### Composition

The Audit Committee comprises all of the independent non-executive directors and is chaired by David Sleath who is considered by the Board to have recent and relevant financial experience as required by the Code. While the other directors are not members of the Committee, they normally attend meetings of the Committee by invitation together with the Head of Internal Audit and representatives from the external auditor. The Secretary to the Committee is Paul Hussey, Company Secretary.

### Role

The Committee's principal role is to ensure the integrity of the financial reporting and auditing processes and the maintenance of sound internal control and risk management systems. In particular the Committee is responsible for:

- monitoring and reviewing the integrity of the financial statements of the Group and the significant reporting judgements contained in them;
- reviewing the effectiveness of the Company's internal financial controls;
- reviewing the process for the management of risk and the assurance procedures over controls designed to manage key risks;
- reviewing the appropriateness of the Company's relationship with the external auditors, including auditor independence, fees and provisions of non-audit services;
- making recommendations to the Board in relation to the appointment of the external auditor; and
- developing and implementing a policy on the engagement of the external auditor to supply non-audit services.

The Committee's terms of reference, which were reviewed and revised by the Board during the year to take account of the recent changes to the Code which will apply to the 2013 financial year, are available on the Company's website, [www.bunzl.com](http://www.bunzl.com).

In the performance of its duties, the Committee has independent access to the services of the Company's internal audit function and to the external auditor and may obtain outside professional advice as necessary. Both the Head of Internal Audit and the external auditor have direct access to the Chairman of the Committee outside formal Committee meetings.

### Activities

The Committee Chairman holds preparatory meetings with the Company's senior management and, when appropriate, the Head of Internal Audit and the external auditor prior to Committee meetings to discuss the items to be considered at the Committee meetings. In addition, separate discussions are held between the Committee and the Head of Internal Audit and the external auditor without management present. The Committee Chairman also attends the Annual General Meeting to respond to any shareholder questions that might be raised on the Committee's activities. The Committee met on four occasions during the year and members' attendance at those meetings is set out in the table on page 36.

During the year its activities included:

- receiving and considering reports from the external auditor in relation to the half year and annual financial statements;
- reviewing the half year and annual financial reports and the formal announcements relating thereto;
- receiving and considering reports from the Head of Internal Audit in relation to the work undertaken by the internal audit function and reviewing and approving the internal audit work programme for the year;
- reviewing the effectiveness of the Company's internal financial controls and the assurance procedures relating to the Company's risk management systems;
- reviewing the arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and receiving periodic reports relating to the matters raised through such arrangements;
- reviewing the Committee's terms of reference and the Committee's effectiveness and the internal audit function's charter;
- reviewing the effectiveness of both the external auditor and the internal audit function following completion of detailed questionnaires by both the Board and senior management within the Company;
- making recommendations to the Board concerning the appointment of the external auditor and approving the remuneration and terms of engagement of the auditor including the audit strategy and planning process for the current financial year;
- reviewing and approving the level and type of non-audit work which the external auditor performs, including the fees paid for such work; and
- reviewing the principal tax risks applicable to the Company and the steps taken to minimise such risks.

Following each Committee meeting, the Committee Chairman reports any significant findings to the Board and copies of the minutes of the Committee meetings are circulated to all of the directors and to the external auditor.



### External auditor's independence

The Committee ensures that the external auditor remains independent of the Company and receives written confirmation from the external auditor as to whether it considers itself independent within the meaning of its own internal and the relevant regulatory and professional requirements. Key members of the audit team rotate off the Company's audit after a specific period of time.

In order to ensure that the objectivity and independence of the external auditor is not compromised, the Committee has also pre-approved the non-audit service categories that can be provided by the external auditor and agreed monetary amounts for each service category that can be provided by them, subject to a maximum individual engagement value. Certain categories of services are prohibited under the ethical standards of the Accounting Practices Board. A permitted service requires specific authorisation from the Committee or the Committee Chairman where it does not fall within the pre-approved categories or where its value exceeds the maximum pre-approved individual engagement value. Such non-audit service categories which are pre-approved principally comprise tax services and further assurance services relating to pre-acquisition due diligence and other duties carried out in respect of acquisitions and disposals of businesses. The Committee believes that given the external auditor's detailed knowledge of the Group's operations, its structure and accounting policies and the importance of carrying out tax services and detailed due diligence as part of the acquisition process, it is often appropriate for this additional work to be carried out by the Company's auditor. However other firms are also used by the Company to provide non-audit services and it is the Company's policy to assess the services required on a case by case basis to ensure that the best placed adviser is retained. Details of the fees paid to the external auditor in 2012 in respect of the audit and for non-audit services are set out in Note 4 to the financial statements.

As part of the decision to recommend to the Board the re-appointment of the external auditor, the Committee takes into account the tenure of the auditor in addition to the results of its review of the effectiveness of the external auditor and considers whether there should be a full tender process. There are no contractual obligations restricting the Committee's choice of external auditor.

As a consequence of its satisfaction with the results of its review of the external auditor's activities during the year, the Committee has recommended to the Board that a resolution proposing the re-appointment of KPMG Audit Plc as external auditor be put to shareholders at the forthcoming Annual General Meeting.

### REMUNERATION COMMITTEE

The Remuneration Committee comprises all of the independent non-executive directors and is chaired by the senior independent director, Peter Johnson. While neither the Chairman of the Company nor the Chief Executive are members of the Committee, they normally attend meetings by invitation except when the Committee is considering matters concerning themselves. The Secretary to the Committee is Celia Baxter, Director of Group Human Resources. 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 38 to 50. Members' attendance at the Committee meetings held during the year is set out in the table on page 36. The terms of reference of the Committee, which were reviewed and revised by the Board during the year are available on the Company's website.

### NOMINATION COMMITTEE

#### Composition

The Nomination Committee comprises the Chairman of the Company, who chairs the Committee, the Chief Executive and all of the non-executive directors. In accordance with the provisions of the Code, the majority of the members are independent non-executive directors. The Secretary to the Committee is Paul Hussey, Company Secretary.

### Role

The Committee's principal role is to consider, and make recommendations to the Board concerning, the composition of the Board including proposed appointees to the Board, whether to fill any vacancies that may arise or to change the number of Board Members. The Committee's responsibilities include:

- reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and making recommendations to the Board with regard to any proposed changes;
- nominating, for the approval of the Board, appropriate individuals to fill Board vacancies as and when they arise having considered candidates with relevant experience from a wide range of backgrounds; and
- succession planning, taking into account the challenges and opportunities facing the Company and the background, skills and expertise that will be required on the Board in the future, and reviewing annually management succession planning processes in relation to the Company's senior executives.

The Committee meets as necessary throughout the year to discharge its responsibilities. 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.

### Activities

The Committee met on four occasions during 2012. Members' attendance at those meetings is set out in the table on page 36.

The Committee's main focus during the year was the process of identifying and selecting two new non-executive directors. Having taken account of the existing skills, knowledge, experience and diversity of the Board, the Committee prepared and agreed a detailed specification for the role and appointed an external search consultancy, Lygon Group, to assist the Committee in the recruitment process. Lygon Group does not provide any other services to, or have any other connection with, the Company. In particular the Committee were keen to find successful senior business executives from Continental Europe with extensive international management experience, preferably in the distribution or service sectors. As potential non-executive directors, it was important that the candidates were able to play a supportive role to the executive management team while at the same time provide strategic input into the Company's direction and development. It was also a requirement that the prospective directors could provide wise counsel and independence of mind and to challenge management constructively by offering impartial, independent and objective advice. All members of the Committee had the opportunity to meet the preferred candidates before a final recommendation was made to the Board. Following a thorough process Jean-Charles Pauze and Meinie Oldersma were recommended to the Board in December 2012 to be appointed as independent non-executive directors. Both these recommendations were unanimously approved by the Board with Jean-Charles Pauze being appointed with effect from 1 January 2013 and Meinie Oldersma joining the Board on 1 April 2013.

The Committee also reviewed and took account of the balance of skills, knowledge, experience and diversity of the Board, the time commitment expected of the non-executive directors and the conclusions of the formal evaluation process which was carried out during the year when considering and recommending the nomination of directors for re-election at the 2013 Annual General Meeting. In particular the Committee reviewed the performance of Peter Johnson, who was appointed to the Board in January 2006. The Committee believes that he continues to be effective and to demonstrate strong independence in character and judgement in the manner in which he discharges his responsibilities as a director. Consequently the Committee is satisfied that, despite his length of tenure, he remains independent. Ulrich Wolters, who was appointed as a non-executive director in 2004, is retiring from the Board after the forthcoming Annual General Meeting.

The Chief Executive presented his annual management succession plan to the Committee. The Company recognises that having the right directors and senior management is crucial for the Group's success and it is a key task of the Committee to ensure that the Company has a robust and continuous succession planning process. As part of the review this year the Committee retained an external consultant to provide objective insight into the development of the Company's senior executives.

As part of the review of the composition of the Board and the succession planning process, the Committee notes the publication of the Davies Review on Women on Boards in February 2011 and the subsequent amendments which have been made to the Code which will apply to the 2013 financial year. Both the Board and the Committee recognise the importance of gender diversity throughout the Group. Currently one of the nine Board members and one of the five Executive Committee members are female. The Committee aims to have a Board with a broad range of skills, backgrounds, experience and diversity and while the Committee will continue to follow a policy of ensuring that the best people are appointed for the relevant roles, the Committee recognises the benefits of greater diversity and will continue to take account of this when considering any particular appointment. However, the primary responsibility of the Committee in selecting and recommending candidates to the Board when making new appointments is to ensure the strength of the Board's composition and the overriding aim is to always select and recommend the best candidate for the position.

The terms of reference of the Committee, which were reviewed and revised by the Board during the year to take account of the recent changes to the Code, are set out on the Company's website.

#### BOARD AND COMMITTEE ATTENDANCE

The following table shows the attendance in 2012 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	4	4	4
Philip Rogerson	8			4
Michael Roney	8			4
Ulrich Wolters	8	4	4	4
Patrick Larmon	8			
Peter Johnson	8	4	4	4
Brian May	8			
David Sleath	8	4	4	4
Eugenia Ulasewicz	8	4	4	3

#### PERFORMANCE EVALUATION

The Company has a formal performance evaluation process for the Board, its Committees and individual directors overseen by the Chairman. This includes individual discussions between the Chairman and each director when their individual training and development needs are reviewed. Led by the senior independent director, the non-executive directors also meet without the Chairman present at least annually to appraise the Chairman's performance including a review of his other commitments to ensure that he is able to allocate sufficient time to the Company to discharge his responsibilities effectively. The Chairman also periodically holds meetings with the non-executive directors without the executive directors present. All of these processes were carried out satisfactorily during the year.

In accordance with the requirements of the Code an external performance evaluation was carried out in 2012 and the results were subsequently presented to the Board. The facilitator of the external evaluation, Lintstock, does not provide any other services to, or have any other connection with, the Company. Following the evaluation, the Board agreed to implement a number of recommendations including:

- increasing the size of the Board by recruiting two additional non-executive directors to replace Ulrich Wolters who is due to retire following the 2013 Annual General Meeting;

- increasing the level of strategic oversight as part of the Board's annual strategy review; and
- continuing the focus of the Nomination Committee on the Group's senior executive development programmes as part of the Committee's annual review of the management succession plan.

As a result of the overall performance evaluation process carried out, the Board concluded that both it and its Committees are operating effectively.

#### FINANCIAL AND BUSINESS REPORTING

When reporting externally the Board aims to present a balanced and understandable assessment of the Group's position and prospects. Such assessment is set out in the business review sections of this Annual Report. The responsibilities of the directors in respect of the preparation of the Group and parent company financial statements are set out on page 97 and the auditor's report on page 98 includes a statement by the external auditor about their reporting responsibilities. As set out on page 24, the directors are of the opinion that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

#### RISK MANAGEMENT AND INTERNAL CONTROL

The directors acknowledge that they have overall responsibility for identifying and managing the risks faced by the Group and for the Group's system of internal control relating to those risks. 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 Principle C.2 of the Code and the related guidance, the Company has established the procedures necessary to ensure that there is an ongoing process for identifying, evaluating, managing and mitigating significant risks to the Group and for determining the nature and extent of the significant risks it is willing to take to achieve its strategic objectives. The directors confirm that such procedures have been in place for the year ended 31 December 2012 and up to the date of approval of these financial statements and have been reviewed during the year.

Further information relating to how the directors maintain overall control over all significant strategic, financial, operational and compliance issues is set out in the 'Role of the Board' section on page 33.

In addition, the Board has delegated to an Executive Committee, consisting of the Chief Executive, Finance Director and other functional managers, the responsibility for identifying, evaluating and monitoring the risks facing the Group and for deciding how these are managed and to establish 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 whistle blowing 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
- detailed manuals covering Group accounting policies and policies and procedures for the Group's treasury operations.



Some of the procedures carried out in order to monitor the effectiveness of the internal control system and to identify, manage and mitigate business risk 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;
- the Executive Committee meets twice per month and also reviews the outcome of the discussions held at business area meetings on internal control and risk management issues;
- the Board in turn reviews the outcome of the Executive Committee discussions on internal control and risk management 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;
- the Audit Committee, which comprises all of the independent non-executive directors of the Company, meets regularly throughout the year. Further details of the work of the Committee are set out in the Audit Committee report on pages 34 and 35;
- regular meetings are held with insurance and risk advisers to assess the risks throughout the Group;
- the management committee, which oversees issues relating principally to environment, health & safety, insurance and business continuity planning matters, 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 and risk management in operation during 2012.

The external auditor is 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.

## RELATIONS WITH SHAREHOLDERS

The Company reports formally to shareholders twice a year with the half year results announced normally at the end of August and the annual results announced normally at the end of February. In addition the Company publishes two interim management statements a year as required by the Disclosure and Transparency 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 half year and annual results. The Chairman and the senior independent director and the other non-executive directors are available to meet with major shareholders on request. The Board also periodically reviews and discusses analysts' and brokers' reports and surveys of shareholder opinions conducted by the Company's own brokers.

The Company hosted an Investor Day for institutional investors in March 2012, which included business area presentations by senior management from North America, Continental Europe, UK & Ireland and Brazil. A webcast and copies of the presentations made are available on the Company's website.

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 unable to attend are encouraged to vote using the proxy card mailed to them or electronically as detailed in the Notice of Meeting. Shareholders are given the option to withhold their vote on the proxy form. As in previous years, at the forthcoming Annual General Meeting each of the resolutions put to the meeting will be taken on a poll rather than on a show of hands as directors believe that a poll is more representative of shareholders' voting intentions because shareholder votes are counted according to the number of shares held and all votes tendered are taken into account. The results of the poll will be publicly announced and made available on the Company's website as soon as practicable following the Annual General Meeting.

On behalf of the Board

**Paul Hussey**  
Secretary  
25 February 2013

**INTRODUCTION FROM PETER JOHNSON, CHAIRMAN OF THE REMUNERATION COMMITTEE**

The Committee is very much aware of the increased level of public debate surrounding executive pay over the last 12 months. We have closely followed the proposals by the Department for Business, Innovation and Skills on executive remuneration and consider that the changes we made to last year's Directors' remuneration report to increase transparency were in keeping with the intentions behind these proposals. We have decided this year principally to retain our report structure following its total revision in 2011, but in response to discussions with shareholders and a shareholder proxy voting body have added some additional information relating to our annual bonus targets.

During 2012 there were very few changes to the compensation packages of our senior executives. The senior executive team's salary increases were consistent with pay levels throughout the Group during the year. The Company achieved the challenging financial objectives set in the budget agreed by the Board for the year and this performance has resulted in bonus payments for the executives being slightly above target.

In spite of the fact that many countries in which Bunzl operates continued to face difficult economic conditions, the Company has continued to perform well during 2012. The Committee believes that this consistency has over the years been appropriately rewarded through the Bunzl Long Term Incentive Plan (the 'LTIP'). As I reported last year the current LTIP expires in April 2014. The Committee believes that the LTIP has worked well in both incentivising our senior management and aligning their interests with those of our shareholders. Following a rigorous tender process, the Committee appointed Deloitte LLP ('Deloitte') in October 2012 to assist us in reviewing the current long term incentive arrangements in the context of the remuneration package as a whole. Deloitte reported their findings back to the Committee in February 2013. Following on from the review, proposals for the introduction of a new plan upon expiry of the current LTIP will be developed and we will consult with the Company's principal shareholders on the draft proposals. If the Committee proposes to retain a share option plan as part of the new LTIP, the relevant performance condition will be on a sliding scale. Subject to it being approved by shareholders, it is our intention to implement the new LTIP following the Annual General Meeting ('AGM') in 2014.

This report has been prepared in accordance with the requirements of the Companies Act 2006 (the 'Act') and Schedule 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008, the Listing Rules of the UK Listing Authority and the UK Corporate Governance Code. KPMG Audit Plc has audited the relevant content as required by the Act (the tabular information on pages 47 to 50). A resolution to approve this report will be proposed at the AGM on 17 April 2013.

**COMMITTEE REMIT AND MEMBERSHIP**

The terms of reference of the Committee have been formally adopted by the Board and are available for inspection in the Investor Centre section of the Company's website, [www.bunzl.com](http://www.bunzl.com). The key responsibilities of the Committee include:

- ensuring that executive directors and senior executives are properly incentivised to attract, retain and fairly reward them for their individual contribution to the Company and having due regard to the policies and practices applied to the rest of the employees within the Group;
- determining the framework or broad policy for the remuneration of the Chairman and the executive directors of the Board including setting their individual remuneration packages as well as their level of remuneration and overseeing all the Company's long term incentive plans;
- ensuring that remuneration is aligned with and supports the Company's strategy and performance, having due regard to the shareholders and to the financial and commercial health of the Company, while at the same time not encouraging undue risk taking; and
- communicating and discussing any remuneration issues with the Company's stakeholders as and when appropriate.

In carrying out these responsibilities, the Committee seeks external remuneration advice as necessary. During the year the Committee received advice from PricewaterhouseCoopers LLP ('PwC'), New Bridge Street and Deloitte. In 2012 PwC provided external survey data on directors' remuneration and benefit levels and New Bridge Street made a presentation to update the Committee on recent market changes relating to executive remuneration and provided information to determine whether, and if so to what extent, the performance conditions attached to share options and performance share awards under the LTIP had been satisfied. In October 2012 Deloitte were appointed by the Committee to undertake a review of the long term incentive arrangements as described above. In addition to the work undertaken on behalf of the Committee, PwC also provides the Company with some tax and pre-acquisition due diligence services, New Bridge Street may from time to time also provide services to the Company on remuneration and benefit related matters that are not subject to review by the Committee and Deloitte also provides the Company with some tax related services.

The following independent non-executive directors were members of the Committee during 2012. Ulrich Wolters will retire from the Board at the conclusion of the 2013 AGM:

	Date of appointment to the Committee	Meetings eligible to attend	Meetings attendance
Ulrich Wolters	21 July 2004	4	4
Peter Johnson	18 January 2006	4	4
David Sleath	5 December 2007	4	4
Eugenia Ulasewicz	20 April 2011	4	4

Jean-Charles Pauze, who was appointed as a non-executive director with effect from 1 January 2013, is also a member of the Committee and Meinie Oldersma, who will join the Board as a non-executive director on 1 April 2013, will also be a member of the Committee going forward.

The Secretary to the Committee is Celia Baxter, Director of Group HR. No executive director or Board member plays any part in determining his or her remuneration. During the year ended 31 December 2012, both the Chief Executive and the Chairman were consulted and invited to attend meetings of the Committee, but were not present during any part of the meeting when their own remuneration was under consideration.

In line with its remit, the following key issues were addressed by the Committee during the year:

- approval of the 2011 Directors' remuneration report;
- review of all share plan earnings per share performance measures for the three year period ended 31 December 2011 and the total shareholder return ('TSR') performance measures for the three year periods ended 31 March and 30 September 2012;
- review of the achievement against targets of the awards under the annual bonus plan and the Deferred Annual Share Bonus Scheme (the 'DASBS') and the setting of the targets for 2012;



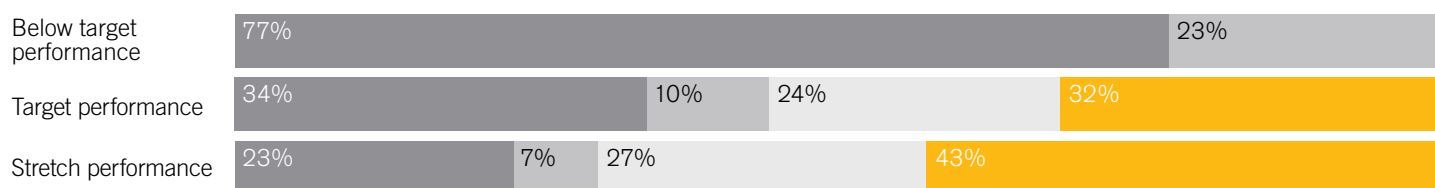
- review and approval of the performance measures to be applied to the 2012 grants and awards under the LTIP;
- review and approval of all grants and awards made under the LTIP and exercise of Committee discretion regarding the vesting of any outstanding grants and awards where appropriate;
- annual review of all executive directors' base salaries and benefits in line with the Company's policies and practices;
- consideration of current and prospective guidelines and regulations on executive remuneration;
- development of a specification for the review of the LTIP, identification of potential remuneration consultants to assist the Committee in the review of the LTIP and appointment of a consultant following a tender process; and
- analysis of the shareholder voting results at the 2012 AGM relating to the Directors' remuneration report and engagement and discussion with relevant shareholders and a shareholder proxy voting body in connection therewith.

## REMUNERATION POLICY ALIGNMENT WITH GROUP STRATEGY

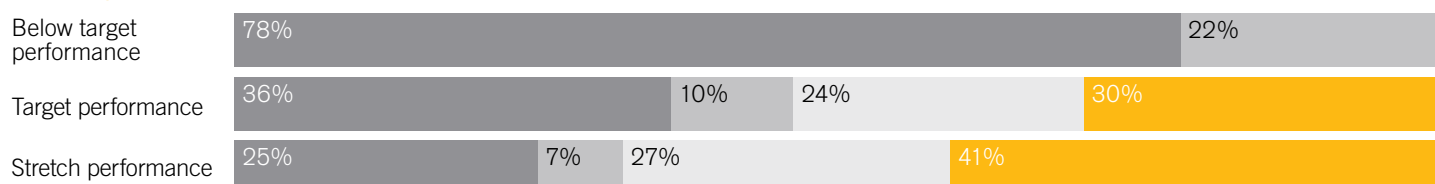
Bunzl continues to pursue its well defined strategy of developing the business through organic growth and targeted acquisitions in both existing and new geographies, while continuously improving the efficiency of our operations. Bunzl's business model relies on excellent customer and supplier relationships and the skills, knowledge and experience of its directors and employees. The Company's remuneration policy supports this strategy by ensuring that the overall remuneration package is set at a competitive level whilst ensuring that additional reward is paid for high performance over a sustained period. This policy is designed to ensure the recruitment, retention and motivation of the executive directors and other senior executives over the long term.

The performance related elements of the remuneration package are designed to incentivise executives to meet key performance metrics which align their interests and remuneration with those of shareholders, for example targets relating to earnings per share and TSR. In setting such targets the Committee takes due account of the potential effect such targets could have on the attitude and behaviour of executives to risk within the business. In addition the Committee has the discretion to take into account performance on environmental, social and governance matters. The remuneration package comprises both core fixed elements (base salary, pension and other benefits) and performance based variable elements (cash bonus, the DASBS and the LTIP). The Committee has set a guideline that for on target performance approximately half of the remuneration package should be performance related. The structure of the remuneration packages for on target and stretch performance for each of the executive directors is illustrated in the bar charts below:

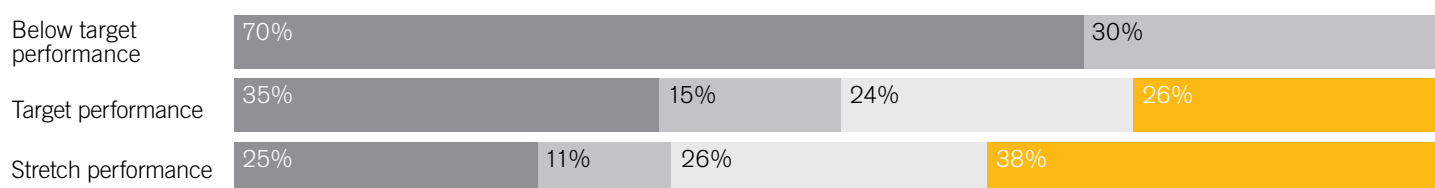
### Michael Roney



### Brian May



### Patrick Larmon



■ Salary and benefits    ■ Pension    ■ Bonus (cash/DASBS)    ■ LTIP

## Notes

- Salary represents annual salary for 2012 and benefits such as a car or car allowance and private medical insurance as shown on page 47.
- Pension represents the cost of pension accrued in 2012 in the Defined Benefit Section of the Bunzl Pension Plan for Brian May, the value of the annual pension allowance for Michael Roney and Brian May, the contributions to the Defined Contribution Section of the Bunzl Pension Plan for Michael Roney and the total of company contributions to Patrick Larmon's 401K Plan, Retirement Savings Benefit (the 'RSB') and through the Defined Contribution Senior Executive Retirement Agreement ('SERA'), further details of which are shown on page 45.
- Below threshold performance comprises salary, benefits and pension only with no bonus awarded and no LTIP awards vested.
- Target performance comprises annual bonus awarded at target level (i.e. 70% of base salary comprised of 50% cash and 50% deferred shares under the DASBS) and, for the LTIP, an assumption that 50% of performance shares will vest and the share options will deliver 25% of their face value in gain to the executives.
- Stretch performance comprises annual bonus awarded at maximum level (i.e. 115% of base salary for Michael Roney and Brian May and 110% of base salary for Patrick Larmon comprised of 50% cash and 50% deferred shares under the DASBS) and, for the LTIP, an assumption that 100% of performance shares will vest and the share options will deliver 50% of their face value in gain to the executives.

## EXECUTIVE DIRECTORS' REMUNERATION

In setting executive directors' remuneration, the Committee is mindful of a range of factors, including remuneration policy, incentive arrangements and the remuneration packages across the Group. In addition, the Committee reviews information on remuneration and benefit levels based on external survey data produced 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 from which the survey data is produced. 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 and non-oil/oil services 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 with 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 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.

## SALARY

<b>Purpose</b>	<ul style="list-style-type: none"> <li>• recognise knowledge, skills and experience</li> <li>• reward individual performance</li> <li>• reflect scope and size of the role</li> <li>• consider achievement related to environmental, social and governance issues</li> </ul>
<b>Delivery</b>	<ul style="list-style-type: none"> <li>• monthly</li> <li>• cash</li> </ul>
<b>Policy</b>	<ul style="list-style-type: none"> <li>• annual review in December (with any changes effective from January)</li> <li>• taking into consideration individual and Group performance, salary increases across the Group are benchmarked for appropriate salary levels using a comparator group of similarly sized companies with large international presence</li> <li>• pensionable</li> </ul>

The summary table above sets out the key policy principles for the salaries for the executive directors. Similar principles are applied to the salaries of senior managers and other levels of employees in the organisation, taking into account local market practices across the Group.

Details of the executive directors' annual salaries are as follows:

	Salary from 1 January 2013	Salary from 1 January 2012	Increase in salary 2012 to 2013 %
Michael Roney	£870,000	£845,000	3.0%
Brian May	£480,000	£468,000	2.6%
Patrick Larmon	US\$989,000	US\$960,000	3.0%

Employees across the Group have received, on average, increases in the range of 2%–4% dependent on geographical location with the exception being those employees based in Brazil and China where current market salary increases are much higher. The actual increases received by employees have been based on each individual's contribution and performance as well as the market competitiveness of the salary.

## ANNUAL BONUS

<b>Purpose</b>	<ul style="list-style-type: none"> <li>• incentivise the attainment of annual corporate targets</li> <li>• retain high performing employees</li> </ul>
<b>Delivery</b>	<ul style="list-style-type: none"> <li>• annual award</li> <li>• 50% cash and 50% shares (shares deferred normally for three years – DASBS)</li> <li>• Patrick Larmon's maximum cash bonus payment is 65% of the total bonus although the total of cash and deferred shares is capped at 110% of base salary</li> </ul>
<b>Policy</b>	<ul style="list-style-type: none"> <li>• the measure for performance is the growth at constant exchange rates in the Company's earnings per share adjusted to exclude items which do not reflect the Company's underlying financial performance ('constant exchange rate eps'). Bonus awards are at the Company's discretion and may take into account performance on environmental, social and governance matters as appropriate. Patrick Larmon has additional measures based on the operating profit before intangible amortisation and acquisition-related costs ('pbit') and working capital employed in the business area for which he has direct responsibility (North America)</li> <li>• the annual on target bonus opportunity for Michael Roney and Brian May is 70% of base salary with a maximum award of 115% of base salary and for Patrick Larmon is 70% of base salary with a maximum award of 110% of base salary</li> <li>• non-pensionable</li> </ul>

The annual bonus rewards short term business performance. Appropriately stretching financial performance targets are set by the Committee at the beginning of the year. The use of the constant exchange rate eps measure is seen as appropriate as it is one of Bunzl's KPIs and aligns the executive directors' interests with those of our shareholders. The additional measures relating to pbit and working capital are relevant for Patrick Larmon as these are the key performance indicators of the business he is responsible for running and these measures, together with other business measures, are used to incentivise the management group in North America. The relevant performance points are: threshold (which must be exceeded to attract any payment of bonus); target; and maximum amount (the level at which the bonus for that measure is capped). These performance points are determined



at the start of the year by reference to the Group's annual budget. No elements of the bonus are guaranteed. As in previous years, the specific performance points are commercially sensitive and are therefore not made public.

At the end of the performance period, which is the Group's financial year from 1 January until 31 December, the Committee assesses the extent to which the performance measures have been achieved. The level of bonus for each measure is determined by reference to the performance relative to that measure's performance points, on a pro rata basis.

### 2012 bonus targets and outturn

As outlined above 100% of Michael Roney's and Brian May's and 25% of Patrick Larmon's bonus potential relate to the growth in the constant exchange rate eps. This resulted in a total bonus payment 7% above target for Michael Roney and Brian May. For Patrick Larmon, a further 50% of his bonus potential relates to the pbit performance of North America and the final 25% of his bonus potential relates to the percentage of working capital employed by North America. Pbit performance for North America resulted in a bonus payment 3% above target and the percentage of working capital employed resulted in a bonus payment 11% above target. Accordingly the total payments under the annual bonus plan were:

	Total bonus payment (cash and deferred shares) as a % of salary			
	2012 %	2011 %	2010 %	2009 %
Michael Roney	77.0	114.0	81.6	52.2
Brian May	77.0	114.0	81.6	52.2
Patrick Larmon	85.9	110.0	76.7	54.2

### Note

a) The actual performance related payments for 2012 and 2011 are included in the table on page 47.

Under the DASBS, eligible executives, including the executive directors, receive the deferred element of their annual bonus as conditional awards of ordinary shares or nil cost options. The awards are satisfied by ordinary shares that are purchased in the market and provided via the Bunzl Group General Employee Benefit Trust (the 'Trust'). The awards are normally made between 1 March and 30 April and normally vest in the third year after the year in which the award is made. In Brian May's case the awards are satisfied as nil cost options with a three year exercise window commencing on the date of vesting. The rules of the DASBS provide that executives who leave the Group prior to the vesting of their awards lose their rights to any deferred shares although the Committee has discretion to allow such shares to vest if deemed appropriate to do so. No dividends accrue on the awards prior to the shares being transferred to the eligible executives following the vesting of the awards. For awards made in 2011 and in subsequent years, the clawback terms provide scope for the Committee to reduce or cancel such DASBS awards to the extent that the value of the bonus originally awarded is subsequently deemed to have been overstated as a result of a material misstatement of the relevant financial statements by which the bonus was originally determined.

### 2013 bonus targets

The structure for Michael Roney's, Brian May's and 25% of Patrick Larmon's bonus are unchanged from that described above for 2012. The threshold for bonus payments on growth in constant exchange rate eps has been set above the outturn for 2012 on a constant exchange rate basis. For Patrick Larmon the other 75% of his bonus will relate to the attainment of pbit performance of North America relative to budget which will be modified, positively or negatively, by the attainment of North America's return on average operating capital targets.

## LONG TERM INCENTIVES

<b>Purpose</b>	<ul style="list-style-type: none"> <li>incentivise growth in longer term earnings per share adjusted to exclude items that do not reflect the Company's underlying financial performance ('eps') and TSR</li> <li>recruit and retain senior employees</li> </ul>
<b>Delivery</b>	<ul style="list-style-type: none"> <li>discretionary biannual awards</li> <li>executive share options and performance shares</li> <li>variable as related to the achievement of performance measures over a three year period</li> </ul>
<b>Policy</b>	<p><b>Executive share options</b></p> <ul style="list-style-type: none"> <li>maximum annual award of 300% of salary (although this level of award has never been granted, see the 'Grant/award levels' section below)</li> <li>three year performance period</li> <li>performance measure relates to the growth in the Company's eps relative to UK inflation (RPI)</li> </ul> <p><b>Performance shares</b></p> <ul style="list-style-type: none"> <li>maximum annual award of 200% of salary (although this level of award has never been granted, see the 'Grant/award levels' section below)</li> <li>three year performance period</li> <li>TSR performance measure (50% of the total award) compares a combination of both the Company's share price and dividend performance during the three year performance period against a comparator group of similarly sized companies with large international presence (the same group that is used for benchmarking salary)</li> <li>eps performance measure (50% of the total award) relates to the growth in the Company's eps relative to UK inflation (RPI)</li> </ul>

The long term element of remuneration continues to be delivered through the LTIP. The LTIP Part A relates to the grant of executive share options and Part B to the award of performance shares. All of the executive directors, Executive Committee members and other key employees participate in both parts of the LTIP which was adopted in 2004. The majority of senior management only participate in the LTIP Part A. Share options are granted and performance shares awarded under the LTIP in respect of both new issue shares and market purchased shares.

**Grant/award levels**

The total actual annual grant/award levels for the executive directors are set out in the table below and have been applied to awards made from August 2008 to date.

	Face value of grants/awards as a percentage of base salary	
	Executive share options	Performance shares
Michael Roney	150%	112.5%
Brian May	140%	105%
Patrick Larmon	125%	94%

To the extent that the performance conditions have been satisfied, grants of executive share options are normally exercisable between three and 10 years after they have been made and awards of performance shares are normally exercisable between three and six years after they have been made. A grant of executive share options or an award of performance shares lapses to the extent that the performance conditions are not satisfied in accordance with the measures set out in the forthcoming sections at the end of the three year performance period.

**Performance**

The percentage of executive share options which vest is based solely on eps performance conditions, whereas for awards of performance shares vesting is based on a combination of eps and TSR performance. Performance conditions in all cases are measured over a three year period and there is no retesting. The Committee considers that both of these measures are appropriate benchmarks of the Company's performance. This combination provides an important balance of measures relevant to the Group's business and market conditions as well as providing a common goal for the executive directors, senior management and shareholders. Further details on these performance conditions are provided below.

**Eps performance condition****Executive share options – LTIP Part A**

Executive share options may vest based solely 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, based on the following sliding scale:

Face value of annual executive share options granted as a proportion of salary	Total margin over UK inflation (RPI) after three years
First 150% of salary	9.3%
Next 75% of salary	12.5%
Next 75% of salary	19.1%

The Committee considers that the current performance condition remains appropriate after taking into consideration the recent levels of increase in RPI, the current economic conditions, the performance of the business and the fact that a vested option has no value unless the share price increases. They are, however, aware that should share options be retained within the new LTIP which will be proposed for shareholder approval in 2014, the structure of the performance condition will be amended to reflect current best practice for such share plans. The Committee considers that over many years vested executive share options have provided a high level of incentivisation for the management team to strive continually to improve the Group's operational performance and thereby increase the Company's share price.

**Performance shares – LTIP Part B**

The extent to which half of the awards may vest is 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, based on the following sliding scale:

Total margin over UK inflation (RPI) after three years	Proportion of performance share awards exercisable
Below 12.5%	Nil
12.5%	25%
Between 12.5% and 33.1%	Pro rata between 25%–100%
Over 33.1%	100%

The Committee considers that the current performance condition remains challenging given the recent levels of increase in RPI, the current economic conditions and the performance of the business. The Committee considers that the eps performance condition for the vesting of performance shares should be more stretching than for executive share options since on exercise of the award the value of the whole share is delivered to the participant as opposed to executive share options where value only arises if the share price on exercise is greater than the option price.

**TSR performance condition****Performance shares – LTIP Part B**

The extent to which the other half of the performance share awards may vest is subject to the Company's TSR performance relative to the TSR performance of a specified group of companies (the 'Comparator Group'). The process for identifying the Comparator Group is the same as that used for setting executive remuneration as described under Executive directors' remuneration on page 40. These performance share awards vest in full only if the Company's TSR performance is ranked at upper quartile or above within the Comparator Group and the following vesting schedule is applied:

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



The performance condition relating to TSR for all awards under the LTIP Part B provides for the exclusion from the Comparator Group of those companies that cease to be listed and the exclusion of those companies that have been subject to a recommended takeover offer and are therefore in the process of delisting. Where the companies are excluded from the Comparator Group, the median/upper quartile rankings are recalculated using the reduced number of companies in the Comparator Group. The applicable Comparator Group for the LTIP Part B awards in October 2012 are shown below and will form the basis of the Comparator Group for the LTIP Part B awards in April 2013 subject to any variations as outlined above.

Aegis Group	Hays	Qinetiq Group
Aggreko	IMI	Reckitt Benckiser Group
Burberry Group	Informa	Rexam
Carnival	Inmarsat	Rotork
Chemring Group	International Hotels Group	Sabmiller
Cobham	International Airlines Group	SIG
Computacenter	Intertek Group	Smith & Nephew
Cookson Group	Invensys	Smiths Group
Croda International	Johnson Matthey	Spectris
Diageo	Kingfisher	Spirax-Sarco
Dixons Retail	Lonmin	Tate & Lyle
Easyjet	Meggitt	Tui Travel
Electrocomponents	Melrose	UBM
Experian	Millennium & Copthorne Hotels	Weir Group
G4S	Mondi	WPP
GKN	Pearson	

TSR is measured according to the return index calculated by Datastream and reviewed by New Bridge Street. It is measured on the basis that all companies' dividends are reinvested in the shares of those companies. The return is the percentage increase in each company's index over the three year performance period. The opening and closing indices for this calculation are respectively the average of the index numbers for the last month preceding the performance period and for the last month of that performance period.

#### Vesting of LTIP grants/awards made in 2009

##### Executive share options – LTIP Part A

Grants of executive share options were made to the executive directors on 26 February 2009 and 27 August 2009 with the three year performance periods being completed on 31 December 2011. The Committee subsequently assessed the relevant performance of the Company against the performance conditions. Eps growth was 30.0% for the three years ended 31 December 2011 which compared to an increase in RPI of 12.4% over the same period. Since the performance condition would have been satisfied if eps had grown by at least 21.7% over the period, all of the options vested.

##### Performance shares – LTIP Part B

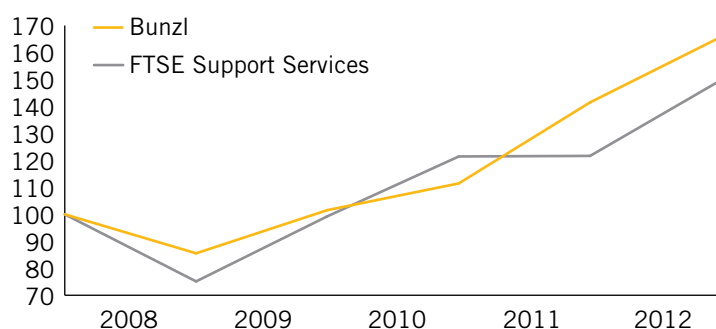
Awards of performance shares were made to the executive directors on 23 April 2009 and 2 October 2009 with the three year performance periods being completed on 31 March 2012 and 30 September 2012 respectively. The Committee subsequently assessed the performance of the Company against the relevant performance conditions. The extent to which half of the awards would vest was subject to a performance condition based on eps growth relative to RPI. Eps growth was 30.0% for the three years ended 31 December 2011 compared to an increase in RPI of 12.5% over the same period. A quarter of the award would have been exercisable if eps had grown by at least 25.0% over the period and the whole award would have been exercisable if eps had grown by at least 45.6%. As a result of the Company's actual growth in eps over the period, 43.4% of this part of the awards vested (21.7% of the full awards).

The extent to which the other half of the awards vested was based on the Company's TSR performance against the relevant Comparator Group. For the April award, the Company ranked 22nd out of the remaining 40 companies in the Comparator Group of companies, resulting in no vesting for this part of the award. For the October award, the Company ranked 11th out of the remaining 39 companies in the Comparator Group of companies, as a result of which 94.2% of this part of the award vested (47.1% of the full award) for performance between median and upper quartile.

Accordingly 21.7% of the total performance shares awarded in April 2009 and 68.8% of the total performance shares awarded in October 2009 vested in April and October 2012 respectively.

#### Performance graph

Schedule 8 to the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 requires that the Company must provide a graph comparing the TSR performance of a hypothetical holding of shares in the Company with a broad equity market index over a five year period. The Company's TSR performance against the FTSE Support Services Sector over a five year period commencing on 1 January 2008 is shown below.



Source: Thomson Reuters datastream

### LTIP – change of control

The rules of the LTIP provide that in the event of a change of control of the Company as a result of takeover, reconstruction or winding up of the Company, the Committee has the discretion to allow grants of options/awards to become exercisable taking into consideration the period of time which has elapsed since the date of the grant of option/award and the achievement of the relevant performance conditions at that date.

### ALL EMPLOYEE SHARE SCHEMES

The executive directors are also eligible to participate in all employee share schemes which are designed to incentivise employees of the Group by giving them opportunities to build a shareholding in the Company. The UK based executive directors may participate in an HM Revenue & Customs ('HMRC') approved Sharesave Scheme and the US based executive director may participate in an IRS approved Employee Stock Purchase Plan (US) (the 'ESPP'). In addition employees in Australia, Canada, Germany and the Netherlands are eligible to participate in an International Sharesave Plan and Irish employees can take part in the Irish Sharesave Plan.

### Sharesave Scheme

The current Sharesave Scheme was approved by shareholders in 2011, is approved by HMRC and is open to all UK employees who have completed at least three months of continuous service. It, like the Sharesave Scheme which preceded 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. Both Michael Roney and Brian May participate in the Sharesave Scheme.

### ESPP

The current ESPP was also approved by shareholders in 2011 and, like its predecessor, provides an opportunity for employees in the US to purchase the Company's shares in the market at a 15% discount to the market price, up to an annual maximum of 10% of remuneration or US\$25,000 worth of shares, whichever is lower. The purchase of the shares is funded by after tax payroll deductions from the employee with the employing company contributing the 15% discount. Shares held by Patrick Larmon under the ESPPs are included in his ordinary share interests set out in Note 19 to the consolidated financial statements.

### OPTIONS AND AWARDS OUTSTANDING

To satisfy the future exercise of options or awards of performance shares under the Group's employee share schemes, ordinary shares are either acquired in the market by the Trust or the Company issues new shares.

### The Trust

The Trust is used to satisfy the vesting and exercise of awards of ordinary shares made under the DASBS and the LTIP Parts A and B. The number of shares held in the Trust to satisfy outstanding awards is monitored by the Board. The Trust is funded by interest free loan facilities from the Company enabling the Trust to facilitate the purchase of ordinary shares to satisfy the future vesting or exercise of options and awards under the DASBS and LTIP. The loan is either repaid from the proceeds of the exercise of options or, in the case of ordinary shares acquired by the Trust to satisfy vesting and exercise of awards under the DASBS and the LTIP Part B, the Company will subsequently waive the loan provided over the life of the awards. The Trust currently waives dividends on the ordinary shares held by it. As at 31 December 2012, the Trust held 4,348,175 ordinary shares with a market value of £43.9 million (31 December 2011: 5,230,867 ordinary shares; market value £46.2 million) being 1.2% of the Company's issued ordinary share capital (31 December 2011: 1.5%) (including treasury shares). While shares are held by the Trust, the trustee does not exercise any voting rights.

Details of the Company's material equity share based payment arrangements are set out in Note 16 to the consolidated financial statements.

### SHAREHOLDING GUIDELINES

In order to align further the interests of the executive directors and shareholders, the executive directors are required to build a significant personal shareholding in the Company. A formal share ownership guideline is in place under which executive directors are expected to retain shareholdings worth at least equal to their annual base 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.

As at 31 December 2012, the value of the executive directors' shareholdings as a percentage of salary were:

	Actual share ownership as a percentage of salary at 31 December 2012 at the closing mid-market price
Michael Roney	373%
Brian May	227%
Patrick Larmon	190%

The interests of the executive directors, and their connected persons, in the ordinary shares of the Company at 31 December were:

	2012	2011
Michael Roney	312,263	289,375
Brian May	105,240	105,240
Patrick Larmon	113,875	109,381

The interests of all of the directors in the ordinary shares of the Company are shown in Note 19 to the consolidated financial statements.



## PENSION BENEFITS

<b>Purpose</b>	<ul style="list-style-type: none"> <li>provision of competitive post retirement benefits</li> </ul>
<b>Delivery</b>	<ul style="list-style-type: none"> <li>Bunzl Pension Plan (the 'BPP') for UK based executive directors, the Bunzl USA, Inc. Retirement Plan (the 'US Plan') and Retirement Saving Benefit (the 'RSB') for US based executive directors and pension allowances and supplemental pension arrangements</li> <li>monthly pension payment</li> </ul>
<b>Policy</b>	<ul style="list-style-type: none"> <li>all defined benefit pension plans in the Group have been closed since 2003 to new entrants who are offered a defined contribution arrangement</li> <li>the current pension arrangements of the executive directors reflects their date and place of joining the Group</li> </ul>

In the UK, Michael Roney receives a pension allowance of 30% of base salary. He has chosen to join the Defined Contribution Section of the BPP and his contribution of 5% of base salary, up to the pensionable salary cap (notionally £129,600 for tax year 2011/2012 and £137,400 for tax year 2012/2013) is matched by the Company. During 2012 such contributions amounted to £6,773 (2011: £6,405) and this amount was deducted from his pension allowance. The Company also provides lump sum life assurance cover of four times base salary.

Brian May, who joined the Group in the UK prior to the closure of the defined benefit sections of the BPP, is a member of the Bunzl Senior Pension Section of the BPP. His pension accrues at the rate of 2.4% per annum up to two thirds of the pensionable salary cap, as described above. The employee contribution rate is currently 9% of pensionable salary. The normal retirement date is 60 years of age but members can choose to take a pension at any time after the age of 55 years without the employing company's agreement, subject to a reduction as determined by the pension fund trustee in conjunction with the pension fund actuary. This section of the BPP includes provision for spouses' benefits on death in service or after retirement. In the event of death in service a spouse's pension equal to 60% of the member's prospective pension at normal retirement age would be payable. A spouse's pension in the event of death after retirement is equal to 60% of the member's full pension, irrespective of any decision to exchange part of the benefit for a lump sum. In addition to benefits from the BPP, Brian May receives a pension allowance of 30% of base salary above the pensionable salary cap which permits him to make provision, of his own choice, in respect of that part of his salary which exceeds the cap. The Company also provides lump sum life assurance cover of four times base salary.

Patrick Larmon originally joined the US Plan, subject to IRS limits, which accrued 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 US\$140,000. On closure of the US Plan, Patrick Larmon chose to freeze his benefit and join a defined contribution plan, 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 US\$200,000 per annum. The Company made contributions in respect of Patrick Larmon in 2012 of £6,289 (2011: £6,250). In addition to the benefits described above, Patrick Larmon receives a supplementary pension through a defined benefit Senior Executive Retirement Agreement ('SERA'). Patrick Larmon's SERA provides for a lifetime pension of US\$100,000 per annum, payable upon retirement. In 2012 the Company paid all necessary contributions, on actuarial advice, to the SERA which amounted to £74,030 (2011: £83,337). This decrease is attributable to a partial year of service cost due to Patrick Larmon reaching the age of 60 when service accrual ceases. In 2007, the SERA arrangement was closed to new entrants and existing members' benefits were frozen. A new defined contribution SERA ('DC SERA') was put in place for Patrick Larmon. During 2012 contributions to the DC SERA amounted to £182,390 (2011: £181,250). Patrick Larmon also participates in the Bunzl USA, Inc Deferred Savings (401k) Plan. The Company makes matching contributions to this Plan. During 2012 contributions for Patrick Larmon amounted to £6,934 (2011: £6,891).

## EXECUTIVE DIRECTORS' 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. For Michael Roney and Brian May there is no predetermined compensation for termination of these contracts. Patrick 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. The date of each service contract is noted in the table below.

	Date of service contract
Michael Roney	1 September 2005
Brian May	9 December 2005
Patrick Larmon	1 January 2005

## EXECUTIVE DIRECTORS' EXTERNAL APPOINTMENTS

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. Michael Roney served as a non-executive director of Johnson Matthey Plc throughout 2012 and retained fees of £65,500. Brian May served as a non-executive director of United Utilities Group PLC from 1 September 2012 and retained fees of £19,467. Patrick Larmon does not hold any such appointments.

### NON-EXECUTIVE DIRECTORS' TERMS OF APPOINTMENT

The non-executive directors do not have service contracts with the Company but instead have letters of appointment. The date of appointment and the most recent re-appointment and the length of service for each non-executive director are shown in the table below.

	Date of appointment	Date of last re-appointment at AGM	Length of service as at 2013 Annual General Meeting
Ulrich Wolters*	1 July 2004	18 April 2012	8 years 9 months
Peter Johnson	1 January 2006	18 April 2012	7 years 3 months
David Sleath	1 September 2007	18 April 2012	5 years 7 months
Eugenia Ulasewicz	1 April 2011	18 April 2012	2 years
Jean-Charles Pauze	1 January 2013	n/a	Up for election
Meinie Oldersma	1 April 2013	n/a	Up for election

\*Ulrich Wolters will retire from the Board at the conclusion of the 2013 AGM

On termination, at any time, a non-executive director is entitled to any accrued but unpaid director's fees but not to any other compensation.

### NON-EXECUTIVE DIRECTORS' REMUNERATION POLICY

The current fee structure for the non-executive directors is shown below:

	With effect from January 2013 £	Fees paid in 2012 £
Basic fee	63,000	61,500
Supplements:		
Senior Independent Director	16,000	16,000
Audit Committee Chairman	13,000	12,000
Remuneration Committee Chairman	13,000	12,000

The fees for the non-executive directors are considered annually and are determined in light of market practice and with reference to time commitment and responsibilities associated with the roles.

Non-executive directors' fees (including those of the Chairman) are determined within the overall aggregate annual limit of £1,000,000 authorised by shareholders with reference to the Company's Articles of Association. The Board as a whole considers the policy and structure for the non-executive directors' fees on the recommendation of the Chairman and the Chief Executive. The non-executive directors do not participate in discussions on their specific levels of remuneration.

Non-executive directors receive no other pay or benefits (with the exception of reimbursement of expenses incurred in respect of their duties as directors of the Company).

### CHAIRMAN'S TERMS OF APPOINTMENT AND REMUNERATION

The Committee is responsible for determining the terms of engagement and fees payable to the Chairman. This process takes into account the breadth of the role coupled with its associated levels of commitment and expertise.

Philip Rogerson has been a director of the Company since 1 January 2010 and has been Chairman of the Company from 1 April 2010. The terms of his appointment provide that he holds the appointment for an initial term of three years unless terminated earlier by either party giving to the other not less than three months' written notice.

The terms of Philip Rogerson's appointment provided for an annual fee of £300,000 in 2010 and 2011. The annual fee was increased to £310,000 with effect from January 2012 and will be reviewed again in February 2014. In common with the non-executive directors, Philip Rogerson does not participate in the Company's share schemes, bonus or long term incentive plans and is not a member of any Group pension plan.

### COPIES OF SERVICE CONTRACTS AND TERMS OF APPOINTMENT

Copies of the executive directors' service contracts and the details of the terms of appointment of each non-executive director and the Chairman are available for inspection during normal business hours at the Company's registered office and will also be available for inspection at the AGM on 17 April 2013.



## SUPPLEMENTARY INFORMATION ON DIRECTORS' REMUNERATION

The following table gives details of each director's remuneration for the financial year 2012.

	Salary/fees 2012 £000	Annual cash bonus 2012 £000	Pension allowance net of contributions 2012 £000	Benefits 2012 £000	Total 2012 £000	Total 2011 £000	Deferred bonus	
							2012 £000	2011 £000
<b>Executive</b>								
Michael Roney	845.0	325.3	246.7	16.4	<b>1,433.4</b>	1,552.7	<b>325.3</b>	470.2
Brian May	468.0	180.2	99.8	16.4	<b>764.4</b>	830.7	<b>180.2</b>	259.9
Patrick Larmon	603.8	259.3	–	16.5	<b>879.6</b>	924.5	<b>259.3</b>	320.8
<b>Non-executive</b>								
Philip Rogerson	310.0	–	–	–	<b>310.0</b>	300.0	–	–
Ulrich Wolters	61.5	–	–	–	<b>61.5</b>	60.0	–	–
Peter Johnson	89.5	–	–	–	<b>89.5</b>	83.3	–	–
David Sleath	73.5	–	–	–	<b>73.5</b>	71.0	–	–
Eugenia Ulasewicz	61.5	–	–	–	<b>61.5</b>	45.0	–	–
	<b>2,512.8</b>	<b>764.8</b>	<b>346.5</b>	<b>49.3</b>	<b>3,673.4</b>	3,867.2	<b>764.8</b>	1,050.9

### Notes

- 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 shown above as a cash amount. However this cash amount is conditionally awarded as shares as described on page 41. Shares relating to the 2011 deferred bonus were awarded in 2012 as shown in the table on page 48 and the shares relating to the 2012 deferred bonus will be awarded in 2013.
- The remuneration for Patrick Larmon is paid or determined in US dollars and has been translated at the average exchange rates for the year of £1: US\$1.59 in respect of 2012 and £1: US\$1.60 in respect of 2011.
- The pension allowance is the amount paid in cash during 2012. Further information relating to pensions is on page 45 and the table below which shows increases in accrued benefits during the year for directors who are members of the Group's defined benefit pension plans.
- In addition to the remuneration paid to directors in 2011 shown above, Charles Banks, who retired as non-executive director during the year, received remuneration of £29,600 in respect of the period 1 January 2011 to 31 May 2011.

### Increases in pension benefits at 31 December 2012

	Accrued benefits at 31.12.11 per annum £	Accrued benefits at 31.12.12 per annum £	Transfer value of accrued benefits at 31.12.11 £	Change in transfer value of accrued benefits during the year £	Transfer value of accrued benefits at 31.12.12 £
Brian May	47,549	53,698	965,897	126,591	1,104,679
Patrick Larmon*	16,856	16,028	143,998	21,182	165,180

\*Excluding SERA entitlements

### Notes

- Of the additional benefits accrued since 1 January 2012, the increases attributable to factors other than inflation or foreign exchange translation were £5,103 for Brian May and £nil for Patrick Larmon (whose benefits are frozen in this plan).
- Pension accruals shown are the amounts accrued based on service with Bunzl plc or its subsidiaries.
- The changes in 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 Brian May, are net of his contributions. The change in the transfer value of accrued benefits for Brian May includes the effect of fluctuation in the transfer value due to factors beyond the control of the Company and the directors, such as changes in market conditions.

### Deferred share awards as at 31 December 2012

The following deferred share awards have been made to the directors. Further information relating to the deferred bonus is provided on pages 40 to 41.

	Shares held at 1 January 2012	Shares awarded during 2012	Shares vested during 2012	Total number of award shares at 31 December 2012	Normal vesting date	Share price at grant (p)	Market price at vesting (p)	Monetary value of vested award £000
Michael Roney	41,217	–	41,217	–	01.03.12	581	972	401
	29,724	–	–	29,724	01.03.13	680.5	–	–
	43,215	–	–	43,215	01.03.14	760	–	–
	–	48,882	–	48,882	01.03.15	962	–	–
Brian May	22,603	–	22,603	–	01.03.12	581	972	220
	16,300	–	–	16,300	01.03.13	680.5	–	–
	23,728	–	–	23,728	01.03.14	760	–	–
	–	27,018	–	27,018	01.03.15	962	–	–
Patrick Larmon	29,672	–	29,672	–	01.03.12	581	972	288
	23,268	–	–	23,268	01.03.13	680.5	–	–
	28,372	–	–	28,372	01.03.14	760	–	–
	–	33,349	–	33,349	01.03.15	962	–	–

### Notes

- The deferred element of the 2012 annual bonus plan as shown on page 47 is not included in the table above as the appropriate number of shares have not yet been awarded. No shares lapsed during the year.
- Brian May's awards are nil cost options with a three year exercise window commencing on the date of vesting.

## LTIP

The tables below show the number of executive share options and performance shares held by the executive directors under the LTIP. Details of the relevant performance conditions and structure of the LTIP are set out on pages 42 to 43.

### Executive share options – LTIP Part A

	Options at 1 January 2012	Grant date	Exercise Price (p)	Options exercisable between	Options at 31 December 2012
Michael Roney	180,530	01.11.05	565	01.11.08–31.10.15	–
	78,643	06.03.06	648.5	06.03.09–05.03.16	–
	78,500	01.09.06	652.5	01.09.09–31.08.16	–
	83,000	01.03.07	659	01.03.10–28.02.17	–
	79,500	31.08.07	684.5	31.08.10–30.08.17	–
	81,000	28.02.08	721.5	28.02.11–27.02.18	–
	83,000	29.08.08	700.5	29.08.11–28.08.18	–
	103,500	26.02.09	564	26.02.12–25.02.19	–
	99,500	27.08.09	585	27.08.12–26.08.19	<b>99,500</b>
	89,500	25.02.10	676.5	25.02.13–24.02.20	<b>89,500</b>
	81,000	03.09.10	746	03.09.13–02.09.20	<b>81,000</b>
	85,500	03.03.11	724.5	03.03.14–02.03.21	<b>85,500</b>
	76,500	02.09.11	812.5	02.09.14–01.09.21	<b>76,500</b>
	–	01.03.12	962	01.03.15–28.02.22	<b>66,000</b>
	–	31.08.12	1,116	31.08.15–30.08.22	<b>57,000</b>
Brian May	20,000	09.09.05	568	09.09.08–08.09.15	–
	32,382	06.03.06	648.5	06.03.09–05.03.16	–
	32,500	01.09.06	652.5	01.09.09–31.08.16	–
	34,000	01.03.07	659	01.03.10–28.02.17	–
	33,000	31.08.07	684.5	31.08.10–30.08.17	–
	33,000	28.02.08	721.5	28.02.11–27.02.18	<b>33,000</b>
	42,500	29.08.08	700.5	29.08.11–28.08.18	<b>42,500</b>
	53,000	26.02.09	564	26.02.12–25.02.19	–
	51,000	27.08.09	585	27.08.12–26.08.19	–
	46,000	25.02.10	676.5	25.02.13–24.02.20	<b>46,000</b>
	41,500	03.09.10	746	03.09.13–02.09.20	<b>41,500</b>
	44,500	03.03.11	724.5	03.03.14–02.03.21	<b>44,500</b>
	39,500	02.09.11	812.5	02.09.14–01.09.21	<b>39,500</b>
	–	01.03.12	962	01.03.15–28.02.22	<b>34,500</b>
	–	31.08.12	1,116	31.08.15–30.08.22	<b>29,500</b>
Patrick Larmon	48,411	09.09.05	568	09.09.08–08.09.15	–
	38,458	06.03.06	648.5	06.03.09–05.03.16	–
	43,000	01.09.06	652.5	01.09.09–31.08.16	<b>43,000</b>
	47,000	01.03.07	659	01.03.10–28.02.17	<b>47,000</b>
	45,000	31.08.07	684.5	31.08.10–30.08.17	<b>45,000</b>
	44,500	28.02.08	721.5	28.02.11–27.02.18	<b>44,500</b>
	45,500	29.08.08	700.5	29.08.11–28.08.18	<b>45,500</b>
	56,500	26.02.09	564	26.02.12–25.02.19	<b>56,500</b>
	54,500	27.08.09	585	27.08.12–26.08.19	<b>54,500</b>
	48,500	25.02.10	676.5	25.02.13–24.02.20	<b>48,500</b>
	44,000	03.09.10	746	03.09.13–02.09.20	<b>44,000</b>
	46,500	03.03.11	724.5	03.03.14–02.03.21	<b>46,500</b>
	41,500	02.09.11	812.5	02.09.14–01.09.21	<b>41,500</b>
	–	01.03.12	962	01.03.15–28.02.22	<b>36,000</b>
	–	31.08.12	1,116	31.08.15–30.08.22	<b>34,000</b>

## Notes

a) Executive share options were exercised during 2012 by:

- Michael Roney on 1 March 2012 in respect of 180,530 ordinary shares at an exercise price of 565p, 78,643 ordinary shares at an exercise price of 648.5p, 78,500 ordinary shares at an exercise price of 652.5p, 83,000 ordinary shares at an exercise price of 659p, 79,500 ordinary shares at an exercise price of 684.5p, 81,000 ordinary shares at an exercise price of 721.5p and 83,000 ordinary shares at an exercise price of 700.5p, at a market price of approximately 972p resulting in a gain of £2,156,577. In addition Michael Roney exercised share options on 1 October 2012 in respect of 103,500 ordinary shares at an exercise price of 564p at a market price of approximately 1,116p resulting in a further gain of £571,320;
- Brian May on 9 March 2012 in respect of 20,000 ordinary shares at an exercise price of 568p, 32,382 ordinary shares at an exercise price of 648.5p, 32,500 ordinary shares at an exercise price of 652.5p, 34,000 ordinary shares at an exercise price of 659p, 33,000 ordinary shares at an exercise price of 684.5p and 5319 ordinary shares at an exercise price of 564p, at a market price of 991p resulting in a gain of £542,258. In addition Brian May exercised share options on 28 September 2012 in respect of 47,681 ordinary shares at an exercise price of 564p and 51,000 ordinary shares at an exercise price of 585p at a market price of approximately 1,115p resulting in a further gain of £533,022; and
- Patrick Larmon on 5 March 2012 in respect of 48,411 ordinary shares at an exercise price of 568p and 38,458 ordinary shares at an exercise price of 648.5p at a market price of approximately 960p resulting in a gain of £309,568.

b) The mid-market price of a share on 31 December 2012 was 1,009p and the range during 2012 was 851.5p to 1,167p.

c) The performance conditions have been satisfied in relation to options granted prior to 2011 under the LTIP Part A.



Performance shares – LTIP Part B

	Awards (shares) held at 1 January 2012	Conditional shares awarded during 2012	Award date	Market price per share at award (p)	Lapsed awards (shares) during 2012	Exercised awards (shares) during 2012	Market price per share at exercise (p)	Value at exercise £000	Awards (shares) held at 31 December 2012
Michael Roney	90,000	–	23.04.09	485.25	70,470	19,530	1021	199	–
	69,500	–	02.10.09	628	21,685	47,815	1128	539	–
	63,000	–	01.04.10	721	–	–	–	–	63,000
	60,000	–	08.10.10	759	–	–	–	–	60,000
	64,500	–	08.04.11	725	–	–	–	–	64,500
	59,000	–	11.10.11	787	–	–	–	–	59,000
	–	48,000	05.04.12	990.5	–	–	–	–	48,000
	–	42,000	08.10.12	1,137	–	–	–	–	42,000
<b>Total</b>	<b>406,000</b>	<b>90,000</b>			<b>92,155</b>	<b>67,345</b>			<b>336,500</b>
Brian May	46,000	–	23.04.09	485.25	36,018	9,982	1021	102	–
	36,000	–	02.10.09	628	11,232	24,768	1062	263	–
	32,500	–	01.04.10	721	–	–	–	–	32,500
	31,000	–	08.10.10	759	–	–	–	–	31,000
	33,500	–	08.04.11	725	–	–	–	–	33,500
	30,500	–	11.10.11	787	–	–	–	–	30,500
	–	25,000	05.04.12	990.5	–	–	–	–	25,000
	–	22,000	08.10.12	1,137	–	–	–	–	22,000
<b>Total</b>	<b>209,500</b>	<b>47,000</b>			<b>47,250</b>	<b>34,750</b>			<b>174,500</b>
Patrick Larmon	49,500	–	23.04.09	485.25	38,759	10,741	1021	110	–
	38,500	–	02.10.09	628	12,013	26,487	1128	299	–
	34,500	–	01.04.10	721	–	–	–	–	34,500
	32,500	–	08.10.10	759	–	–	–	–	32,500
	35,000	–	08.04.11	725	–	–	–	–	35,000
	32,000	–	11.10.11	787	–	–	–	–	32,000
	–	26,500	05.04.12	990.5	–	–	–	–	26,500
	–	25,000	08.10.12	1,137	–	–	–	–	25,000
<b>Total</b>	<b>222,000</b>	<b>51,500</b>			<b>50,772</b>	<b>37,228</b>			<b>185,500</b>

Note

a) The closing mid-market price of the Company's shares as at the vesting dates on 23 April 2012 and 8 October 2012 were 1,016p and 1,128p respectively.

All employees share scheme

Sharesave Scheme

The table below shows the number of share options granted to the executive directors under the Sharesave Scheme. Details of the Sharesave Scheme are set out on page 44.

	Options at 1 January 2012	Grant date	Exercise price (p)	Options exercisable between	Options at 31 December 2012
Michael Roney	–	27 March 2012	770	01.05.17 – 31.10.17	1,948
Brian May	3,462	24 March 2009	452	01.05.14 – 31.10.14	3,462

Peter Johnson

Chairman of the Remuneration Committee  
25 February 2013

**ANNUAL GENERAL MEETING**

The Annual General Meeting will be held at The Park Suite, The Dorchester, Park Lane, London W1K 1QA on Wednesday 17 April 2013 at 11.00 am. The Notice convening the Annual General Meeting is set out in a separate letter from the Chairman to shareholders which explains the items of business which are not of a routine nature.

**DIVIDENDS**

An interim dividend of 8.8p was paid on 2 January 2013 in respect of 2012 and the directors recommend a final dividend of 19.4p, making a total for the year of 28.2p per share (2011: 26.35p). Dividend details are given in Note 17 to the consolidated financial statements. Subject to approval by the shareholders at the Annual General Meeting on 17 April 2013, the final dividend will be paid on 1 July 2013 to those shareholders on the register at the close of business on 10 May 2013.

**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, the Company operates 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 Receipts.

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

**BUNZL GROUP GENERAL 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 waive the right to dividend payments on shares held within the EBT. Details of the shares so held are set out in Note 16 to the consolidated financial statements.

**SUBSTANTIAL SHAREHOLDINGS**

As at 31 December 2012 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.

Shareholder	Date of notification	Number of shares	% of issued share capital
INVESCO plc	20.05.10	32,571,686	9.9
BlackRock, Inc.	23.03.11	16,491,628	5.0
Lloyds Banking Group plc	27.05.10	16,425,039	5.0
Newton Investment Management Ltd	07.03.11	13,864,410	4.2
Cascade Investment, LLC	20.04.12	16,593,248	5.0
Legal & General Group Plc	12.11.09	13,069,891	4.0

As at 25 February 2013 no further notifications have been received since the year end.

**RIGHTS AND OBLIGATIONS ATTACHING TO SHARES**

Subject to the provisions of the Companies Act 2006 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 or (if there is no such resolution or so far as it does not make specific provision) as the Board may decide. Subject to the provisions of the Companies Act 2006 and of any resolution of the Company passed pursuant thereto and without prejudice to any rights attached to existing shares, the Board is duly authorised to issue and allot, grant options over or otherwise dispose of the Company's shares 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 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 authorities granted at the 2012 Annual General Meeting to allot shares or grant rights to subscribe for or to convert any security into shares of the Company up to i) a maximum nominal amount of £35.4 million; and ii) to allot ordinary shares or grant rights to subscribe for or convert any securities into shares in connection with a rights issue to existing shareholders in proportion (or as nearly as may be practicable) up to an aggregate nominal amount equal to £70.9 million or as reduced by the nominal value of any ordinary shares allotted under i) above. At the same meeting authority was also granted to the directors to allot the Company's shares for cash, up to a maximum nominal amount of approximately £5.7 million, without regard to the pre-emption provisions of the Companies Act 2006. No such shares were issued or allotted under these authorities in 2012, nor is there any current intention to do so, other than to satisfy share options under the Company's share option schemes and, if necessary, to satisfy the consideration payable for businesses to be acquired. If the directors do exercise the authority under ii) above the directors intend to follow ABI recommendations concerning its use.

These authorities are valid until the conclusion of the forthcoming Annual General Meeting. The directors propose to seek similar authorities at such Annual General Meeting, save that in respect of the authority to allot shares or grant rights to subscribe for or to convert any security into shares of the Company the directors intend to limit such authority to i) above and the authority to allot the Company's shares for cash referred to above.

**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 any share which is not a fully paid share and of a certificated share at its discretion unless it is:

- lodged, duly stamped or duly certified, at the offices of the Company's registrar 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.

Registration of a transfer of an uncertificated share may be refused in the circumstances set out in the uncertificated securities rules, and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

In addition, no instrument of transfer for certificated shares shall be registered if the transferor has been served with a restriction notice (as defined in the Company's Articles of Association (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 Act 2006, unless the transfer is shown to the Board to be pursuant to an arm's length sale. The Board has the power to procure that uncertificated shares are converted into certificated shares and kept in certificated form for as long as the Board requires.

The Company is not aware of any agreements between shareholders that may result in any restriction of the transfer of shares or voting rights.

### RESTRICTIONS ON VOTING RIGHTS

A member shall not be entitled to vote, unless the Board otherwise decides, at any general meeting or class meeting in respect of any shares held by them if any call or other sums payable remain unpaid. Currently, all issued shares are fully paid. In addition, no member shall be entitled to vote if he has been served with a restriction notice after failure to provide the Company with information concerning certain interests in the Company's shares required to be provided under the Companies Act 2006. 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 straight away but is taken not more than 48 hours after it was demanded.

### PURCHASE OF OWN SHARES

At the 2012 Annual General Meeting, shareholders gave the Company authority to purchase a maximum of 33,080,000 ordinary shares. During the year ended 31 December 2012 the Company did not purchase any of its own shares pursuant to this authority or the authority granted at the 2011 Annual General Meeting and no shares have been purchased between 31 December 2012 and 25 February 2013. The total number of ordinary shares currently held in treasury is 23,325,000. The Company is therefore currently authorised to buy back 33,080,000 of its own shares pursuant to the existing shareholders' authority which is due to expire at the conclusion of the forthcoming Annual General Meeting. The directors again propose to seek the equivalent authority at such Annual General Meeting.

### DIRECTORS

Directors may be elected by ordinary resolution at a duly convened general meeting or appointed by the Board. Under the Articles, the minimum number of directors shall be two and the maximum shall be 15. In accordance with the Articles, each director is required to retire at the Annual General Meeting held in the third calendar year in which he or she was appointed or last appointed and any director who has held office with the Company, other than employment or executive office, for a continuous period of nine years or more at the date of the Annual General Meeting is subject to annual re-appointment. 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 but so that the total number of directors shall not at any time exceed 15. However such appointee shall only hold office until the next Annual General Meeting of the Company.

In addition to any power to remove a director from office conferred by company law, the Company may also by special resolution remove a director from office before the expiration of his or her period of office under the Articles.

The office of a director shall also be vacated pursuant to the Articles if the director:

- resigns by giving notice to the Company or is asked to resign by all of the other directors who are not less than three in number; or
- is or has been suffering from mental or physical ill health and the Board resolves that his or her office be vacated; or
- is absent without permission from Board meetings for six consecutive months and the Board resolves that his or her office be vacated; or
- becomes bankrupt or compounds with his or her creditors generally; or
- is prohibited by law from being a director; or
- ceases to be a director by virtue of any provisions of company law or is removed from office pursuant to the Articles.

Jean-Charles Pauze and Meinie Oldersma were appointed to the Board with effect from 1 January 2013 and 1 April 2013 respectively. Biographical details of the directors are set out on page 32. All of the directors with the exception of Jean-Charles Pauze and Meinie Oldersma served throughout the year. Notwithstanding the retirement by rotation provisions in the Articles, each of the directors will retire and offer themselves for re-election at the forthcoming Annual General Meeting in accordance with the UK Corporate Governance Code apart from Ulrich Wolters who retires at the conclusion of the Annual General Meeting.

Directors' interests in ordinary shares are shown in Note 19 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 2012. 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 38 to 50.

### POWERS OF THE DIRECTORS

Subject to the Articles, the Companies Act 2006 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 Act 2006 by way of special resolution of the Company's shareholders.



## ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

The directors recognise that the Company is part of a wider community and that it has a responsibility to act in a way that respects the environment and social and community issues. Further information relating to the Company's approach to these matters is set out in the Corporate responsibility report on pages 27 to 31.

## 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 all 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 regular magazine and the Company's intranet, which provide a variety of information on activities and developments within the Group and incorporate half year 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.

## 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. Similar change of control provisions in relation to the Company are included in the US dollar and sterling bonds which have been entered into by Bunzl Finance plc and the Company and are also guaranteed by the Company.

## CONTRACTUAL ARRANGEMENTS

The Group has contractual arrangements with numerous third parties in support of its business activities, none of which are considered individually to be essential to its business and, accordingly, it has not been considered necessary for an understanding of the development, performance or position of the Group's business to disclose information about any of those third parties.

## CREDITOR PAYMENT POLICY

Group operating companies do not follow any specific published code or standard on payment practice but are instead responsible for agreeing the payment terms when agreeing all other 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 other relevant terms and conditions. The number of days' billings from the Company's suppliers outstanding at the end of the year was 30 (2011: 30).

## DONATIONS

During 2012, amongst other worldwide charitable donations, the Group contributed £225,000 to UK charities (2011: £220,000). No contributions were made for political purposes.

## EXTERNAL AUDITOR

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 auditor is unaware; and
- the director has taken all steps that he or she ought to have taken as a director in order to make the director aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Resolutions are to be proposed at the forthcoming Annual General Meeting for the re-appointment of KPMG Audit Plc as auditor of the Company at a rate of remuneration to be determined by the directors.

## DIRECTORS' REPORT

Pages 1 to 53 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.

Under the Companies Act 2006, a safe harbour limits the liability of directors in respect of statements in and omissions from the directors' report. Under English law, the directors would be liable to the Company, but not to any third party, if the directors' report contains errors as a result of recklessness or knowing misstatement or dishonest concealment of a material fact, but would not otherwise be liable.

On behalf of the Board

**Paul Hussey**

Secretary

25 February 2013

# CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 £m	2011 £m
<b>Revenue</b>	3	<b>5,359.2</b>	5,109.5
<b>Operating profit before intangible amortisation and acquisition related costs</b>	3	<b>352.4</b>	335.7
Intangible amortisation and acquisition related costs	3	(58.6)	(56.4)
<b>Operating profit</b>	3	<b>293.8</b>	279.3
Finance income	5	22.1	21.8
Finance cost	5	(50.6)	(51.4)
Disposal of business		4.0	(56.0)
<b>Profit before income tax</b>		<b>269.3</b>	193.7
<b>Profit before income tax, intangible amortisation, acquisition related costs and disposal of business</b>		<b>323.9</b>	306.1
Income tax	6	(74.0)	(69.9)
<b>Profit for the year attributable to the Company's equity holders</b>		<b>195.3</b>	123.8
<b>Earnings per share attributable to the Company's equity holders</b>			
Basic	7	<b>59.9p</b>	38.2p
Diluted	7	<b>59.5p</b>	38.0p

The Accounting policies and Notes on pages 59 to 88 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 £m	2011 £m
<b>Profit for the year</b>		<b>195.3</b>	123.8
<b>Other comprehensive income</b>			
Actuarial loss on pension schemes	20	(13.5)	(35.5)
Foreign currency translation differences for foreign operations		(47.5)	(10.7)
Gain/(loss) taken to equity as a result of designated effective net investment hedges		18.5	(9.5)
(Loss)/gain recognised in cash flow hedge reserve		(0.4)	0.8
Movement from cash flow hedge reserve to income statement		(1.0)	0.6
Income tax credit on other comprehensive income	6	3.7	11.0
Other comprehensive expense for the year		(40.2)	(43.3)
<b>Total comprehensive income for the year attributable to the Company's equity holders</b>		<b>155.1</b>	80.5



# CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2012

	Notes	2012 £m	2011 £m
<b>Assets</b>			
Property, plant and equipment	8	111.4	109.0
Intangible assets	9	1,322.9	1,256.8
Investment in associates		–	0.5
Derivative financial assets		8.2	18.4
Deferred tax assets	15	7.9	13.2
<b>Total non-current assets</b>		<b>1,450.4</b>	<b>1,397.9</b>
Inventories	10	587.6	528.6
Income tax receivable		0.3	0.6
Trade and other receivables	11	819.5	738.6
Derivative financial assets		2.2	1.5
Cash and deposits	23	81.2	74.2
<b>Total current assets</b>		<b>1,490.8</b>	<b>1,343.5</b>
<b>Total assets</b>		<b>2,941.2</b>	<b>2,741.4</b>
<b>Equity</b>			
Share capital	16	114.2	113.8
Share premium		143.9	136.4
Translation reserve		7.3	37.3
Other reserves		9.7	10.8
Retained earnings		610.4	508.4
<b>Total equity attributable to the Company's equity holders</b>		<b>885.5</b>	<b>806.7</b>
<b>Liabilities</b>			
Interest bearing loans and borrowings	23	599.2	678.8
Retirement benefit obligations	20	75.5	74.3
Other payables		28.7	17.9
Derivative financial liabilities		1.2	2.3
Provisions	14	21.3	39.2
Deferred tax liabilities	15	120.1	126.7
<b>Total non-current liabilities</b>		<b>846.0</b>	<b>939.2</b>
Bank overdrafts	23	25.4	29.2
Interest bearing loans and borrowings	23	204.9	37.5
Income tax payable		53.5	44.9
Trade and other payables	12	906.9	874.4
Derivative financial liabilities		0.9	0.3
Provisions	14	18.1	9.2
<b>Total current liabilities</b>		<b>1,209.7</b>	<b>995.5</b>
<b>Total liabilities</b>		<b>2,055.7</b>	<b>1,934.7</b>
<b>Total equity and liabilities</b>		<b>2,941.2</b>	<b>2,741.4</b>

Approved by the Board of Directors of Bunzl plc (Company registration number 358948) on 25 February 2013 and signed on its behalf by Michael Roney, Chief Executive and Brian May, Finance Director.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

	Share capital £m	Share premium £m	Translation reserve £m	Other reserves			Retained earnings		Total equity £m
				Merger £m	Capital redemption £m	Cash flow hedge £m	Own shares £m	Earnings £m	
At 1 January 2012	113.8	136.4	37.3	2.5	8.6	(0.3)	(213.8)	722.2	806.7
Profit for the year								195.3	195.3
Actuarial loss on pension schemes								(13.5)	(13.5)
Foreign currency translation differences for foreign operations			(47.5)						(47.5)
Gain taken to equity as a result of designated effective net investment hedges			18.5						18.5
Loss recognised in cash flow hedge reserve						(0.4)			(0.4)
Movement from cash flow hedge reserve to income statement						(1.0)			(1.0)
Income tax (charge)/credit on other comprehensive income			(1.0)			0.3		4.4	3.7
Total comprehensive income			(30.0)			(1.1)		186.2	155.1
2011 interim dividend								(26.1)	(26.1)
2011 final dividend								(59.6)	(59.6)
Issue of share capital	0.4	7.5							7.9
Employee trust shares							(9.6)		(9.6)
Share based payments								11.1	11.1
<b>At 31 December 2012</b>	<b>114.2</b>	<b>143.9</b>	<b>7.3</b>	<b>2.5</b>	<b>8.6</b>	<b>(1.4)</b>	<b>(223.4)</b>	<b>833.8</b>	<b>885.5</b>
At 1 January 2011	113.3	133.9	57.5	2.5	8.6	(1.3)	(199.5)	681.4	796.4
Profit for the year								123.8	123.8
Actuarial loss on pension schemes								(35.5)	(35.5)
Foreign currency translation differences for foreign operations			(10.7)						(10.7)
Loss taken to equity as a result of designated effective net investment hedges			(9.5)						(9.5)
Gain recognised in cash flow hedge reserve						0.8			0.8
Movement from cash flow hedge reserve to income statement						0.6			0.6
Income tax (charge)/credit on other comprehensive income						(0.4)		11.4	11.0
Total comprehensive income			(20.2)			1.0		99.7	80.5
2010 interim dividend								(16.6)	(16.6)
2010 final dividend								(52.3)	(52.3)
Issue of share capital	0.5	2.5							3.0
Employee trust shares							(14.3)		(14.3)
Share based payments								10.0	10.0
At 31 December 2011	113.8	136.4	37.3	2.5	8.6	(0.3)	(213.8)	722.2	806.7

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 £m	2011 £m
<b>Cash flow from operating activities</b>			
Profit before income tax		<b>269.3</b>	193.7
Adjustments:			
depreciation		<b>23.0</b>	25.4
intangible amortisation and acquisition related costs		<b>58.6</b>	56.4
share based payments		<b>5.7</b>	5.3
disposal of business		<b>(4.0)</b>	56.0
Working capital movement		<b>(22.4)</b>	31.4
Finance income		<b>(22.1)</b>	(21.8)
Finance cost		<b>50.6</b>	51.4
Provisions		<b>(6.4)</b>	1.7
Pensions		<b>(7.8)</b>	(12.1)
Other		<b>4.6</b>	2.7
<b>Cash generated from operations before acquisition related costs</b>		<b>349.1</b>	390.1
Cash outflow from acquisition related costs	24	<b>(20.2)</b>	(12.1)
Income tax paid		<b>(63.6)</b>	(63.4)
<b>Cash inflow from operating activities</b>		<b>265.3</b>	314.6
<b>Cash flow from investing activities</b>			
Interest received		<b>2.2</b>	2.9
Purchase of property, plant and equipment		<b>(23.0)</b>	(22.6)
Sale of property, plant and equipment		<b>2.8</b>	1.7
Purchase of businesses	24	<b>(234.5)</b>	(149.2)
Disposal of business		<b>–</b>	30.6
<b>Cash outflow from investing activities</b>		<b>(252.5)</b>	(136.6)
<b>Cash flow from financing activities</b>			
Interest paid		<b>(32.8)</b>	(33.5)
Dividends paid		<b>(85.7)</b>	(68.9)
Increase/(decrease) in loans		<b>123.8</b>	(90.3)
Realised losses on foreign exchange contracts		<b>(0.9)</b>	(0.2)
Net purchase of employee shares		<b>(3.7)</b>	(12.6)
<b>Cash inflow/(outflow) from financing activities</b>		<b>0.7</b>	(205.5)
<b>Exchange loss on cash and cash equivalents</b>		<b>(2.7)</b>	(2.4)
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>10.8</b>	(29.9)
Cash and cash equivalents at start of year		<b>45.0</b>	74.9
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>10.8</b>	(29.9)
<b>Cash and cash equivalents at end of year</b>	23	<b>55.8</b>	45.0



## 1 BASIS OF PREPARATION

The consolidated financial statements for the year ended 31 December 2012 have been approved by the directors and prepared in accordance with EU endorsed International Financial Reporting Standards ('IFRS') and interpretations of the International Financial Reporting Interpretations Committee ('IFRIC'). The consolidated financial statements have been prepared on a going concern basis (as referred to in the Financial review on page 24) and 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 acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the acquisition date. The consideration paid or payable in respect of acquisitions comprises amounts paid on completion, deferred consideration and payments which are contingent on the continued employment of former owners of businesses acquired. The excess of the consideration (excluding payments contingent on future employment) over the fair value of the identifiable net assets acquired is recorded as goodwill. Payments that are contingent on future employment and transaction costs and expenses such as professional fees are charged to the income statement.

#### (ii) Associates

Associates are entities over which the Group is in a position to exercise significant influence. Associates are accounted for using the equity method and are recognised initially at cost. The consolidated financial statements include the Group's share of the income and expenses of associates.

#### (iii) 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

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, unless they qualify for cash flow or net investment hedge accounting treatment, in which case the effective portion is recognised directly in a separate component of equity.

Assets and liabilities of foreign operations are translated at the exchange rate prevailing at the balance sheet date. Income and expenses of foreign operations are translated at average exchange rates. All resulting exchange differences, including exchange differences arising from the translation of borrowings and other financial instruments designated as hedges of such investments, are recognised directly in a separate component of equity. Differences that have arisen since 1 January 2004, the date of transition to IFRS, are presented as a separate component of equity.

### 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 with changes recognised in the income statement.

#### (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 a 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.

**2 ACCOUNTING POLICIES CONTINUED****d Property, plant and equipment**

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

**e Depreciation**

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

Buildings	2% (or depreciated over life of lease if shorter than 50 years)
Plant and machinery	8%–33%
Fixtures, fittings and equipment	8%–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 acquisition 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 made before 1 January 2004, goodwill represents the amount previously recorded under UK GAAP. For acquisitions that occurred between 1 January 2004 and 31 December 2009, goodwill represents the cost of the business combination in excess of the fair value of the identifiable assets, liabilities and contingent liabilities acquired. For acquisitions that have occurred on or after 1 January 2010, goodwill represents the cost of the business combination (excluding payments contingent on future employment and acquisition related costs) in excess of the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is allocated to cash generating units and is 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 and are stated at cost less accumulated amortisation and any impairment losses. 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).

**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 are reviewed annually to determine if there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. The recoverable amounts of assets carried at amortised cost are calculated as the present value of estimated future cash flows, discounted at appropriate pre-tax discount rates. The recoverable amounts of other assets are the greater of their fair value less the costs to sell and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present values using appropriate pre-tax discount rates. 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.

**i Inventories**

Inventories are valued at the lower of cost and net realisable value.

**j Cash and cash equivalents**

Cash and cash equivalents comprise cash balances, bank overdrafts and short term deposits 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 cost less any impairment losses. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables or uncertainty as to whether the Group will be able to collect all such amounts.

**l Trade and other payables**

Trade and other payables are stated at cost.

## **2 ACCOUNTING POLICIES CONTINUED**

### **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 temporary differences arising between tax bases and carrying amounts in the consolidated financial statements. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is not recognised for the following temporary differences: goodwill not deductible for tax purposes, the initial recognition of assets and liabilities that affect neither accounting nor taxable profits and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. 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.

### **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. Returns' provisions and early settlement discounts are based on experience over an appropriate period whereas volume discounts are based on agreements with customers.

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 fair 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 the rate applicable to 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 comprehensive income.

### **p Investment in own shares**

The cost of shares held either directly (treasury shares) or indirectly (employee benefit trust shares) is deducted from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is recognised in retained earnings.

### **q Share based payments**

The Group operates equity settled share based compensation plans. Details of these plans are outlined in Note 16 and the Directors' remuneration report. 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.

### **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 and the fair value of interest rate swaps on fixed interest rate borrowings, less cash and cash equivalents.



## 2 ACCOUNTING POLICIES CONTINUED

### t Dividends

The interim dividend is recognised in the Consolidated statement of changes in equity in the period in which it is paid and the final dividend in the period in which it is approved by shareholders at the Annual General Meeting.

## CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

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 review the judgements and estimates on an ongoing basis with revisions to accounting estimates recognised in the period in which the estimates are revised and in any future periods affected. The key sources of estimation uncertainty at the balance sheet date that have risk of causing material adjustment to the carrying amounts of assets and liabilities are set out below. The directors believe that the consolidated financial statements reflect appropriate judgements and estimates and provide a true and fair view of the Group's performance and financial position. Where appropriate and practicable, sensitivities are disclosed in the relevant notes.

### a Pension benefits

The cost of defined benefit pension schemes and the present value of the obligations relating thereto are determined using actuarial valuations appropriate for each country where defined benefit pension schemes are provided. The actuarial valuations involve making assumptions about discount rates, expected rates of return on assets, future salary increases, future pension increases and mortality rates. All assumptions are reviewed at each reporting date. In determining the appropriate discount rates, management considers the interest rates of corporate bonds with an AA rating in the relevant country. Future salary increases and future pension increases are based on expected future inflation rates for each country. Mortality rates are based on the relevant mortality tables for each country. Further details about the assumptions used are set out in Note 20.

### 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 including forecast performance and customer attrition rates. 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 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. Further details about the assumptions used are set out in Note 9.

### c Acquisitions

Acquisitions are accounted for using the acquisition 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 (including 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.

### d Tax

The Group is subject to income taxes in a number of jurisdictions. Management is required to make judgements and estimates in determining the provisions for income taxes and deferred tax assets and liabilities recognised in the consolidated financial statements. Tax benefits are recognised to the extent that it is probable that sufficient taxable income will be available in the future against which temporary differences and unused tax losses can be utilised.

## NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

The Group is currently assessing the impact of revisions to standards and interpretations or amendments that are not yet effective. The most significant of these changes is considered to be IAS 19 (revised 2011) 'Employee Benefits' which is effective for the 2013 financial year and requires the replacement of the expected return on assets and interest charge on pension scheme liabilities with a net financing cost based on the discount rate. The impact of the change had it been effective in 2012 would have been to increase the net interest expense by approximately £5.5m, to reduce profit before income tax by approximately £5.5m and reduce profit after tax by approximately £4.0m.

The Group does not consider that any other standards or interpretations issued by the International Accounting Standards Board ('IASB') but not yet applicable will have a significant impact on the consolidated financial statements.

### 3 SEGMENT ANALYSIS

	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Corporate £m	Total £m
<b>Year ended 31 December 2012</b>						
Revenue	2,905.8	1,079.4	992.1	381.9		5,359.2
Operating profit/(loss) before intangible amortisation and acquisition related costs	184.6	87.5	65.2	33.2	(18.1)	352.4
Intangible amortisation	(8.1)	(27.7)	(6.5)	(5.4)	–	(47.7)
Acquisition related costs	(4.4)	(3.5)	(0.4)	(2.6)	–	(10.9)
Operating profit/(loss)	172.1	56.3	58.3	25.2	(18.1)	293.8
Finance income						22.1
Finance cost						(50.6)
Disposal of business						4.0
Profit before income tax						269.3
Profit before income tax, intangible amortisation, acquisition related costs and disposal of business						323.9
Income tax						(74.0)
Profit for the year						195.3
Capital expenditure	6.9	9.1	2.9	4.0	0.1	23.0
Depreciation	6.5	10.9	3.6	1.8	0.2	23.0
<b>Year ended 31 December 2011</b>						
Revenue	2,727.9	1,067.1	996.6	317.9		5,109.5
Operating profit/(loss) before intangible amortisation and acquisition related costs	169.2	95.6	60.2	28.4	(17.7)	335.7
Intangible amortisation	(6.9)	(27.1)	(7.8)	(4.7)	–	(46.5)
Acquisition related costs	(1.2)	(5.2)	(0.7)	(2.8)	–	(9.9)
Operating profit/(loss)	161.1	63.3	51.7	20.9	(17.7)	279.3
Finance income						21.8
Finance cost						(51.4)
Disposal of business						(56.0)
Profit before income tax						193.7
Profit before income tax, intangible amortisation, acquisition related costs and disposal of business						306.1
Income tax						(69.9)
Profit for the year						123.8
Capital expenditure	7.6	8.2	4.7	1.8	0.3	22.6
Depreciation	6.3	11.2	6.1	1.6	0.2	25.4

Acquisition related costs for the year ended 31 December 2012 include transaction costs and expenses of £6.9m (2011: £4.6m) and net deferred consideration payments of £4.0m (2011: £5.3m) relating to the continued employment of former owners of businesses acquired and earn outs.

The Group is managed through four business areas based on geographic regions which represent the reporting segments under IFRS 8 'Operating Segments'. The revenue presented relates to external customers. Sales between the business areas are not material. Each of the business areas supplies a range of products to customers operating primarily in the grocery, foodservice, cleaning & hygiene, safety, non-food retail and healthcare market sectors. The performance of the four business areas is assessed by reference to operating profit before intangible amortisation and acquisition related costs and this measure also represents the segment results for the purposes of reporting in accordance with IFRS 8. Debt and associated interest is managed at a Group level and therefore has not been allocated across the business areas. In accordance with the provisions of IFRS 8, the Company's chief operating decision maker is the Board of Directors.

Within each of the four business areas, there are a number of further segments based on geography and market sector. These segments have been aggregated into the four business areas as shown above due to the similarity between them in terms of economic characteristics and also in respect of the nature of the products and services, types of customer and the methods used to distribute these products and services.

There are no customers who account for more than 10% of Group revenue. Customer dependencies are regularly monitored.

**3 SEGMENT ANALYSIS CONTINUED**

	2012 £m	2011 £m
<b>Revenue by market sector</b>		
Grocery	1,574.0	1,534.5
Foodservice	1,571.2	1,449.0
Cleaning & hygiene	724.3	731.2
Safety	455.7	400.1
Non-food retail	447.6	422.3
Healthcare	378.3	355.8
Other	208.1	216.6
	<b>5,359.2</b>	<b>5,109.5</b>

The Other category covers a wide range of market sectors, none of which is sufficiently material to warrant separate disclosure.

	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Unallocated £m	Total £m
<b>At 31 December 2012</b>						
Segment assets	1,001.9	921.5	597.7	312.2		2,833.3
Unallocated assets					107.9	107.9
<b>Total assets</b>	<b>1,001.9</b>	<b>921.5</b>	<b>597.7</b>	<b>312.2</b>	<b>107.9</b>	<b>2,941.2</b>
Segment liabilities	363.8	240.1	256.3	83.6		943.8
Unallocated liabilities					1,111.9	1,111.9
<b>Total liabilities</b>	<b>363.8</b>	<b>240.1</b>	<b>256.3</b>	<b>83.6</b>	<b>1,111.9</b>	<b>2,055.7</b>
<b>At 31 December 2011</b>						
Segment assets	818.6	949.4	600.2	256.5		2,624.7
Unallocated assets					116.7	116.7
<b>Total assets</b>	<b>818.6</b>	<b>949.4</b>	<b>600.2</b>	<b>256.5</b>	<b>116.7</b>	<b>2,741.4</b>
Segment liabilities	341.8	236.5	257.9	70.2		906.4
Unallocated liabilities					1,028.3	1,028.3
<b>Total liabilities</b>	<b>341.8</b>	<b>236.5</b>	<b>257.9</b>	<b>70.2</b>	<b>1,028.3</b>	<b>1,934.7</b>

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



#### 4 ANALYSIS OF OPERATING INCOME AND EXPENSES

	2012 £m	2011 £m
Purchase of goods and changes in inventories	4,118.2	3,905.7
Employee costs (see Note 21)	494.7	486.9
Depreciation of property, plant and equipment	23.0	25.4
Amortisation of intangible fixed assets	47.7	46.5
Acquisition related costs	10.9	9.9
Profit on disposal of property, plant and equipment	(0.2)	(0.1)
Rentals payable under operating leases and subleases	83.8	83.0
Lease and sublease income	(1.5)	(1.3)
Other operating expenses	288.8	274.2
<b>Net operating expenses</b>	<b>5,065.4</b>	<b>4,830.2</b>

	2012			2011		
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
<b>Auditor's remuneration</b>						
Audit of these financial statements	0.3	–	0.3	0.3	–	0.3
Amounts receivable by the Company's auditor and its associates in respect of:						
audit of financial statements of subsidiaries of the Company	0.3	1.3	1.6	0.3	1.3	1.6
audit related assurance services	0.1	–	0.1	0.1	–	0.1
taxation compliance services	–	0.1	0.1	–	0.1	0.1
other tax advisory services	0.1	0.2	0.3	0.1	0.3	0.4
all other services	–	0.8	0.8	–	0.5	0.5
<b>Total remuneration</b>	<b>0.8</b>	<b>2.4</b>	<b>3.2</b>	<b>0.8</b>	<b>2.2</b>	<b>3.0</b>

Management believes that given the Group's auditor's 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 often appropriate for this additional work to be undertaken by the Group's auditor rather than another firm of accountants. However other firms are also used by the Company to provide non-audit services and it is the Company's policy to assess the services required on a case by case basis to ensure that the best placed adviser is retained.

The Audit Committee, which consists entirely of independent non-executive directors, reviews and approves the level and type of non-audit work which the auditor performs, including the fees paid for such work, to ensure that the auditor's objectivity and independence are not compromised. Further information is set out in the Audit Committee section of the Corporate governance report on pages 34 and 35.

#### 5 FINANCE INCOME/(COST)

	2012 £m	2011 £m
Interest on deposits	0.8	1.8
Interest income from foreign exchange contracts	1.8	1.0
Expected return on pension scheme assets	18.5	18.3
Other finance income	1.0	0.7
<b>Finance income</b>	<b>22.1</b>	<b>21.8</b>
Interest on loans and overdrafts	(33.2)	(32.6)
Interest expense from foreign exchange contracts	(1.0)	(1.4)
Interest charge on pension scheme liabilities	(16.3)	(16.4)
Fair value gain on US dollar bonds in a hedge relationship	5.7	5.9
Fair value loss on interest rate swaps in a hedge relationship	(5.7)	(5.9)
Foreign exchange loss on intercompany funding	(8.7)	(12.9)
Foreign exchange gain on external debt not in a hedge relationship	8.9	12.7
Other finance expense	(0.3)	(0.8)
<b>Finance cost</b>	<b>(50.6)</b>	<b>(51.4)</b>

The foreign exchange loss on intercompany funding arises as a result of foreign currency intercompany loans and deposits. This is substantially matched by external debt to minimise this foreign currency exposure in the income statement.

**6 INCOME TAX**

	2012 £m	2011 £m
Current tax on profit		
current year	<b>84.9</b>	82.5
prior years	<b>(8.6)</b>	(12.1)
double tax relief	<b>(0.1)</b>	(0.4)
	<b>76.2</b>	70.0
Deferred tax on profit		
current year	<b>(0.8)</b>	2.5
prior years	<b>(1.4)</b>	(2.6)
	<b>(2.2)</b>	(0.1)
Income tax on profit	<b>74.0</b>	69.9

In assessing the underlying performance of the Group, management uses adjusted profit which excludes intangible amortisation, acquisition related costs and the profit/loss on disposal of business. Similarly the tax effect of these items is excluded in monitoring the tax rate on the adjusted profit of the Group which is shown in the table below:

	2012 £m	2011 £m
Income tax on profit	<b>74.0</b>	69.9
Tax associated with intangible amortisation, acquisition related costs and disposal of business	<b>15.7</b>	14.3
Tax on adjusted profit	<b>89.7</b>	84.2
Profit before income tax	<b>269.3</b>	193.7
Intangible amortisation, acquisition related costs and disposal of business	<b>54.6</b>	112.4
Adjusted profit before income tax	<b>323.9</b>	306.1
Reported tax rate	<b>27.5%</b>	36.1%
Tax rate on adjusted profit	<b>27.7%</b>	27.5%

	Gross 2012 £m	Tax credit/ (charge) 2012 £m	Net 2012 £m	Gross 2011 £m	Tax credit/ (charge) 2011 £m	Net 2011 £m
<b>Tax on other comprehensive income and equity</b>						
Actuarial loss on pension schemes	<b>(13.5)</b>	<b>4.4</b>	<b>(9.1)</b>	(35.5)	11.4	(24.1)
Foreign currency translation differences for foreign operations	<b>(47.5)</b>	–	<b>(47.5)</b>	(10.7)	–	(10.7)
Gain/(loss) taken to equity as a result of designated effective net investment hedges	<b>18.5</b>	<b>(1.0)</b>	<b>17.5</b>	(9.5)	–	(9.5)
(Loss)/gain recognised in cash flow hedge reserve	<b>(0.4)</b>	<b>0.1</b>	<b>(0.3)</b>	0.8	(0.2)	0.6
Movement from cash flow hedge reserve to income statement	<b>(1.0)</b>	<b>0.2</b>	<b>(0.8)</b>	0.6	(0.2)	0.4
<b>Other comprehensive (expense)/income</b>	<b>(43.9)</b>	<b>3.7</b>	<b>(40.2)</b>	(54.3)	11.0	(43.3)
Dividends	<b>(85.7)</b>	–	<b>(85.7)</b>	(68.9)	–	(68.9)
Issue of share capital	<b>7.9</b>	–	<b>7.9</b>	3.0	–	3.0
Employee trust shares	<b>(9.6)</b>	–	<b>(9.6)</b>	(14.3)	–	(14.3)
Share based payments	<b>5.7</b>	<b>5.4</b>	<b>11.1</b>	5.3	4.7	10.0
<b>Other comprehensive (expense)/income and equity</b>	<b>(125.6)</b>	<b>9.1</b>	<b>(116.5)</b>	(129.2)	15.7	(113.5)

## 6 INCOME TAX CONTINUED

### Factors affecting the 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 the Group operates. The adjustments to the tax charge at the weighted average rate to determine the income tax on profit are as follows:

	2012 £m	2011 £m
Profit before income tax	269.3	193.7
Tax charge at weighted average rate (2012: 31.6%; 2011: 35.3%)	85.2	68.4
Effects of:		
(gain)/loss on disposal not (taxable)/deductible	(1.0)	14.8
adjustment in respect of prior years	(10.0)	(14.7)
non-taxable and non-deductible items	(1.3)	(0.1)
other	1.1	1.5
<b>Income tax on profit</b>	<b>74.0</b>	<b>69.9</b>
<b>Deferred tax in the income statement</b>	<b>2012 £m</b>	<b>2011 £m</b>
Accelerated capital allowances	0.6	1.9
Pension liabilities	0.8	3.2
Intangible assets	(11.2)	(12.4)
Share based payments	(0.1)	(1.0)
Provisions	(0.7)	6.4
Other	8.4	1.8
<b>Deferred tax on profit</b>	<b>(2.2)</b>	<b>(0.1)</b>

### UK tax rate change

Following the enactment of legislation in the UK to reduce the corporation tax rate to 23% from 1 April 2013, the UK deferred tax balances were reduced from 25% to 23%. This increased the tax expense for the year by £0.6m. The proposed future reduction in the UK tax rate to 21% will be reflected in the consolidated financial statements when the relevant legislation is substantively enacted.

## 7 EARNINGS PER SHARE

	2012 £m	2011 £m
Profit for the year	195.3	123.8
Adjustment	38.9	98.1
Adjusted profit*	234.2	221.9
Basic weighted average ordinary shares in issue (million)	326.1	324.0
Dilutive effect of employee share plans (million)	1.9	1.9
Diluted weighted average ordinary shares (million)	328.0	325.9
Basic earnings per share	59.9p	38.2p
Adjustment	11.9p	30.3p
Adjusted earnings per share*	71.8p	68.5p
Diluted basic earnings per share	59.5p	38.0p
Adjustment	11.9p	30.1p
Adjusted diluted earnings per share*	71.4p	68.1p

\*Adjusted profit, adjusted earnings per share and adjusted diluted earnings per share exclude the charge for intangible amortisation, acquisition related costs and the respective associated tax and the profit/loss on disposal of business. The intangible amortisation and associated tax and the profit/loss on disposal of business are non-cash items which are not taken into account by management when assessing the underlying performance of the business. Similarly, the acquisition related costs and associated tax do not relate to the underlying performance of the business. Accordingly, such items are removed in calculating the adjusted earnings per share on which management assesses the performance of the Group.



## 8 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
<b>2012</b>				
<b>Cost</b>				
Beginning of year	74.5	95.3	103.3	273.1
Acquisitions	3.5	4.0	0.6	8.1
Additions	2.0	8.9	12.1	23.0
Disposals	(3.6)	(5.5)	(5.0)	(14.1)
Currency translation	(0.9)	(3.8)	(1.6)	(6.3)
End of year	75.5	98.9	109.4	283.8
<b>Depreciation</b>				
Beginning of year	24.1	63.5	76.5	164.1
Charge in year	2.7	8.2	12.1	23.0
Disposals	(1.8)	(5.1)	(4.6)	(11.5)
Currency translation	0.2	(2.1)	(1.3)	(3.2)
End of year	25.2	64.5	82.7	172.4
<b>Net book value at 31 December 2012</b>	<b>50.3</b>	<b>34.4</b>	<b>26.7</b>	<b>111.4</b>
	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
<b>2011</b>				
<b>Cost</b>				
Beginning of year	74.7	102.8	95.9	273.4
Acquisitions	0.6	2.3	1.7	4.6
Disposal of business	(1.2)	(17.3)	(2.5)	(21.0)
Additions	1.6	10.3	10.7	22.6
Disposals	(1.6)	(2.7)	(2.3)	(6.6)
Currency translation	0.4	(0.1)	(0.2)	0.1
End of year	74.5	95.3	103.3	273.1
<b>Depreciation</b>				
Beginning of year	23.1	62.5	69.7	155.3
Charge in year	3.0	9.7	12.7	25.4
Disposal of business	(1.0)	(7.9)	(3.2)	(12.1)
Disposals	(0.9)	(2.0)	(2.1)	(5.0)
Currency translation	(0.1)	1.2	(0.6)	0.5
End of year	24.1	63.5	76.5	164.1
<b>Net book value at 31 December 2011</b>	<b>50.4</b>	<b>31.8</b>	<b>26.8</b>	<b>109.0</b>

The net book value of property, plant and equipment includes assets held under finance leases and hire purchase contracts totalling £9.2m (2011: £9.2m). Accumulated depreciation of these assets was £4.8m (2011: £4.4m). Future capital expenditure at 31 December 2012 consisted of commitments not provided for of £0.7m (2011: £2.5m).

## 9 INTANGIBLE ASSETS

	2012 £m	2011 £m
<b>Goodwill</b>		
Beginning of year	784.6	789.0
Acquisitions	63.6	50.4
Disposal of business	–	(44.8)
Currency translation	(25.9)	(10.0)
<b>End of year</b>	<b>822.3</b>	<b>784.6</b>
<b>Customer relationships</b>		
<b>Cost</b>		
Beginning of year	707.9	661.0
Acquisitions	94.7	100.4
Disposal of business	–	(35.7)
Currency translation	(26.3)	(17.8)
<b>End of year</b>	<b>776.3</b>	<b>707.9</b>
<b>Amortisation</b>		
Beginning of year	235.7	205.4
Charge in year	47.7	46.5
Disposal of business	–	(9.3)
Currency translation	(7.7)	(6.9)
<b>End of year</b>	<b>275.7</b>	<b>235.7</b>
<b>Net book value at 31 December</b>	<b>500.6</b>	<b>472.2</b>
<b>Total net book value of intangible assets at 31 December</b>	<b>1,322.9</b>	<b>1,256.8</b>

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').

A description of the Group's principal activities is set out in the Chief Executive's review. There is no significant difference in the nature of activities across different geographies. The identification of CGUs reflects the way in which the business is managed on a geographical basis. Given the similar nature of the activities of each CGU, a consistent methodology is applied across the Group in assessing CGU recoverable amounts. The recoverable amount is the higher of the value in use and the fair value less the costs to sell. The 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 being the maximum period over which detailed future cash flows for each CGU are prepared. For periods after this five year period, the methodology applies a long term growth rate to derive a terminal value. 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, including any significant changes to the customer base, achievability of future margins and the discount rate used in the present value calculation. The information used for valuation purposes takes into consideration past experience and the current economic environment 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 which is consistent with the geographic segments in which the Group operates and management's assessment of future operating performance and market share movements. The growth rate has been calculated based principally on current inflation rates of the relevant economies.

At 31 December 2012 North America, France Hygiene and UK Hospitality carried a significant amount of goodwill in comparison with the total value of the Group's goodwill. At 31 December 2012 the carrying value of goodwill in respect of North America was £224.8m (2011: £191.7m), France Hygiene was £80.2m (2011: £82.2m) and UK Hospitality was £62.5m (2011: £60.1m). At 31 December 2012 the aggregate amount of goodwill attributable to the Group's CGUs, excluding North America, France Hygiene and UK Hospitality, was £454.8m (2011: £450.6m). The remaining goodwill relates to CGUs which are not individually significant.

For North America, France Hygiene and UK Hospitality the weighted average growth rate used in 2012 was 2.5% (2011: 2.5%). A discount rate of 8% (2011: 7%) 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. Similar assumptions have been applied to the other CGUs but where appropriate the directors have considered alternative market risk assumptions to reflect the specific conditions arising in individual countries (with discount rates ranging from 8%–20%).

**9 INTANGIBLE ASSETS CONTINUED****Sensitivity to changes in key assumptions**

Impairment testing is dependent on management's estimates and judgements, particularly as they relate to the forecasting of future cash flows, the discount rates selected and expected long term growth rates. A key assumption on which value in use calculations are dependent relates to revenue growth including the impact of changes to the underlying customer base. This assumption is sensitive to customer attrition and the rate at which new customer relationships are introduced and established.

Based on past experience and taking into account current market conditions, management has concluded that it is reasonable to assume that there will be no material deterioration in the customer base over the projection period which will significantly impact future cash flows and that no reasonably possible change in key assumptions would result in impairment in any of the Group's CGUs. 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 assets within the CGU. Any such changes are monitored through normal monthly procedures.

**10 INVENTORIES**

	2012 £m	2011 £m
Goods for resale	<b>587.6</b>	528.6

£5.3m was written off inventories during the year (2011: £4.0m) due to obsolescence or damage. The inventories provision at 31 December 2012 was £49.5m (2011: £52.8m).

**11 TRADE AND OTHER RECEIVABLES**

	2012 £m	2011 £m
Trade receivables	<b>667.4</b>	609.8
Prepayments and other receivables	<b>152.1</b>	128.8
	<b>819.5</b>	738.6

The ageing of trade receivables at 31 December was:

	Gross 2012 £m	Provision 2012 £m	Gross 2011 £m	Provision 2011 £m
Current	<b>517.5</b>	<b>2.1</b>	480.4	3.7
0–30 days overdue	<b>129.9</b>	<b>0.2</b>	110.4	0.3
31–90 days overdue	<b>24.4</b>	<b>2.1</b>	23.7	0.7
Over 90 days overdue	<b>9.7</b>	<b>9.7</b>	9.1	9.1
	<b>681.5</b>	<b>14.1</b>	623.6	13.8

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

	2012 £m	2011 £m
Beginning of year	<b>13.8</b>	15.6
Acquisitions	<b>0.3</b>	1.4
Disposal of business	–	(1.2)
Charge	<b>2.4</b>	1.6
Utilised and unused	<b>(1.9)</b>	(3.8)
Currency translation	<b>(0.5)</b>	0.2
End of year	<b>14.1</b>	13.8

**12 TRADE AND OTHER PAYABLES – CURRENT**

	2012 £m	2011 £m
Trade payables	<b>648.1</b>	642.7
Other tax and social security contributions	<b>22.2</b>	20.3
Other payables	<b>101.6</b>	98.1
Accruals and deferred income	<b>135.0</b>	113.3
	<b>906.9</b>	874.4



## 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 average operating capital employed and the return on invested capital as well as the level of total shareholders' equity and the amount of dividends paid to ordinary shareholders. For the year ended 31 December 2012, the return on average operating capital employed was 56.4% (2011: 57.4%), the return on invested capital was 17.9% (2011: 17.3%), the level of total shareholders' equity at 31 December 2012 was £885.5m (2011: £806.7m) and the amount of dividends paid in the year ended 31 December 2012 was £85.7m (2011: £68.9m).

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, the Group arranges a mixture of borrowings from 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. The Group seeks to maintain an appropriate 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.

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 have been approved by the Board and cover the nature of the exposure to be hedged, the types of financial instruments that may be employed and the criteria for investing and borrowing cash. The Group uses derivatives 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 periodically reviewed by the executive directors and the Board. Controls over exposure changes and transaction authenticity are in place.

### Hedge accounting

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; (b) a hedge of the cash flow risk resulting from changes in interest rates or foreign exchange rates; or (c) a hedge of a net investment in a foreign operation. The accounting treatment for hedges is set out in the financial instruments accounting policy in Note 2.

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

### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group continually monitors net debt and forecast cash flows to ensure that sufficient facilities are in place to meet the Group's requirements in the short, medium and long term and, in order to do so, arranges borrowings from a variety of sources. Additionally, compliance with debt covenants is monitored. During 2012 all covenants have been complied with.

The Group has substantial borrowing facilities available to it comprising multi-currency credit facilities from the Group's banks and US dollar and sterling bonds. During the year an issue of fixed interest rate US dollar bonds was agreed for a total value of US\$350.0m of which US\$110.0m was drawn down in December 2012 and US\$240.0m is due to be drawn by the Group in April 2013. The latter amount is included in a contractual cash flow table as an inflow within one year and as an outflow after more than five years. At 31 December 2012 the total bonds outstanding were £618.9m (2011: £585.1m) with maturities ranging from 2013 to 2023. During the year the Group also refinanced or agreed new banking facilities totalling £150.7m. The Group's committed bank facilities mature between 2013 and 2017. At 31 December 2012 the available committed bank facilities totalled £758.5m (2011: £730.8m) of which £169.2m (2011: £109.3m) was drawn down.

The undrawn committed bank facilities available at 31 December are as follows:

	2012 £m	2011 £m
Expiring within one year	50.1	157.5
Expiring after one year but within two years	80.0	53.2
Expiring after two years	459.2	410.8
	589.3	621.5

In addition the Group maintains overdraft and uncommitted facilities to provide short term flexibility. At 31 December 2012 loans totalling £0.8m were secured by fixed charges on property (2011: £4.0m).

**13 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED**

The contractual maturity profile of the Group's financial assets and liabilities at 31 December is set out in the tables below. The amounts disclosed are the contractual undiscounted cash flows and therefore include interest cash flows (forecast using LIBOR interest rates at 31 December in the case of floating rate financial assets and liabilities). Derivative assets and liabilities 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. 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.

The tables below also compare the fair value and carrying amounts for financial assets and liabilities:

	Fair value £m	Carrying amount £m	Total contractual cash flows £m	Within one year £m	Contractual cash inflows/(outflows)		
					After one year but within two years £m	After two years but within five years £m	After more than five years £m
<b>2012</b>							
<b>Financial assets:</b>							
<b>Cash and deposits</b>	<b>81.2</b>	<b>81.2</b>	<b>81.2</b>	<b>81.2</b>	–	–	–
<b>Loans and receivables</b>							
Trade receivables	667.4	667.4	667.4	667.4	–	–	–
<b>Derivative financial instruments</b>							
Interest rate swaps	10.2	10.2	11.8	5.2	2.2	4.1	0.3
	<b>758.8</b>	<b>758.8</b>	<b>760.4</b>	<b>753.8</b>	<b>2.2</b>	<b>4.1</b>	<b>0.3</b>
<b>Financial liabilities:</b>							
<b>Financial liabilities at amortised cost</b>							
Bank loans	(175.7)	(175.7)	(180.4)	(56.7)	(1.6)	(122.1)	–
US dollar and sterling bonds	(528.9)	(472.2)	(659.4)	117.6	(62.8)	(278.3)	(435.9)
Bank overdrafts	(25.4)	(25.4)	(25.4)	(25.4)	–	–	–
Other interest bearing loans and borrowings	(0.3)	(0.3)	(0.3)	–	–	(0.3)	–
Finance lease creditors	(0.6)	(0.6)	(0.6)	(0.3)	(0.1)	(0.2)	–
Trade payables	(648.1)	(648.1)	(648.1)	(648.1)	–	–	–
Other current payables	(111.1)	(111.1)	(111.1)	(111.1)	–	–	–
Non-current payables	(26.4)	(26.4)	(26.4)	–	(26.4)	–	–
<b>Financial liabilities at fair value</b>							
US dollar bonds	(146.4)	(146.7)	(148.6)	(148.6)	–	–	–
<b>Derivative financial instruments</b>							
Cross currency interest rate swaps	(7.3)	(7.3)	(7.3)	(0.6)	(3.7)	(3.0)	–
Foreign exchange contracts for cash flow hedging	(0.8)	(0.8)	(0.8)	(0.8)	–	–	–
Foreign exchange contracts for net investment hedging	(2.7)	(2.7)	(2.7)	(2.7)	–	–	–
	<b>(1,673.7)</b>	<b>(1,617.3)</b>	<b>(1,811.1)</b>	<b>(876.7)</b>	<b>(94.6)</b>	<b>(403.9)</b>	<b>(435.9)</b>

### 13 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED

	Fair value £m	Carrying amount £m	Total contractual cash flows £m	Within one year £m	Contractual cash inflows/(outflows)		
					After one year but within two years £m	After two years but within five years £m	After more than five years £m
2011							
Financial assets:							
Cash and deposits	74.2	74.2	74.2	74.2	–	–	–
Loans and receivables							
Trade receivables	609.8	609.8	609.8	609.8	–	–	–
Derivative financial instruments							
Interest rate swaps	18.4	18.4	20.6	8.4	5.3	6.0	0.9
Foreign exchange contracts for cash flow hedging	1.0	1.0	1.0	1.0	–	–	–
Foreign exchange contracts not in a hedge relationship	0.1	0.1	0.1	0.1	–	–	–
	703.5	703.5	705.7	693.5	5.3	6.0	0.9
Financial liabilities:							
Financial liabilities at amortised cost							
Bank loans	(124.3)	(124.4)	(128.8)	(37.8)	(47.9)	(43.0)	(0.1)
US dollar and sterling bonds	(478.1)	(425.2)	(574.1)	(27.2)	(27.2)	(243.7)	(276.0)
Bank overdrafts	(29.2)	(29.2)	(29.2)	(29.2)	–	–	–
Other interest bearing loans and borrowings	(0.4)	(0.4)	(0.4)	–	–	(0.4)	–
Finance lease creditors	(0.5)	(0.5)	(0.5)	(0.2)	(0.1)	(0.2)	–
Trade payables	(642.7)	(642.7)	(642.7)	(642.7)	–	–	–
Other current payables	(110.5)	(110.5)	(110.5)	(110.5)	–	–	–
Non-current payables	(15.2)	(15.2)	(15.2)	–	(15.2)	–	–
Financial liabilities at fair value							
US dollar bonds	(158.0)	(159.9)	(164.1)	(7.9)	(156.2)	–	–
Derivative financial instruments							
Cross currency interest rate swaps	(7.1)	(7.1)	(6.2)	(0.5)	(0.5)	(5.2)	–
Foreign exchange contracts for net investment hedging	(1.1)	(1.1)	(1.1)	(1.1)	–	–	–
	(1,567.1)	(1,516.2)	(1,672.8)	(857.1)	(247.1)	(292.5)	(276.1)

All financial assets and liabilities stated at fair value in the tables above have carrying amounts where the fair value component is a level two fair value measurement. Level two fair value measurements use inputs other than quoted prices that are observable for the relevant asset or liability, either directly or indirectly. The US dollar bonds, included within financial assets and liabilities stated at fair value, have a carrying amount of £146.7m (2011: £159.9m) which includes a fair value measurement related to the risk being hedged. The tables above also disclose the fair value of these bonds including all other components of £146.4m (2011: £158.0m).

Fair value gains and losses on interest rate caps impact the income statement immediately while all other financial assets and liabilities stated at fair value are in hedging relationships.



**13 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED****Interest rate risk**

The Group is funded by a mixture of fixed and floating rate debt. In addition, interest rate swaps and interest rate caps are used to manage the interest rate risk profile. At 31 December 2012 fixed rate debt of £472.2m (2011: £425.2m) related to fixed rate US dollar and sterling bonds stated at amortised cost with maturities ranging from 2014 to 2023.

At 31 December 2012 floating rate debt comprised £174.3m of floating rate bank loans (2011: £109.3m) and £146.7m of fixed rate US dollar bonds which have been swapped to floating rates using interest rate swaps (2011: £159.9m). Bank loans are drawn for various periods of up to three months at interest rates linked to LIBOR. The interest rate swaps reprice every three or six months. These interest rate swaps are in fair value hedge relationships with the market risk of the US dollar bonds. These hedges were effective during the year and have therefore had no net impact on the income statement.

The interest rate risk on the floating rate debt is managed using interest rate options. Borrowings with a notional principal of £162.6m were capped at 31 December 2012 (2011: £266.7m). Hedge accounting is not applied to the interest rate caps since the majority of their value is related to time value. The strike rates of these options are based on LIBOR repricing every three months.

After taking account of hedge relationships, a change of 1% in the interest rate forward curves on 31 December would have increased/(decreased) profit before tax and equity for the year by the amounts shown below as a result of changes in the fair values of derivative assets and liabilities at that date:

	Impact on profit before tax		Impact on equity	
	+1% £m	-1% £m	+1% £m	-1% £m
<b>2012</b>	<b>0.1</b>	<b>0.2</b>	<b>0.1</b>	<b>0.2</b>
2011	(0.1)	0.3	(0.1)	0.3

**Foreign currency risk**

The principal underlying currencies of the Group's earnings are sterling, US dollars and euros. The Group does not hedge the impact of exchange rate movements arising on translation of earnings into sterling at average exchange rates.

The following significant exchange rates applied during the year:

	Average rate		Closing rate	
	<b>2012</b>	2011	<b>2012</b>	2011
US dollar	<b>1.59</b>	1.60	<b>1.63</b>	1.55
Euro	<b>1.23</b>	1.15	<b>1.23</b>	1.20

For the year ended 31 December 2012, a movement of one cent in the US dollar and euro average exchange rates would have changed profit before tax by £0.8m and £0.3m respectively and profit before tax, intangible amortisation, acquisition related costs and disposal of business by £0.9m and £0.5m respectively.

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 usually relatively limited. 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 cash flow hedges. However, the economic impact of foreign exchange on the value of uncommitted future purchases and sales is not hedged. As a result, sudden and significant movements in foreign exchange rates can impact profit margins where there is a delay in passing on to customers the resulting price increases. For the year ended 31 December 2012 all foreign exchange cash flow hedges were effective with a loss of £0.8m recognised in equity (2011: gain of £1.0m) which will affect the income statement during 2013.

The majority of the Group's borrowings are effectively denominated in sterling, US dollars and euros, aligning them to the respective functional currencies of its operating profit before depreciation, intangible amortisation and acquisition related costs ('EBITDA'). This currency profile is achieved using short term foreign exchange contracts, long term cross currency interest rate swaps and foreign currency debt. This currency composition minimises the impact of foreign exchange rates on the ratio of net debt to EBITDA.

Cross currency interest rate swaps in a cash flow hedge relationship were effective during the year, with a loss of £1.1m (2011: loss of £1.4m) being recognised in equity which will affect the income statement from 2014 to 2015.

### 13 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED

The currency profile of the Group's net debt at 31 December is set out in the table below:

	2012 £m	2011 £m
Sterling	198.7	179.6
US dollar	365.3	305.1
Euro	114.4	135.5
Other	59.7	32.7
	<b>738.1</b>	<b>652.9</b>

If a 10% strengthening or weakening of sterling had taken place on 31 December it would have increased/(decreased) profit before tax and equity for the year by the amounts shown below. The impact of this translation is much greater on equity than it is on profit before tax since equity is translated using the closing exchange rates and profit before tax is translated using the average exchange rates for the year. As a result the value of equity is more sensitive than the value of profit before tax to a movement in exchange rates on 31 December and the resulting movement in profit before tax is due solely to the translation effect on monetary items. This analysis assumes that all other variables, and in particular interest rates, remain constant.

	Impact on profit before tax		Impact on equity	
	+10% £m	-10% £m	+10% £m	-10% £m
2012	0.5	(0.7)	(47.0)	57.6
2011	0.4	(0.5)	(56.2)	68.7

#### 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 and deposits, derivative financial instruments and trade and other receivables which represent the Group's maximum exposure to credit risk in relation to financial assets. The maximum exposure to credit risk for cash and deposits (Note 23), derivative financial instruments (see above) and trade and other receivables (Note 11) is their carrying amount.

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.

For trade and other receivables, the amounts represented 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. Note 11 sets out an analysis of trade and other receivables and the provision for doubtful debts in respect of trade receivables.

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

### 14 PROVISIONS

	2012 £m	2011 £m
Current	18.1	9.2
Non-current	21.3	39.2
	<b>39.4</b>	<b>48.4</b>

	Properties 2012 £m	Claims 2012 £m	Total 2012 £m	Properties 2011 £m	Claims 2011 £m	Total 2011 £m
Beginning of year	19.2	29.2	48.4	21.6	22.5	44.1
Charge	1.1	4.8	5.9	1.0	6.7	7.7
Acquisitions	0.6	1.7	2.3	0.6	3.1	3.7
Disposal of business	–	(4.0)	(4.0)	(0.6)	4.5	3.9
Utilised or released	(3.7)	(8.6)	(12.3)	(3.4)	(7.1)	(10.5)
Currency translation	(0.1)	(0.8)	(0.9)	–	(0.5)	(0.5)
<b>End of year</b>	<b>17.1</b>	<b>22.3</b>	<b>39.4</b>	<b>19.2</b>	<b>29.2</b>	<b>48.4</b>

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

**14 PROVISIONS CONTINUED**

The Group has provisions for expected legal, environmental and other claims based on management's best estimate at the balance sheet date of the probable loss likely to be incurred. 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**

	<b>2012</b>			<b>2011</b>		
	<b>Asset £m</b>	<b>Liability £m</b>	<b>Net £m</b>	<b>Asset £m</b>	<b>Liability £m</b>	<b>Net £m</b>
Accelerated capital allowances	<b>1.8</b>	<b>(7.7)</b>	<b>(5.9)</b>	1.7	(8.2)	(6.5)
Pension liabilities	<b>25.3</b>	–	<b>25.3</b>	23.4	–	23.4
Intangible assets	–	<b>(143.6)</b>	<b>(143.6)</b>	–	(144.3)	(144.3)
Share based payments	<b>8.6</b>	–	<b>8.6</b>	8.4	–	8.4
Provisions	<b>10.3</b>	<b>(1.2)</b>	<b>9.1</b>	7.7	(1.3)	6.4
Inventories	<b>8.0</b>	<b>(14.2)</b>	<b>(6.2)</b>	8.7	(15.6)	(6.9)
Other	<b>8.6</b>	<b>(8.1)</b>	<b>0.5</b>	10.7	(4.7)	6.0
Deferred tax asset/(liability)	<b>62.6</b>	<b>(174.8)</b>	<b>(112.2)</b>	60.6	(174.1)	(113.5)
Set-off of tax	<b>(54.7)</b>	<b>54.7</b>	–	(47.4)	47.4	–
<b>Net deferred tax asset/(liability)</b>	<b>7.9</b>	<b>(120.1)</b>	<b>(112.2)</b>	13.2	(126.7)	(113.5)

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.

The Company is able to control the dividend policy of its subsidiaries and, therefore, the timing of the remittance of the undistributed earnings of overseas subsidiaries. In general, the Company has determined either that such earnings will not be distributed in the foreseeable future or, where there are plans to remit those earnings, no tax liability is expected to arise. Deferred tax of £2.5m (2011: £1.9m) has been recognised in the exceptional case where distribution of earnings is both planned and expected to result in 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 £5.3m (2011: £5.3m). The unutilised tax losses may be carried forward indefinitely.

No deferred tax has been recognised in respect of unutilised capital losses of £96.1m (2011: £95.8m) as it is not considered probable that there will be suitable future taxable profits against which they can be utilised.

The movement on the net deferred tax liability is shown below:

	<b>2012 £m</b>	<b>2011 £m</b>
Beginning of year	<b>113.5</b>	109.5
Acquisitions	<b>14.0</b>	22.3
Disposal of business	–	(3.4)
Credit to income statement	<b>(2.2)</b>	(0.1)
Recognised in other comprehensive income and equity	<b>(5.7)</b>	(14.2)
Reclassification to current tax	<b>(3.9)</b>	–
Currency translation	<b>(3.5)</b>	(0.6)
<b>End of year</b>	<b>112.2</b>	113.5



## 16 SHARE CAPITAL AND SHARE BASED PAYMENTS

	2012 £m	2011 £m
<b>Issued and fully paid ordinary shares of 32½p each</b>	<b>114.2</b>	<b>113.8</b>
<b>Number ordinary shares in issue and fully paid</b>		
Beginning of year	353,975,080	352,520,158
Issued – scrip dividend	–	925,544
– option exercises	1,445,554	529,378
<b>End of year</b>	<b>355,420,634</b>	<b>353,975,080</b>

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. Further details of the share plans operated by the Company are set out in the Directors' remuneration report.

### Sharesave Scheme (2011)

The Sharesave Scheme (2011), approved by shareholders at the 2011 Annual General Meeting, is approved by HM Revenue & Customs in the UK and is open to all UK employees, including 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 (2011) options are granted to participating employees at a discount of up to 20% of the market price prevailing shortly before the invitation to apply for the option. Options are normally exercisable either three or five years after they have been granted.

The Sharesave Scheme (2011) replaced the Sharesave Scheme (2001) which was approved by shareholders at the 2001 Annual General Meeting. The Sharesave Scheme (2001) operates on a similar basis to the Sharesave Scheme (2011). Although there are a number of options outstanding under the Sharesave Scheme (2001), no further options have been granted under this Scheme since it expired in May 2011.

### International Sharesave Plan

The International Sharesave Plan was introduced following the approval of the Sharesave Scheme (2001) by shareholders and was extended following the approval of the Sharesave Scheme (2011). The plan operates on a similar basis to both the Sharesave Scheme (2001) and the Sharesave Scheme (2011) as described above except 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.

### Irish Sharesave Plan

The Irish Sharesave Plan was also introduced following the approval of the Sharesave Scheme (2001) by shareholders and was extended following the approval of the Sharesave Scheme (2011). It is approved by the Irish Revenue Commissioners and operates on a similar basis to both the Sharesave Scheme (2001) and the Sharesave Scheme (2011) as described above except that it is linked to a contract for monthly savings of the euro equivalent of approximately £250 per month over a period of three years.

### 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 RPI inflation over three years, had to be satisfied before options would normally be exercisable. All such performance conditions relating to options granted under the 1994 Scheme have been satisfied.

### Long Term Incentive Plan ('LTIP')

The LTIP was approved by shareholders at the 2004 Annual General Meeting and replaced 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 RPI inflation over three years.

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 vest is normally partly subject to the Company's total shareholder return performance and partly subject to the Company's adjusted earnings per share growth relative to UK RPI inflation over three years.

**16 SHARE CAPITAL AND SHARE BASED PAYMENTS CONTINUED****Investment in own shares**

The Company holds a number of its ordinary shares 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 1994 Scheme, the LTIP and the Deferred Annual Share Bonus Scheme ('DASBS'). Details of such plans are set out above and in 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 2012 the trust held 4,348,175 (2011: 5,230,867) shares, upon which dividends have been waived, with an aggregate nominal value of £1.4m (2011: £1.7m) and market value of £43.9m (2011: £46.2m). At 31 December 2012, 23,325,000 (2011: 23,325,000) shares with an aggregate nominal value of £7.5m (2011: £7.5m) and market value of £235.3m (2011: £206.2m) were held in treasury.

**IFRS 2 disclosures**

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

	2012	2011
Grant date	<b>01.03.12–08.10.12</b>	03.03.11–11.10.11
Share price at grant date (£)	<b>9.73–11.28</b>	7.03–7.91
Exercise price (£)	<b>nil–11.16</b>	nil–8.13
Options granted during the year (shares)	<b>3,985,922</b>	4,247,408
Vesting period (years)	<b>3–5</b>	3–5
Expected volatility (%)	<b>19–23</b>	21–24
Option life (years)	<b>3–10</b>	3–10
Expected life (years)	<b>3.0–6.7</b>	3.0–6.5
Risk free rate of return (%)	<b>0.2–1.2</b>	0.9–2.9
Expected dividends expressed as a dividend yield (%)	<b>2.4–2.7</b>	3.1–3.3
Fair value per option (£)	<b>0.94–4.88</b>	0.62–3.08

The expected volatility is based on historical volatility over the last three to seven 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 £10.30 (2011: £7.95). The total charge for the year relating to share based payments was £5.7m (2011: £5.3m). After tax the total charge was £3.3m (2011: £3.1m).

Details of share options and awards which have been granted and exercised, those which have lapsed during 2012 and those outstanding and available to exercise at 31 December 2012, in each case in respect of all options and awards, whether over new issue or market purchase shares, under the Sharesave Scheme (2001), Sharesave Scheme (2011), International Sharesave Plan, 1994 Scheme and LTIP Part A and Part B are set out in the following table:

	Options outstanding at 01.01.12	Grants/awards 2012		Exercises 2012		Lapses*	Options outstanding at 31.12.12		Options available to exercise 31.12.12
	Number	Number	Price (p)	Number	Price (p)	Number	Number	Price (p)	Number
Sharesave Scheme (2001)	976,082	–	–	333,477	452-580	100,854	541,751	452-580	5,474
Sharesave Scheme (2011)	–	249,262	770	45	770	17,111	232,106	770	3,389
International Sharesave Plan	116,311	74,144	770	61,306	452	4,086	125,063	542-770	–
Irish Sharesave Plan	28,451	17,141	770	20,776	452	5,554	19,262	542-770	–
1994 Scheme	320,500	–	–	252,500	372-461	–	68,000	446-452	68,000
LTIP Part A	15,118,314	3,067,509	962-1,116	5,113,633	429-813	263,308	12,808,882	429-1,116	3,711,723
LTIP Part B	2,081,121	577,866	nil	258,925	nil	378,815	2,021,247	nil	33,551
	<b>18,640,779</b>	<b>3,985,922</b>		<b>6,040,662</b>		<b>769,728</b>	<b>15,816,311</b>		<b>3,822,137</b>

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

## 16 SHARE CAPITAL AND SHARE BASED PAYMENTS CONTINUED

	Weighted average fair value of options granted (£)	Weighted average remaining contractual life (years)
Sharesave Scheme	1.24	2.55
International Sharesave Plan	1.18	2.25
Irish Sharesave Plan	1.18	2.25
LTIP Part A	1.05	2.64
LTIP Part B	4.40	2.49

The outstanding options and awards are exercisable at various dates up to September 2022.

## 17 DIVIDENDS

	2012 £m	2011 £m
2010 interim		23.2
2010 final		52.3
2011 interim	26.1	
2011 final	59.6	
<b>Total</b>	<b>85.7</b>	<b>75.5</b>

Total dividends per share for the year to which they relate are:

	2012	Per share 2011
Interim	8.80p	8.05p
Final	19.40p	18.30p
<b>Total</b>	<b>28.20p</b>	<b>26.35p</b>

The 2012 interim dividend of 8.80p per share was paid on 2 January 2013 and comprised £28.8m of cash. The 2012 final dividend of 19.40p per share will be paid on 1 July 2013 to shareholders on the register at the close of business on 10 May 2013.

## 18 CONTINGENT LIABILITIES

	2012 £m	2011 £m
Bank guarantees	0.2	0.2

## 19 DIRECTORS' ORDINARY SHARE INTERESTS

The interests of the directors, and their connected persons, in the share capital of the Company at 31 December were:

	2012	2011
Philip Rogerson	10,000	10,000
Michael Roney	312,263	289,375
Ulrich Wolters	5,000	5,000
Patrick Larmon	113,875	109,381
Peter Johnson	6,630	6,630
Brian May	105,240	105,240
David Sleath	4,000	4,000
Eugenia Ulasewicz	4,000	4,000
	<b>561,008</b>	<b>533,626</b>

Details of directors' options over ordinary shares and awards made under the 1994 Scheme, the LTIP and DASBS are set out in the Directors' remuneration report. Since 31 December 2012 Patrick Larmon has acquired interests in 803 ordinary shares as a result of his election to participate in the dividend reinvestment plan in respect of the interim dividend which was paid on 2 January 2013 and he has also acquired an interest in 381 ordinary shares pursuant to the Company's US Stock Purchase Plan. No other changes to the directors' ordinary share interests shown in this note and the Directors' remuneration report have taken place between 31 December 2012 and 25 February 2013.

**20 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 2012 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 2012 by the Group's actuaries. Contributions to all schemes are determined in line with actuarial advice and local conditions and practices. Scheme assets for the purpose of IAS 19 are stated at their bid value.

The amounts included in the consolidated financial statements in respect of the Group were:

	2012 £m	2011 £m
<b>Amounts included in net operating expenses</b>		
Defined contribution schemes	12.9	9.9
Defined benefit schemes		
current service cost	5.4	5.5
Total operating charge	18.3	15.4
<b>Amounts included in finance (income)/cost</b>		
Expected return on scheme assets	(18.5)	(18.3)
Interest charge on scheme liabilities	16.3	16.4
Net financial return	(2.2)	(1.9)
<b>Total charge</b>	16.1	13.5
	2012 £m	2011 £m
<b>Amounts recognised in the statement of comprehensive income</b>		
Actual return less expected return on scheme assets	15.3	(12.6)
Experience gain on scheme liabilities	4.7	0.4
Impact of changes in assumptions relating to the present value of scheme liabilities	(33.5)	(23.3)
Actuarial loss on pension schemes	(13.5)	(35.5)

The cumulative amount of actuarial losses arising since 1 January 2004 recognised in the statement of comprehensive income at 31 December 2012 was £116.4m (2011: £102.9m).



## 20 PENSIONS CONTINUED

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

<b>Europe</b>	<b>2012</b>	2011
Longevity at age 65 for current pensioners (years)	<b>22.5</b>	21.1
Longevity at age 65 for future pensioners (years)	<b>24.2</b>	23.0
<b>US</b>		
Longevity at age 65 for current and future pensioners (years)	<b>20.2</b>	20.1

	Europe			US		
	2012	2011	2010	2012	2011	2010
Rate of increase in salaries	<b>3.7%</b>	3.8%	4.2%	<b>3.0%</b>	3.0%	3.0%
Rate of increase in pensions	<b>2.9%</b>	3.0%	3.4%	–	–	–
Discount rate	<b>4.5%</b>	4.7%	5.4%	<b>4.1%</b>	5.1%	5.7%
Inflation rate	<b>2.2%</b>	2.3%	2.8%	<b>2.5%</b>	2.5%	2.5%

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

To develop the expected long term rate of return on assets assumption, the Group considers the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for the future returns of each asset class. The expected return for each asset class is then weighted based on the actual asset allocation to develop the expected long term rate of return on assets assumption for the portfolio. The market value of scheme assets and the present value of pensions obligations were:

	Europe		US		Total
	2012		2012		2012
	Long term rate of return†	Value £m	Long term rate of return	Value £m	Value £m
Equities	<b>7.6%</b>	<b>123.1</b>	<b>8.1%</b>	<b>45.4</b>	<b>168.5</b>
Bonds	<b>4.6%</b>	<b>96.3</b>	<b>4.7%</b>	<b>32.1</b>	<b>128.4</b>
Other	<b>5.2%</b>	<b>3.1</b>	<b>7.6%</b>	<b>3.8</b>	<b>6.9</b>
Blended rate of return on scheme assets	<b>6.3%</b>		<b>7.1%</b>		
Total market value of scheme assets		<b>222.5</b>		<b>81.3</b>	<b>303.8</b>
Present value of funded obligations		<b>(244.9)</b>		<b>(117.4)</b>	<b>(362.3)</b>
Present value of unfunded obligations		<b>(6.1)</b>		<b>(11.0)</b>	<b>(17.1)</b>
Present value of funded and unfunded obligations		<b>(251.0)</b>		<b>(128.4)</b>	<b>(379.4)</b>
Unrecognised past service cost		–		<b>0.1</b>	<b>0.1</b>
Deficit		<b>(28.5)</b>		<b>(47.0)</b>	<b>(75.5)</b>
Deferred tax		<b>7.1</b>		<b>18.2</b>	<b>25.3</b>
Net deficit		<b>(21.4)</b>		<b>(28.8)</b>	<b>(50.2)</b>

†Long term rate of return for Europe is based on the weighted average across all European defined benefit pension schemes.

## 20 PENSIONS CONTINUED

	Europe		US		Total
		2011		2011	2011
	Long term rate of return†	Value £m	Long term rate of return	Value £m	Value £m
Equities	7.6%	136.5	8.2%	40.4	176.9
Bonds	4.4%	60.1	5.1%	30.5	90.6
Other	6.6%	0.9	8.0%	3.9	4.8
Blended rate of return on scheme assets	6.7%		7.5%		
Total market value of scheme assets		197.5		74.8	272.3
Present value of funded obligations		(229.6)		(102.3)	(331.9)
Present value of unfunded obligations		(4.3)		(10.5)	(14.8)
Present value of funded and unfunded obligations		(233.9)		(112.8)	(346.7)
Unrecognised past service cost		–		0.1	0.1
Deficit		(36.4)		(37.9)	(74.3)
Deferred tax		9.4		14.0	23.4
Net deficit		(27.0)		(23.9)	(50.9)

†Long term rate of return for Europe is based on the weighted average across all European defined benefit pension schemes.

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
<b>Five year summary</b>					
Total market value of scheme assets	<b>303.8</b>	272.3	258.0	223.1	202.3
Present value of funded and unfunded obligations	<b>(379.4)</b>	(346.7)	(310.5)	(283.1)	(253.0)
Unrecognised past service cost	<b>0.1</b>	0.1	0.2	0.2	0.3
Pension schemes' minimum funding liabilities					(5.5)
Deficit	<b>(75.5)</b>	(74.3)	(52.3)	(59.8)	(55.9)
Experience adjustments arising on scheme liabilities	<b>(4.7)</b>	0.4	1.2	1.2	2.2

	2012 £m	2011 £m
<b>Movement in deficit</b>		
Beginning of year	<b>(74.3)</b>	(52.3)
Current service cost	<b>(5.4)</b>	(5.5)
Contributions	<b>13.2</b>	17.2
Net financial return	<b>2.2</b>	1.9
Actuarial loss	<b>(13.5)</b>	(35.5)
Curtailment gain	–	0.4
Currency translation	<b>2.3</b>	(0.5)
<b>End of year</b>	<b>(75.5)</b>	(74.3)

## 20 PENSIONS CONTINUED

	2012 £m	2011 £m
<b>Changes in the present value of defined benefit obligations</b>		
Beginning of year	346.7	310.5
Current service cost	5.4	5.5
Interest charge on scheme liabilities	16.3	16.4
Contributions by employees	0.8	1.0
Actuarial loss	28.8	22.9
Benefits paid	(12.0)	(10.5)
Curtailment gain	–	(0.4)
Currency translation	(6.6)	1.3
<b>End of year</b>	<b>379.4</b>	<b>346.7</b>
<b>Changes in the fair value of scheme assets</b>	<b>£m</b>	<b>£m</b>
Beginning of year	272.3	258.0
Expected return on scheme assets	18.5	18.3
Actuarial gain/(loss)	15.3	(12.6)
Contributions by employer	13.2	17.2
Contributions by employees	0.8	1.0
Benefits paid	(12.0)	(10.5)
Currency translation	(4.3)	0.9
<b>End of year</b>	<b>303.8</b>	<b>272.3</b>

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 £33.8m (2011: £5.7m).

The Group expects to pay approximately £13.5m in contributions to the defined benefit pension schemes in the year ending 31 December 2013.

## 21 DIRECTORS AND EMPLOYEES

<b>Average number of employees</b>	<b>2012</b>	<b>2011</b>
North America	3,687	3,519
Continental Europe	3,447	3,406
UK & Ireland	3,314	3,934
Rest of the World	1,241	1,047
	<b>11,689</b>	<b>11,906</b>
Corporate	49	50
	<b>11,738</b>	<b>11,956</b>
<b>Employee costs</b>	<b>2012 £m</b>	<b>2011 £m</b>
Wages and salaries	418.0	413.6
Social security costs	52.7	52.6
Share based payments	5.7	5.3
Pension costs	18.3	15.4
	<b>494.7</b>	<b>486.9</b>

**21 DIRECTORS AND EMPLOYEES CONTINUED**

<b>Key management remuneration</b>	<b>2012 £m</b>	<b>2011 £m</b>
Salaries and short term employee benefits	<b>5.2</b>	5.7
Share based payments	<b>1.4</b>	1.9
Post employment benefits	<b>1.0</b>	1.0
	<b>7.6</b>	8.6

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 regions 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.

<b>Directors' emoluments</b>	<b>2012 £m</b>	<b>2011 £m</b>
Non-executive directors	<b>0.6</b>	0.6
Executive directors:		
remuneration excluding performance related elements	<b>2.3</b>	2.3
annual cash bonus	<b>0.8</b>	1.0
	<b>3.7</b>	3.9

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 £4.1m (2011: £0.2m). The aggregate market value of performance share awards exercised by directors under long term incentive schemes during the year was £1.5m (2011: £0.9m). The aggregate market value of shares exercised by directors under the DASBS was £0.9m (2011: £0.6m).

**22 LEASE COMMITMENTS**

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:

	<b>Land &amp; buildings 2012 £m</b>	<b>Other 2012 £m</b>	<b>Land &amp; buildings 2011 £m</b>	<b>Other 2011 £m</b>
Within one year	<b>53.0</b>	<b>21.1</b>	51.2	20.1
Between one and five years	<b>149.8</b>	<b>32.2</b>	150.9	31.7
After five years	<b>66.3</b>	<b>1.0</b>	72.6	0.8
	<b>269.1</b>	<b>54.3</b>	274.7	52.6
Total of future minimum sublease income under non-cancellable subleases	<b>(0.3)</b>	–	(0.9)	–



## 23 CASH AND CASH EQUIVALENTS AND NET DEBT

	2012 £m	2011 £m
Cash at bank and in hand	77.0	63.6
Short term deposits repayable in less than three months	4.2	10.6
Cash and deposits	81.2	74.2
Bank overdrafts	(25.4)	(29.2)
<b>Cash and cash equivalents</b>	<b>55.8</b>	<b>45.0</b>
Current liabilities	(204.9)	(37.5)
Non-current liabilities	(599.2)	(678.8)
Derivative assets – fair value of interest rate swaps on fixed interest rate borrowings	10.2	18.4
<b>Interest bearing loans and borrowings</b>	<b>(793.9)</b>	<b>(697.9)</b>
<b>Net debt</b>	<b>(738.1)</b>	<b>(652.9)</b>
<b>Movement in net debt</b>	<b>2012 £m</b>	<b>2011 £m</b>
Beginning of year	(652.9)	(716.8)
Net cash (outflow)/inflow	(109.4)	63.0
Realised losses on foreign exchange contracts	(0.9)	(0.2)
Currency translation	25.1	1.1
<b>End of year</b>	<b>(738.1)</b>	<b>(652.9)</b>

## 24 ACQUISITIONS 2012

The principal acquisitions made or agreed to be made in the year ended 31 December 2012 were CDW Merchants, the redistribution business of Star Services International, FoodHandler, Zahav, Service Paper, Distrimondo, Indigo Concept Packaging, Atlas Health Care, McCordick Glove & Safety, Destiny Packaging, Vicsa Safety, Vicsa Brasil and Schwarz Paper Company.

CDW Merchants, a business principally engaged in the sale of retail gift packaging and visual merchandising solutions and products to the specialty retail and online retailing sectors throughout the US, was acquired on 21 February 2012. The Star Services International redistribution business, which is principally engaged in the supply of foodservice disposable products to wholesalers and redistributors throughout Queensland, Australia, was acquired on 27 April 2012. FoodHandler, a leading supplier of a variety of disposable gloves and other foodhandling products to the foodservice sector throughout the US, was acquired on 30 April 2012. Zahav, a leading distributor of packaging supplies to the foodservice sector throughout Israel was acquired on 30 April 2012. Service Paper, a business principally engaged in the distribution of disposable supplies to the grocery, foodservice, food processor and industrial packaging sectors throughout the Pacific Northwest in the US, was acquired on 11 June 2012. Distrimondo, a business principally engaged in the distribution of foodservice disposables and cleaning and hygiene products throughout Switzerland, was acquired on 29 June 2012. Indigo Concept Packaging, a business based in the UK and principally engaged in the sale of quality retail packaging products, was acquired on 3 October 2012. Atlas Health Care, a business principally engaged in the supply of medical consumables to the healthcare sector in South Australia, was acquired on 31 October 2012. McCordick Glove & Safety, a distributor of gloves and other personal protection equipment to a variety of industrial and retail customers as well as to redistributors, was acquired on 14 December 2012. Destiny Packaging, a leading distributor of flexible packaging supplies to fruit and vegetable growers in the US, was acquired on 20 December 2012. Vicsa Safety, a business specialising in the sourcing and sale of a variety of personal protection equipment throughout Chile, Peru, Argentina, Colombia and Mexico, was acquired on 21 December 2012. Schwarz Paper Company, a business based in Chicago and principally engaged in the provision of consumables and supply chain solutions for the non-food retail and grocery sectors, was acquired on 28 December 2012.

The Company also entered into an agreement to acquire Vicsa Brasil on 21 December 2012 which distributes personal protection equipment throughout Brazil. Following clearance from the Brazilian Competition Authority, the acquisition was completed on 19 February 2013.

Acquisitions have been accounted for under the acquisition method of accounting, involving the purchase of the acquiree's share capital or, as the case may be, 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 'Business Combinations'. 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 31 December 2012 the allocation period for all acquisitions completed since 1 January 2012 remained open and accordingly the fair values presented are provisional.

**24 ACQUISITIONS CONTINUED**

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 consideration paid or payable in respect of acquisitions comprises amounts paid or agreed to be paid on completion, deferred consideration and payments which are contingent on the continued employment of former owners of businesses acquired. IFRS 3 requires that any such payments that are contingent on future employment are charged to the income statement. All other consideration has been allocated against the identified net assets, with the balance recorded as goodwill. Transaction costs and expenses such as professional fees are charged to the income statement. 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.

A summary of the effect of acquisitions completed in 2012 is detailed below:

	Book value at acquisition £m	Provisional fair value adjustments £m	Fair value of assets acquired £m
Intangible assets		94.7	94.7
Property, plant and equipment	9.3	(1.2)	8.1
Inventories	81.0	(1.2)	79.8
Trade and other receivables	72.0	(0.2)	71.8
Trade and other payables	(54.3)	(5.1)	(59.4)
Net bank overdrafts	(21.8)		(21.8)
Provisions for liabilities and charges		(2.3)	(2.3)
Tax and deferred tax	(0.2)	(14.2)	(14.4)
	86.0	70.5	156.5
Goodwill			63.6
Consideration			220.1
Satisfied by:			
cash consideration			206.0
deferred consideration			13.1
other consideration			1.0
			220.1
Contingent payments to former owners			16.3
Net bank overdrafts acquired			21.8
Transaction costs and expenses			6.9
<b>Total expected spend in respect of current year completed acquisitions</b>			<b>265.1</b>
Committed spend in respect of current year acquisitions not completed			7.2
<b>Total committed spend in respect of current year acquisitions</b>			<b>272.3</b>
The net cash outflow in the year in respect of acquisitions comprised:			
Cash consideration			206.0
Net bank overdrafts acquired			21.8
Deferred consideration in respect of prior year acquisitions			6.7
Net cash outflow in respect of acquisitions			234.5
Acquisition related costs			20.2
<b>Total cash outflow in respect of acquisitions</b>			<b>254.7</b>

Acquisitions made in the year ended 31 December 2012 contributed £111.3m to the Group's revenue and £8.7m to the Group's operating profit before intangible amortisation and acquisition related costs.

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

	£m
Revenue	518.4
Operating profit before intangible amortisation and acquisition related costs	36.1

## 24 ACQUISITIONS CONTINUED

### 2011

The principal acquisitions made in the year ended 31 December 2011 were Omega, Cannon Consumables, Hospitality Depot, King Espana, SIG Safety and Workwear, Netpak, D-Care, Majestic, Ideal and Danny.

Omega, a business principally engaged in the supply of catering equipment and disposables to contract caterers, hotels and other foodservice customers in New South Wales, Australia, was acquired on 4 March 2011. Cannon Consumables, a business principally engaged in the supply of cleaning and hygiene consumable products, was acquired on 31 March 2011. Hospitality Depot, a business principally engaged in the distribution of catering equipment and supplies to hotels, restaurants and caterers as well as to aged care facilities and education establishments in New South Wales, Australia, was acquired on 6 May 2011. King Espana, a leading distributor of foodservice disposables and cleaning and hygiene supplies to the catering and cleaning sectors in Spain, was acquired on 26 May 2011. SIG Safety and Workwear, a leading distributor of personal protection equipment and workwear to a variety of market sectors throughout the UK, was acquired on 31 May 2011. Netpak, a business principally engaged in the supply of packaging supplies and equipment to a variety of sectors throughout Canada, was acquired with effect from 1 July 2011. D-Care, a business principally engaged in the distribution of medical disposable products to hospitals and other healthcare customers throughout the Netherlands, was acquired on 2 September 2011. Majestic and its associated companies, which supply personal protection equipment and safety products to customers in the Benelux, Germany and the US, was acquired on 23 September 2011. Ideal, a leading supplier of cleaning and hygiene consumable products to facilities management companies, contract cleaners and other customers in the industrial, healthcare and education sectors in Brazil, was acquired on 22 September 2011. Danny, a leading supplier of personal protection equipment throughout Brazil, specialising in the sourcing and sale of gloves and safety glasses for a variety of industrial uses including the automotive, consumer goods, food processing, petrochemical and mining sectors, was acquired on 3 November 2011.

A summary of the effect of acquisitions completed in 2011 is detailed below:

	Book value at acquisition £m	Fair value adjustments £m	Fair value of assets acquired £m
Intangible assets		100.4	100.4
Property, plant and equipment	5.4	(0.8)	4.6
Inventories	34.2	(6.8)	27.4
Trade and other receivables	32.6	(1.2)	31.4
Trade and other payables	(19.4)	(2.4)	(21.8)
Net cash	3.0		3.0
Provisions for liabilities and charges		(3.7)	(3.7)
Tax and deferred tax	(1.4)	(22.7)	(24.1)
	54.4	62.8	117.2
Goodwill			50.4
Consideration			167.6
Satisfied by:			
cash consideration			144.8
deferred consideration			22.8
			167.6
Contingent payments to former owners			15.7
Net cash acquired			(3.0)
Transaction costs and expenses			4.6
Total expected spend in respect of current year acquisitions			184.9
The net cash outflow in the year in respect of acquisitions comprised:			
Cash consideration			144.8
Net cash acquired			(3.0)
Deferred consideration in respect of prior year acquisitions			7.4
Net cash outflow in respect of acquisitions			149.2
Acquisition related costs			12.1
Total cash outflow in respect of acquisitions			161.3

Acquisitions made in the year ended 31 December 2011 contributed £89.6m to the Group's revenue and £9.4m to the Group's operating profit before intangible amortisation and acquisition related costs.

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:

	£m
Revenue	204.3
Operating profit before intangible amortisation and acquisition related costs	24.2

**25 RELATED PARTY DISCLOSURES**

The Group has identified the directors of the Company, the Group pension schemes and its key management 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 20 and Note 21 respectively.

**26 PRINCIPAL SUBSIDIARY UNDERTAKINGS**

	Country of incorporation
Bunzl Australasia Ltd	Australia
Bunzl Finance plc*	England & Wales
Bunzl Holding Danmark A/S	Denmark
Bunzl Holding GmbH	Germany
Bunzl Holdings France SNC	France
Bunzl Outsourcing Services BV	Netherlands
Bunzl UK Ltd	England & Wales
Bunzl USA Holdings LLC	USA

\*Direct subsidiary undertaking of Bunzl plc.

The companies named above are the principal subsidiary undertakings of Bunzl plc at 31 December 2012, which are wholly owned, and are included in the consolidated financial statements of the Group. 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. A full list of the Group's subsidiary undertakings will be annexed to the next annual return filed at Companies House.



# COMPANY BALANCE SHEET

AT 31 DECEMBER 2012

	Notes	2012 £m	2011 £m
<b>Fixed assets</b>			
Tangible fixed assets	3	0.6	0.8
Investments	4	654.6	677.9
		<b>655.2</b>	678.7
<b>Current assets</b>			
Debtors	5	398.0	263.4
Cash at bank and in hand		0.5	–
		<b>398.5</b>	263.4
<b>Current liabilities</b>			
<b>Creditors:</b> amounts falling due within one year	6	(109.0)	(107.2)
<b>Net current assets</b>		<b>289.5</b>	156.2
<b>Total assets less current liabilities</b>		<b>944.7</b>	834.9
<b>Provisions</b>	7	(2.7)	(8.7)
<b>Net assets</b>		<b>942.0</b>	826.2
<b>Capital and reserves</b>			
Called up share capital	8	114.2	113.8
Share premium account	9	143.9	136.4
Other reserves	9	5.6	5.6
Capital redemption reserve	9	8.6	8.6
Profit and loss account	9	669.7	561.8
<b>Shareholders' funds</b>		<b>942.0</b>	826.2

Approved by the Board of Directors of Bunzl plc (Company registration number 358948) on 25 February 2013 and signed on its behalf by Michael Roney, Chief Executive and Brian May, Finance Director.

The Accounting policies and Notes on pages 90 to 96 form part of these financial statements.

**1 BASIS OF PREPARATION**

The financial statements of Bunzl plc ('the Company') have been prepared on a going concern basis and under the historical cost convention and have been prepared in accordance with the Companies Act 2006 and UK GAAP. Under section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account.

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 equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are subsequently sold or reissued, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is recognised in retained earnings.

**c Share based payments**

The Company operates equity settled share based compensation plans for which 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. The amount recognised as an expense is adjusted to reflect the number of options that are expected to vest. Details of the relevant plans are outlined in Note 16 to the consolidated financial statements. Where the Company grants options over its own shares to the employees of its subsidiaries these awards are accounted for by the Company as an additional investment in the relevant subsidiary equivalent to the equity settled share based payment charge recognised in the consolidated financial statements with the corresponding credit recognised directly in equity. Any payment made by the subsidiaries in respect of these arrangements is treated as a return of this investment. These costs are determined in accordance with Financial Reporting Standard ('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 less estimated residual value over the assets' estimated remaining useful lives. This is applied at the following annual rates:

Buildings	2% (or depreciated over life of lease if shorter than 50 years)
Fixtures, fittings and equipment	10%–33%

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

**f 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 Company 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.

## 2 ACCOUNTING POLICIES CONTINUED

### 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 the defined benefit scheme 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.

### 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

The interim dividend is included in the financial statements in the period in which it is paid and the final dividend in the period in which it is approved by shareholders at the Annual General Meeting.

## 3 TANGIBLE FIXED ASSETS

	Short leasehold £m	Fixtures, fittings and equipment £m	Total £m
<b>Cost</b>			
Beginning and end of year	0.5	2.8	3.3
<b>Depreciation</b>			
Beginning of year	0.4	2.1	2.5
Charge in year	0.1	0.1	0.2
End of year	0.5	2.2	2.7
<b>Net book value at 31 December 2012</b>	<b>–</b>	<b>0.6</b>	<b>0.6</b>
Net book value at 31 December 2011	0.1	0.7	0.8

**4 INVESTMENTS HELD AS FIXED ASSETS**

	Investments in subsidiary undertakings £m
<b>Cost</b>	
Beginning of year	723.5
Additions	4.6
Capital repayment	(27.9)
<b>End of year</b>	<b>700.2</b>
<b>Impairment provisions</b>	
Beginning and end of year	<b>45.6</b>
<b>Net book value at 31 December 2012</b>	<b>654.6</b>
Net book value at 31 December 2011	677.9

The principal companies in which the Company's interest at 31 December 2012 is more than 20% are as follows:

	Country of incorporation
Bunzl Australasia Ltd	Australia
Bunzl Finance plc*	England & Wales
Bunzl Holding Danmark A/S	Denmark
Bunzl Holding GmbH	Germany
Bunzl Holdings France SNC	France
Bunzl Outsourcing Services BV	Netherlands
Bunzl UK Ltd	England & Wales
Bunzl USA Holdings LLC	USA

\*Direct subsidiary undertaking of Bunzl plc.

**5 DEBTORS**

	2012 £m	2011 £m
Amounts owed by subsidiary undertakings	<b>390.0</b>	256.2
Prepayments and other debtors	<b>1.4</b>	1.5
Corporation tax	<b>6.1</b>	5.0
Deferred tax	<b>0.5</b>	0.7
	<b>398.0</b>	263.4



**6 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2012 £m	2011 £m
Trade creditors	0.3	0.4
Amounts owed to subsidiary undertakings	100.7	100.4
Other tax and social security contributions	1.4	0.6
Accruals and deferred income	6.6	5.8
	<b>109.0</b>	<b>107.2</b>

**7 PROVISIONS**

	2012 £m	2011 £m
Beginning of year	8.7	4.6
Charge	–	5.2
Utilised or released	(6.0)	(1.1)
<b>End of year</b>	<b>2.7</b>	<b>8.7</b>

The provisions relate to properties, where amounts are held against liabilities for onerous lease commitments, repairs and dilapidations, and other claims.

**8 SHARE CAPITAL AND SHARE BASED PAYMENTS**

	2012 £m	2011 £m
<b>Issued and fully paid ordinary shares of 32½p each</b>	<b>114.2</b>	<b>113.8</b>

**Number of ordinary shares in issue and fully paid**

Beginning of year	353,975,080	352,520,158
Issued – scrip dividend	–	925,544
– option exercises	1,445,554	529,378
<b>End of year</b>	<b>355,420,634</b>	<b>353,975,080</b>

The Company operates a number of share plans, for the benefit of employees of the Company and its subsidiaries relating to the acquisition of shares in the Company, which are described in Note 16 to the consolidated financial statements.

**8 SHARE CAPITAL AND SHARE BASED PAYMENTS CONTINUED****FRS 20 disclosures**

Options granted to employees of the Company during the year have been valued using a stochastic model. The fair value per option granted during the year and the assumptions used in the calculations are as follows:

	2012	2011
Grant date	<b>01.03.12–08.10.12</b>	03.03.11–11.10.11
Share price at grant date (£)	<b>9.73–11.28</b>	7.30–7.91
Exercise price (£)	<b>nil–11.6</b>	nil–8.13
Options granted during the year (shares)	<b>632,328</b>	767,380
Vesting period (years)	<b>3–5</b>	3–5
Expected volatility (%)	<b>19–23</b>	21–24
Option life (years)	<b>3–10</b>	3–10
Expected life (years)	<b>3.0–6.2</b>	3.0–6.3
Risk free rate of return (%)	<b>0.2–1.2</b>	0.9–2.9
Expected dividends expressed as a dividend yield (%)	<b>2.4–2.7</b>	3.0–3.2
Fair value per option (£)	<b>0.94–4.88</b>	0.66–3.08

The expected volatility is based on historical volatility over the last three to seven 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 during the year was £10.17 (2011: £7.99). The total Company charge for the year relating to share based payments was £1.1m (2011: £0.7m).

Details of share options and awards to employees of the Company which have been granted and exercised, those which have lapsed during 2012 and those outstanding and available to exercise at 31 December 2012, in each case in respect of all options and awards, whether over new issue or market purchase shares, under the Sharesave Scheme (2001), Sharesave Scheme (2011), 1994 Executive Share Option Scheme and Long Term Incentive Plan Part A and Part B are set out in the following table:

	Options outstanding at 01.01.12	Grants/awards 2012		Exercises 2012	Lapses* 2012	Options outstanding at 31.12.12		Options available to exercise 31.12.12
	Number	Number	Price (p)	Number	Price (p)	Number	Price (p)	Number
Sharesave Scheme (2001)	52,495	–	–	14,376	452-529	2,294	35,825	452-580
Sharesave Scheme (2011)	–	10,940	770	–	–	1,168	9,772	770
1994 Scheme	2,000	–	–	2,000	446	–	–	–
LTIP Part A	2,702,891†	396,450	962-1,116	1,370,296	429-722	65,000	1,664,045	568-1,116
LTIP Part B	958,878	224,938	nil	115,083	nil	188,779	879,954	nil
	3,716,264	632,328		1,501,755		257,241	2,589,596	424,859

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

†Excludes 22,500 options previously granted to an individual whose employment was transferred from the Company during 2012 to another wholly-owned subsidiary of the Company.

	Weighted average fair value of options granted (£)	Weighted average remaining contractual life (years)
Sharesave Scheme	1.26	2.81
LTIP Part A	1.01	2.46
LTIP Part B	4.40	2.50

The outstanding options and awards are exercisable at various dates up to September 2022.

## 9 CAPITAL AND RESERVES

	Share capital £m	Share premium account £m	Other reserves £m	Capital redemption reserve £m	Profit and loss account		Total £m
					Own shares £m	Retained earnings £m	
At 1 January 2012	113.8	136.4	5.6	8.6	(213.8)	775.6	826.2
Issue of share capital	0.4	7.5					7.9
Employee trust shares					(9.6)		(9.6)
Share based payments						5.7	5.7
Profit for the year						197.5	197.5
2011 interim dividend						(26.1)	(26.1)
2011 final dividend						(59.6)	(59.6)
<b>At 31 December 2012</b>	<b>114.2</b>	<b>143.9</b>	<b>5.6</b>	<b>8.6</b>	<b>(223.4)</b>	<b>893.1</b>	<b>942.0</b>

As permitted by section 408 of the Companies Act 2006, the profit and loss account of the Company has not been separately presented in these financial statements.

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 to the consolidated financial statements 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 2012 the trust held 4,348,175 (2011: 5,230,867) shares, upon which dividends have been waived, with an aggregate nominal value of £1.4m (2011: £1.7m) and market value of £43.9m (2011: £46.2m). At 31 December 2012, 23,325,000 (2011: 23,325,000) shares with an aggregate nominal value of £7.5m (2011: £7.5m) and market value of £235.3m (2011: £206.2m) were held in treasury.

**10 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	2012 £m	2011 £m
Profit/(loss) for the year	197.5	(98.5)
Dividends	(85.7)	(68.9)
	111.8	(167.4)
Issue of share capital	7.9	3.0
Employee trust shares	(9.6)	(14.3)
Share based payments	5.7	5.3
<b>Net increase in shareholders' funds</b>	<b>115.8</b>	<b>(173.4)</b>
Opening shareholders' funds	826.2	999.6
<b>Closing shareholders' funds</b>	<b>942.0</b>	<b>826.2</b>

The Company had no recognised gains or losses in the year ended 31 December 2012 or the year ended 31 December 2011 other than its loss for the relevant year.

**11 CONTINGENT LIABILITIES**

Borrowings by subsidiary undertakings totalling £778.2m (2011: £676.1m) which are included in the Group's borrowings have been guaranteed by the Company.

**12 DIRECTORS' REMUNERATION**

The remuneration of the directors of the Company is disclosed in Note 21 to the consolidated financial statements and the Directors' remuneration report.

**13 EMPLOYEE NUMBERS AND COSTS**

The average number of persons employed by the Company (including directors) during the year was 41 (2011: 42).

The aggregate employee costs relating to these persons were:

	2012 £m	2011 £m
Wages and salaries	7.6	7.2
Social security costs	1.0	1.2
Share based payments	1.1	0.7
Pension costs	0.9	0.8
	10.6	9.9

**14 RELATED PARTY DISCLOSURES**

The Company has identified the directors of the Company, the UK pension scheme and its key management as related parties for the purpose of FRS 8 'Related Party Disclosures'. Details of the relevant relationships with these related parties are disclosed in the Directors' remuneration report, Note 20 of the consolidated financial statements and Note 21 of the consolidated financial statements respectively.



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 applicable law and have elected to prepare the parent company financial statements in accordance with UK GAAP and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period.

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 adequate accounting records that are sufficient to show and explain the parent company's transactions and 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 2006. 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

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

The Annual Report and financial statements comply with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority in respect of the requirement to produce an annual financial report.

We confirm on behalf of the Board that to the best of our knowledge:

- the Group and parent company financial statements have been prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Annual Report and financial statements include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

**Michael Roney**  
Chief Executive  
25 February 2013

**Brian May**  
Finance Director

We have audited the financial statements of Bunzl plc for the year ended 31 December 2012 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the Group and parent company balance sheets, the consolidated cash flow statement, the consolidated statement of changes in equity and related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Statement of directors' responsibilities set out on page 97, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

#### OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs at 31 December 2012 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

#### OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 24, in relation to going concern;
- the part of the Corporate governance statement on pages 33 to 37 relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the Directors' remuneration report.

**Michael Maloney (Senior Statutory Auditor)**  
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants  
15 Canada Square, London  
25 February 2013

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
<b>Revenue</b>	<b>5,359.2</b>	5,109.5	4,829.6	4,648.7	4,177.3
<b>Operating profit before intangible amortisation and acquisition related costs</b>	<b>352.4</b>	335.7	306.7	295.7	280.5
Intangible amortisation and acquisition related costs	(58.6)	(56.4)	(51.0)	(41.8)	(36.0)
<b>Operating profit</b>	<b>293.8</b>	279.3	255.7	253.9	244.5
Finance income	22.1	21.8	20.3	16.8	27.6
Finance cost	(50.6)	(51.4)	(50.8)	(54.7)	(65.2)
Disposal of business	4.0	(56.0)	–	–	–
<b>Profit before income tax</b>	<b>269.3</b>	193.7	225.2	216.0	206.9
<b>Profit before income tax, intangible amortisation, acquisition related costs and disposal of business</b>	<b>323.9</b>	306.1	276.2	257.8	242.9
Income tax	(74.0)	(69.9)	(66.2)	(67.1)	(64.7)
<b>Profit for the year</b>	<b>195.3</b>	123.8	159.0	148.9	142.2
Basic earnings per share	<b>59.9p</b>	38.2p	49.1p	46.4p	44.5p
Adjusted earnings per share	<b>71.8p</b>	68.5p	60.6p	55.9p	52.7p

**FINANCIAL CALENDAR**

	2013
Annual General Meeting	17 April
Results for the half year to 30 June 2013	27 August

	2014
Results for the year to 31 December 2013	February
Annual Report circulated	March

Dividend payments are normally made on these dates:

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

**ANALYSIS OF ORDINARY SHAREHOLDERS**

At 31 December 2012 the Company had 5,429 (2011: 5,603) shareholders who held 355.4 million (2011: 354.0 million) ordinary shares (including treasury shares) between them, analysed as follows:

Size of holding	Number of shareholders	% of issued share capital
0 – 10,000	4,818	2
10,001 – 100,000	357	3
100,001 – 500,000	164	11
500,001 – 1,000,000	41	8
1,000,001 and over	49	76
	5,429	100

**REGISTRAR**

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Telephone 0870 889 3257  
Fax 0870 703 6101  
Website [www.computershare.com](http://www.computershare.com)

**INVESTOR CENTRE**

Shareholders can manage their shareholding online at [www.investorcentre.co.uk](http://www.investorcentre.co.uk). The Investor Centre is our Registrar's easy to use website, available 24 hours a day, 7 days a week, where the following services are available:

- change of address;
- view share balance information;
- join the dividend reinvestment plan; and
- view dividend payment and tax information.

In order to register for the Investor Centre, shareholders will need their shareholder reference number which can be found on either their share certificate or dividend tax voucher.

**DIVIDEND PAYMENT BY BACS**

Shareholders can have their dividends paid directly into their bank or building society account using the Bankers' Automated Clearing Service ('BACS'). This means that dividends will be in the account on the same day the dividend payment is made. Shareholders will receive their tax vouchers by post. To use this method of payment please contact our Registrar on 0870 889 3257 or visit the Investor Centre website. Please note that this option will not override any existing dividend scheme mandate, which would need to be revoked in writing.

**DIVIDEND REINVESTMENT PLAN**

The Company operates a dividend reinvestment plan which allows shareholders to use the whole of their cash dividend to buy additional shares in the Company, thereby increasing their shareholding. Shareholders can apply to join the plan online in the Investor Centre or can contact the Company's registrar to request the terms and conditions of the plan and a printed mandate form.

**GLOBAL PAYMENTS SERVICE**

Shareholders may if they wish have their dividend payments paid directly into their bank account in certain foreign currencies. Please contact the Company's Registrar on 0870 889 3257 to request further information about the currencies for which this service is available.

**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](http://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](http://www.sharegift.org).

**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.fsa.gov.uk](http://www.fsa.gov.uk) in the Consumer Information section. Details of any share dealing facilities that the Company endorses will be included in Company mailings.

**AUDITOR**

KPMG Audit Plc

**STOCKBROKERS**

J.P. Morgan Cazenove  
Citigroup

**COMPANY SECRETARY**

Paul Hussey

**REGISTERED OFFICE**

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Registered in England no. 358948

**FORWARD-LOOKING STATEMENTS**

The Annual Report contains certain statements about the future outlook for the Group. Although the Company believes that the expectations are based on reasonable assumptions, any statements about future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.





The paper used in the report is Amadeus 50 Silk containing 50% recycled content, all of which is de-inked post-consumer waste, and 50% virgin fibre. All of the pulp is bleached using an elemental chlorine free process (ECF). Printed in the UK by Pureprint using their *alcofree*® and *pureprint*® environmental printing technology and vegetable inks were used throughout. Pureprint is a CarbonNeutral® company. Both manufacturing mill and the printer are registered to the Environmental Management System ISO14001 and are Forest Stewardship Council® (FSC) chain-of-custody certified.



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