Keeping businesses moving globally

Annual Report 2015

We are a focused and successful international distribution and outsourcing group keeping businesses moving 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, reduce carbon emissions and simplify their internal administration.

Strategic report

Directors' report

Financial statements

The Annual Report can be downloaded online. To find out more visit **www.bunzl.com**

Financial highlights

Revenue
£6,489.7m
(2014: £6,156.5m)

+5%
Growth at constant exchange rates
(Actual exchange rates +5%)

Operating profit
£366.5m
(2014: £341.8m)

+7%
Growth at constant exchange rates
(Actual exchange rates +7%)

Adjusted operating profit*
£455.0m
(2014: £429.8m)

+7%
Growth at constant exchange rates
(Actual exchange rates +6%)

Profit before tax
£322.7m
(2014: £299.8m)

+8%
Growth at constant exchange rates
(Actual exchange rates +8%)

Adjusted profit before income tax*
£411.2m
(2014: £387.8m)

+8%
Growth at constant exchange rates
(Actual exchange rates +6%)

Basic earnings per share
71.0p
(2014: 64.5p)

+10%
Growth at constant exchange rates
(Actual exchange rates +10%)

Adjusted earnings per share*
91.0p
(2014: 86.2p)

+7%
Growth at constant exchange rates
(Actual exchange rates +6%)

Dividend per share
38.0p
(2014: 35.5p)

+7%

* Before intangible amortisation and acquisition related costs.
Changes at constant exchange rates have been calculated by retranslating the results for 2014 at the average exchange rates used for 2015.

Group at a glance

We provide a one-stop-shop distribution and outsourcing service across 29 countries, supplying a broad range of internationally sourced non-food products to a variety of market sectors.

Where we operate

North America

- Revenue increased 5% at constant exchange rates.
- Adjusted operating profit* up 9% at constant exchange rates.
- Operating margin* up from 6.2% to 6.5% at constant exchange rates.
- Return on operating capital down from 59.6% to 58.3%.

Revenue
£3,751.8m

% of 2015 revenue
58%

Adjusted operating profit*
£244.0m

Read more about North America on **page 22**

Continental Europe

- Revenue up 7% at constant exchange rates.
- Adjusted operating profit* increased 10% at constant exchange rates.
- Improvement in operating margin* from 9.1% to 9.3% at constant exchange rates.
- Return on operating capital up from 52.3% to 54.2%.

Revenue
£1,121.0m

% of 2015 revenue
17%

Adjusted operating profit*
£104.5m

Read more about Continental Europe on **page 24**

Our market sectors

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.

28% of 2015 revenue

Grocery

Goods not for resale (items which are used but not actually sold), including food packaging, films, labels and cleaning and hygiene supplies, to grocery stores, supermarkets and retail chains.

26% of 2015 revenue

Cleaning & hygiene

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

12% of 2015 revenue

Retail

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

12% of 2015 revenue

Safety

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

11% of 2015 revenue

* Before intangible amortisation and acquisition related costs

Read more about where we operate on **pages 22 to 29**

UK & Ireland

- Revenue increased 3% at constant exchange rates.
- Adjusted operating profit* up 6% at constant exchange rates.
- Increase in operating margin* from 7.4% to 7.7%.
- Return on operating capital down from 111.7% to 99.8%.

Revenue
£1,102.4m

% of 2015 revenue
17%

Adjusted operating profit*
£84.9m

Read more about UK & Ireland on **page 26**

Rest of the World

- Revenue up 6% at constant exchange rates.
- Adjusted operating profit* down 11% at constant exchange rates.
- Decrease in operating margin* from 9.8% to 8.2% at constant exchange rates.
- Return on operating capital down from 41.8% to 31.3%.

Revenue
£514.5m

% of 2015 revenue
8%

Adjusted operating profit*
£42.1m

Read more about Rest of the World on **page 28**

Healthcare

Disposable healthcare consumables, including gloves, swabs, gowns and bandages, and other healthcare related equipment to hospitals, care homes and other facilities serving the healthcare sector.

7%
of 2015 revenue

Other

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

4%
of 2015 revenue

Market environment

Growth drivers

- Increasing trend to outsourcing.
- Global legislative trends for health & safety and the environment.
- Favourable demographics in healthcare.
- Underlying growth in key sectors including:
  - Foodservice: away from home;
  - Cleaning & hygiene: away from home;
  - Safety: increased legislation;
  - Healthcare: demographics.

Competitive advantage

- No one does what we do, on our scale, across our international markets.
- Expertise in making successful acquisitions.
- Global sourcing capabilities.
- Bunzl's national distribution networks.

Customers

- Strong national, regional and local customer base.
- Working with national and international leading companies.
- Aligned with customer growth.
- Focus on customer service.

Chairman's statement

The strength and resilience of our business model combined with the execution of our consistent and proven strategy has once again delivered further growth.

Results

Although challenging macroeconomic conditions persisted in many of the countries in which we operate, particularly in Latin America and Australasia, and difficult market conditions continued to affect some of the sectors we serve, I am pleased to report another good set of results. Overall currency translation movements had a small positive impact on the Group's revenue but reduced the growth rates for profits and earnings at actual exchange rates by between 1% and 2%.

Group revenue increased to £6,489.7 million (2014: £6,156.5 million) and adjusted operating profit before intangible amortisation and acquisition related costs was £455.0 million (2014: £429.8 million). Adjusted earnings per share were 91.0p (2014: 86.2p).

At constant exchange rates revenue increased by 5% and adjusted operating profit rose by 7%. The Group operating margin improved from 6.9% to 7.0% at constant exchange rates with adjusted earnings per share up 7% on the same basis.

Dividend

The Board is recommending a final dividend of 26.25p. This brings the total dividend for the year to 38.0p, up 7% compared to 2014. Shareholders will again have the opportunity to participate in our dividend reinvestment plan.

Strategy

We have continued to pursue our long-established and successful strategy of developing the business through organic growth, consolidating our markets through focused acquisitions and continuously improving the efficiency of our operations.

We seek to achieve organic growth by applying our resources and expertise to enable customers to reduce or eliminate the hidden costs of sourcing and distributing a broad range of goods not for resale. As a result they are able to focus on their core business and run their operations more cost-effectively by achieving purchasing efficiencies and savings, while at the same time freeing up working capital, improving their distribution capabilities, reducing carbon emissions and simplifying their internal administration.

Acquisition activity continued at a record pace throughout 2015. We acquired 22 businesses during the year with a total committed spend of £327 million, thereby adding annualised revenue of £324 million. These figures exclude Tillman which we agreed to acquire in December 2014 and completed at the beginning of January 2015. The acquisitions made in 2015 have helped to strengthen our position in many of the markets that we serve and have also taken us into two new countries, Turkey and Austria. We now have operations in 29 countries.

Investment

Both organic growth and acquisitions require investment in the business to expand and enhance its asset base. During the year we have continued to extend and improve our warehouses and open new ones, both as a result of acquisitions and by consolidating our existing warehouse footprint. Systems are an important part of our ability to serve our customers in the most efficient and appropriate manner. By continuously upgrading our IT systems we are able to increase the functionality of our operations, thereby enhancing our customer offering. Together this investment enables us to retain a competitive advantage and thereby maintain our leading position in the marketplace.

Corporate responsibility

We continue to refine our sustainable business processes and operations to ensure improvements in this area. However, we also strive to assist both our customers and suppliers to improve the sustainability of their businesses. The nature of our business proposition, which allows our customers to consolidate both their purchasing requirements and product deliveries, is environmentally friendly and, in addition, we offer a full range of environmentally friendly products. During 2015, we once again contacted our key suppliers to encourage them to adopt corporate responsibility policies similar to ours. Our quality assurance/quality control team based in Shanghai continues to refine our supplier audit process, undertaking audits of our key Asian suppliers to assist them in meeting our required standards. Integrity is imperative in running our business and building appropriate relationships and we have recently refreshed our whistle blowing programme and renewed the corporate responsibility training for all relevant employees.

Employees

Bunzl's decentralised organisation structure encourages fast decision making at the local level. This allows us to understand our customers' needs and provide great service. Many new people have joined Bunzl through acquisitions during the past year and this provides us with a stream of new ideas to improve our business and strengthens our talent pipeline. As a service oriented company we continue to rely on the quality and efficiency of our employees across the world. We very much appreciate their hard work and loyalty which are key to the ongoing growth and success of Bunzl.

Board

As reported in the 2014 Annual Report, Peter Johnson, who had served as a non-executive director since 2006 and was both Chairman of the Remuneration Committee and senior independent director, retired from the Board in April 2015. David Sleath, who was appointed as a non-executive director in September 2007 and is Chairman of the Audit Committee, assumed the role of senior independent director and Vanda Murray, who joined the Board as a non-executive director in February 2015, succeeded Peter as Chairman of the Remuneration Committee.

As reported on 14 January 2016, after more than 10 years in the role, Michael Roney has decided to retire as Chief Executive of the Company. He will stand down from his position and the Board following the conclusion of the Annual General Meeting to be held on 20 April 2016. I would like to thank Mike for his outstanding contribution to Bunzl. Under his careful stewardship the Group has gone from strength to strength and grown significantly with sustained increases in the Company's earnings, dividends and share price. Mike will leave the Board with our very best wishes and our sincere thanks and appreciation for everything he has achieved.

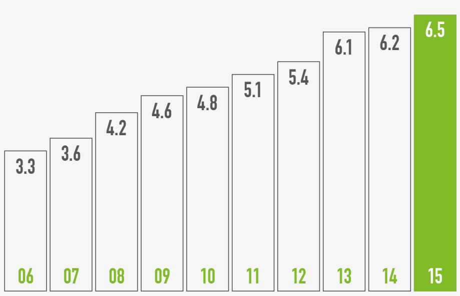
Mike will be succeeded by Frank van Zanten who is currently the Managing Director of the Continental Europe business area. Frank joined the Board at the beginning of February and will assume his new role upon Mike's retirement. He has extensive knowledge and experience of our business gained over many years and has a successful track record of implementing the Company's strategy to develop and expand the Group. His appointment will provide continuity for the business as well as its customers and employees going forward.

Philip Rogerson
Chairman
29 February 2016

See our Corporate governance report on **pages 50 to 55**

Revenue £bn

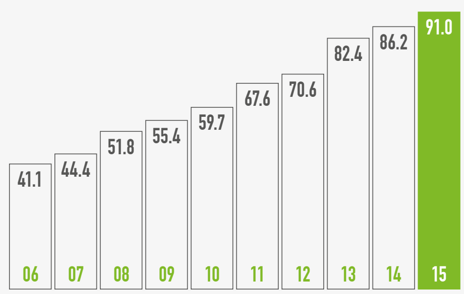
£6.5bn ↑



Adjusted earnings per share* p

06–12 restated on adoption of IAS 19 (revised 2011)

91.0p ↑

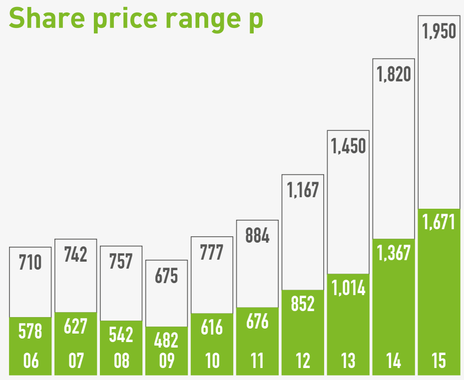


Adjusted operating profit* £m

£455m ↑

Share price range p

1,950p ↑



* Before amortisation and acquisition related costs.

Business model and strategy

For many years we have followed a well-established and successful business model and pursued a consistent and proven strategy in order to create value for our stakeholders. By doing so we have delivered strong growth across our selected international markets as we have looked to develop both in existing and new geographies.

Our business model

Strength and resilience through our scale, balance and diversity

We have a geographically balanced and diversified business portfolio operating across 29 countries, serving six core fragmented market sectors, many of which are growing and resilient to challenging economic conditions. This allows us to withstand shifts and changes in demand.

- Foodservice
- Grocery
- Cleaning & hygiene
- Retail
- Safety
- Healthcare

A one-stop-shop for non-food consumables

We source

We source and procure branded, own brand and unbranded products globally, working with both multinational and local suppliers, to give our customers access to the best and most suitable products to meet their needs.

We consolidate

By applying our resources and consolidating a broad range of products into our extensive warehousing infrastructure, we are able to offer our customers an efficient one-stop-shop solution, thereby allowing them to focus on their core businesses more effectively.

We deliver

Our delivery options include direct store delivery, cross-dock and warehouse replenishment programmes on a local, regional, national and international basis to get products to our customers when and where they are needed.

Our sources of competitive advantage

Global scale

Relationships with both multinational and local suppliers provide us with a very broad range of products. Our extensive delivery networks mean we can distribute to customers on a local, regional, national and international basis, giving them complete flexibility.

Operational focus

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

Strong financial discipline

Since 2004 we have delivered consistently good results with high returns on capital and operating cash flow conversion.

Acquisition track record

We have a strong track record of successfully integrating acquisitions, helping us to extend our geographic footprint while at the same time enabling our acquired businesses to continue to feel 'local'.

To find out how we are making progress on our strategic priorities through our key performance indicators, see **pages 14 and 15**

Creating value for stakeholders

Customer benefits

Our customers benefit from a lower cost of doing business by reducing or eliminating many of the hidden costs of in-house procurement and distribution and reducing carbon emissions.

Shareholder returns

We seek to deliver good returns for our shareholders over time with sustained improvement in profits and earnings which drive long term growth in Bunzl's share price and year-on-year increases in dividends.

Employee benefits

We provide our employees with career development opportunities and meet their training needs while providing opportunities for advancement within the business.

Environmental awareness

Our continued focus on operational excellence allows us to reduce our environmental impact by consolidating our warehouse footprint and introducing more sustainable products and business practices.

Our strategy

Organic growth

We are constantly looking to grow Bunzl organically, both by expanding and developing our business with existing customers and by gaining new business with additional customers.

Read more on **page 09**

Acquisition growth

We seek out businesses that 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.

Read more on **pages 10 and 11**

Operating model efficiencies

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

Read more on **page 13**

Read more about our strategy on **pages 09 to 13**

Growing Bunzl organically, either by expanding and developing our business with existing customers or by gaining new business with additional customers, is an integral part of our strategy to enhance shareholder value.

organic growth

Building relationships

One of the greatest opportunities for organic sales growth comes from building long term relationships with existing customers. By being both flexible and reliable and by providing excellent levels of service, we gain our customers' trust and confidence to meet their future needs over a sustained period of time through a broad and effective product and service offering.

Acquiring new customers

We are constantly striving to expand and gain market share by winning business with new customers. Our well-established business model allows us to show potential customers that we can apply our resources and expertise to reduce or eliminate many of the hidden costs of in-house procurement and distribution or satisfy their requirements more cost-effectively than their current suppliers.

Expanding our offering

Once we have established a good relationship with a particular customer, we endeavour to increase our level of business with that customer. This can be achieved by expanding our offering to parts of their operations where we might not have previously been a recognised supplier or by increasing the type and variety of products that are available, whether branded or own brand. We do this either by extending the range of products within a particular category or adding new categories of products to those already supplied, often by optimising cross-selling opportunities across other Bunzl businesses.

Organic growth through development of customer relationships and maximisation of cross-selling opportunities.

acquisition growth

Expanding and developing the Group through acquiring businesses is also a key component of our growth strategy. Historically, approximately two thirds of our year-on-year increase in earnings has been achieved through an ongoing programme of focused and targeted acquisitions in both new and existing market sectors and geographies.

Key acquisition parameters

In considering potential acquisition opportunities, we only target those businesses that meet the specific parameters that fit our business model and growth strategy. These include businesses:

- that sell business to business ('B2B');
- with a consolidated 'not-for-resale' product offering;
- in resilient and growing markets;
- with a fragmented customer base;
- that operate in markets with scope for further consolidation and synergies;
- whose products represent a small percentage of total customer spend;
- that have opportunities for own label products; and
- with attractive financial returns.

Acquisition types

There are two different types of acquisition that we undertake depending on whether we are already present in the country or market sector in which the target business is operating:

- Anchor
  - new geographies; or
  - new market sectors.

- Bolt-on
  - existing geographies; or
  - existing market sectors.

Growth in existing countries

Unlike many industries that are characterised by a relatively small number of large businesses, the markets in which we compete are very fragmented. As a result, there are numerous opportunities for us to develop through acquisitions in those countries where we already have a presence. We do this either by extending our existing operations in a particular market sector or by acquiring a business in a sector in which we do not currently operate within that country.

Read about our KPIs on **pages 14 and 15**

Growth in new countries

We are now a truly international business with operations in 29 countries but there are a number of potentially attractive countries where we do not yet have a presence. In evaluating whether to enter a new country through acquisition, we consider a number of different criteria including a detailed analysis of our market sectors, the local macroeconomic indicators and the ease of doing business in, and the political risks and business practices associated with, the particular country under review.

Businesses acquired bring additional innovation and expertise to Bunzl.


WEST
10
NORTH
87
BUNZL
LD 94
LD 93
LD 92
LD 91

operating model efficiencies

Enhanced competitive advantage by optimising synergies through best practice and purchasing scale.

We are continually looking to refine and develop our processes and procedures to make our operations more efficient. By doing so, we are able to gain a competitive advantage, by offering our customers more cost-effective solutions, while at the same time improving our profitability.

Consolidating warehouses

As warehouse lease terms come to an end, we are often able to consolidate our warehouse footprint in a particular area by closing a number of smaller and less efficient facilities and relocating our operations into a single, larger and more efficient building.

Sharing best practice

As we have continued to expand internationally, we are increasingly making use of our collective resources, experience and expertise to share best practice across the Group and collaborate between our different businesses.

Routing and safety systems

By installing state-of-the-art routing and safety systems in our facilities and delivery vehicles, we are able to plan our delivery routes to minimise the distances travelled and encourage safe and efficient driving practices, thereby reducing fuel and other transport costs.

Global purchasing

With the annual cost of the goods we sell exceeding £4.9 billion, our global scale provides substantial purchasing synergies with our international suppliers that we are able to share with our customers in the form of more competitive selling prices.

IT systems

Systems are an important part of our ability to serve our customers in the most cost-effective and efficient manner and accordingly we are continually improving and upgrading our IT systems in order to increase functionality and enhance customer service.

Warehouse lighting

Recent improvements in lighting technology have meant we are able to make significant savings in electricity costs by installing energy efficient and environmentally friendly lighting systems.

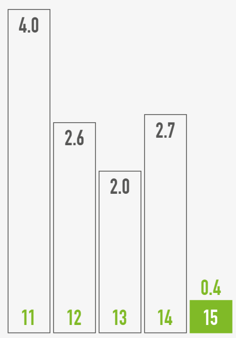
Key performance indicators

We use the following key performance indicators ('KPIs') to measure our progress in delivering the successful implementation of our strategy and to monitor and drive performance. These KPIs reflect our strategic priorities of developing the business through organic and acquisition led growth and improving the efficiency of our operations as well as other financial and environmental metrics.

Organic growth

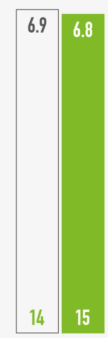
Organic revenue growth %

Increase in revenue for the year excluding the impact of currency translation, acquisitions during the first 12 months of ownership and disposal of business.



Organic operating margin %

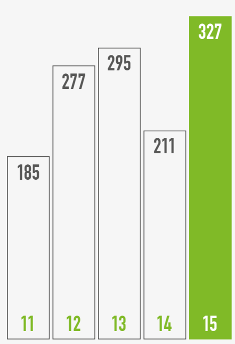
Current year operating margin excluding the impact of acquisitions during the first 12 months of ownership compared to the prior year operating margin restated at constant exchange rates.



Acquisition growth

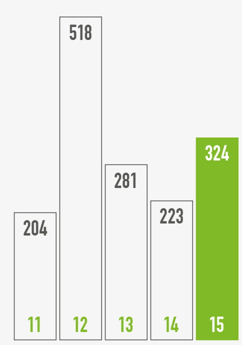
Acquisition spend £m

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



Annualised revenue from acquisitions £m

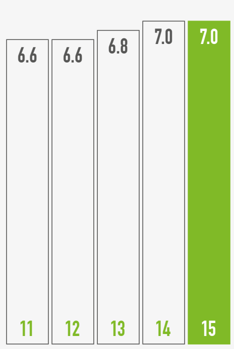
Estimated revenue which would have been contributed by acquisitions made or agreed to be made during the year if such acquisitions had been completed at the beginning of the relevant year.



Operating model efficiencies

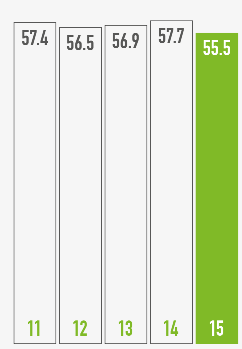
Operating margin %

Ratio of adjusted operating profit (being operating profit before intangible amortisation, acquisition related costs and disposal of business) to revenue.



Return on average operating capital %

Ratio of adjusted operating profit (being operating profit before intangible amortisation, acquisition related costs and disposal of business) 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).



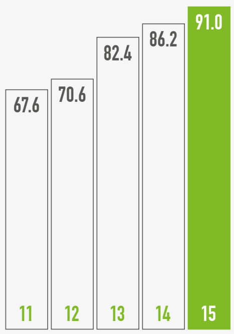
£327m
acquisition spend

Read more about our acquisition strategy on **pages 10 and 11**

Financial

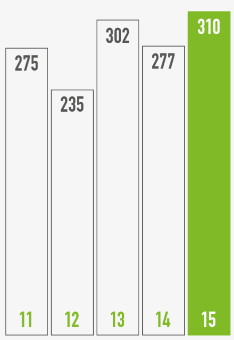
Adjusted earnings per share p

Adjusted profit for the year (being the profit for the year before intangible amortisation, acquisition related costs and disposal of business and associated tax) divided by the weighted average ordinary shares in issue. 2011 and 2012 have been restated on adoption of IAS 19 (Revised 2011) 'Employee Benefits'.



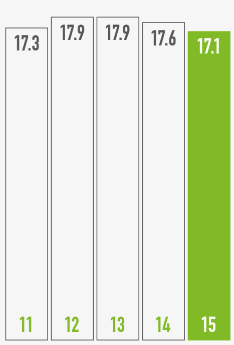
Free cash flow £m

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



Return on invested capital %

Ratio of adjusted operating profit (being operating profit before intangible amortisation, acquisition related costs and disposal of business) 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).



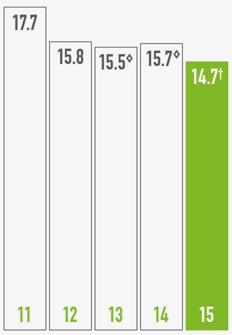
Non-financial

Scope 1 carbon emissions

Tonnes of CO_2 per £m revenue

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

12 months to 30 September



Scope 2 carbon emissions

Tonnes of CO_2 per £m revenue

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

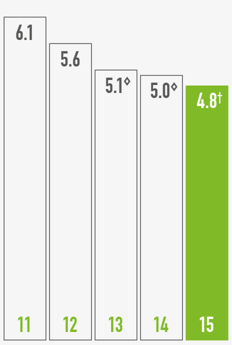
12 months to 30 September

Fuel usage

Litres per £000 revenue

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

12 months to 30 September



† Included in the external auditors' limited assurance scope referred to on page 47.
◊ The data for 2013 and 2014 was also assured as detailed in the Annual Reports from those years.

Chief Executive's review

A combination of record acquisition spend during the year, the impact of prior year acquisitions and some organic growth has allowed us to develop both in existing and new geographies.

Highlights

Record acquisition spend of £327 million on 22 businesses with entry into two new countries.

North America

Revenue increase from recent acquisitions and underlying volume growth, partially offset by price declines in plastic products and some lost business.

Continental Europe

Strong revenue and profit growth† with operating margin up 20bp† to 9.3%.

UK & Ireland

Operating margin up 30bp to 7.7% due to focus on reducing operating costs and managing margins.

Rest of the World

Adjusted operating profit down 11%† due to challenging macroeconomic conditions and negative exchange transaction impact.

† At constant exchange rates.

Operating performance

The overall translation effect of currency movements has once again affected the reported Group growth rates with the average US dollar stronger against sterling than in 2014 but the average Canadian dollar, euro, Brazilian real and Australian dollar all weaker than the prior year. As in previous years, the operations, including the relevant growth rates and changes in operating margins, are therefore 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 2014 at the average rates used for 2015. Unless otherwise stated, all references in this review to operating profit are to adjusted operating profit (being operating profit before intangible amortisation and acquisition related costs).

Revenue increased 5% (5% at actual exchange rates) to £6,489.7 million principally due to the positive impact of acquisitions together with some organic growth, which continues to be affected by price declines on plastic resin-based products, particularly in North America. Operating profit was £455.0 million, an increase of 7% (6% at actual exchange rates). The percentage growth in operating profit was greater than that of revenue due to the impact of higher margin acquisitions, resulting in an improvement in the Group operating margin by 10 basis points to 7.0% (unchanged at actual exchange rates).

In North America revenue rose 5% (11% at actual exchange rates) principally due to the impact of acquisitions completed in both 2014 and 2015, while operating profit increased 9% (16% at actual exchange rates) as the operating margin improved 30 basis points to 6.5% (20 basis points at actual exchange rates). Revenue in Continental Europe rose 7% (down 2% at actual exchange rates) as a result of organic revenue growth and the impact of acquisitions, with operating profit up 10% (1% at actual exchange rates) and the operating margin up 20 basis points to 9.3% (30 basis points at actual exchange rates). In UK & Ireland revenue was up 3% (2% at actual exchange rates) due to the impact of both organic revenue growth and acquisitions, and operating profit rose 6% at both constant and actual exchange rates as the operating margin improved by a further 30 basis points during the year to 7.7%. In Rest of the World revenue increased 6% (down 8% at actual exchange rates) but operating profit was down 11% (24% at actual exchange rates). Margins came under pressure due to the challenging macroeconomic conditions and some negative foreign exchange transaction impact of weaker local currencies in the relevant markets in both Latin America and Australasia, with the business area operating margin down 160 basis points (170 basis points at actual exchange rates) to 8.2%.

Basic earnings per share were 10% higher (at both constant and actual exchange rates) at 71.0p. Adjusted earnings per share, after eliminating the effect of intangible amortisation and acquisition related costs, were 91.0p, an increase of 7% (6% at actual exchange rates). The return on average operating capital decreased from 57.7% to 55.5% principally due to reduced returns in the underlying business and the mix impact of recent, lower return acquisitions. The return on invested capital was 17.1%, down from 17.6% in 2014.

The operating cash flow continued to be strong with the ratio of operating cash flow before acquisition related costs to operating profit at 97%. The ratio of net debt to EBITDA calculated at average exchange rates increased to 2.1 times, which is at the lower end of our target range, compared to 1.8 times as at the end of 2014. The increase is principally due to the significant acquisition spend during the year.

Corporate responsibility remains intrinsic to the effective running of our business. We are continually seeking ways to ensure the sustainability of our business by developing our processes in this area. During the year we have focused further on our supply chain and its impact on our business. As a result, we are disclosing for the first time information on our Scope 3 carbon emissions comprising emissions from third party carriers, business flights, waste disposal and electricity transmission losses. In addition, we are completing a further risk assessment of our supply chain with regard to social issues and we are also undertaking a pilot project for closed loop recycling in conjunction with one of our existing suppliers.

Acquisitions

Acquisitions are a key component of the Group's growth strategy. Our committed spend in 2015 was a record £327 million as we completed 22 transactions in total, excluding Tillman which we agreed to acquire in December 2014 and completed at the beginning of January 2015.

In addition to Tillman, we completed the acquisition of two further businesses in January. Quirumed, which had revenue of £15 million in 2015, represents our first move into the healthcare sector in Spain, while Jan-Mar, based in Toronto with revenue of £6 million in 2015, has further extended our cleaning & hygiene supplies business in Canada.

Three acquisitions were completed in March. Janssen Packaging is engaged in the distribution of specialist packaging materials for the e-commerce, fashion and fulfilment sectors in the Netherlands. It complements and expands our retail supplies business thereby providing access to an extended range of innovative packaging solutions to both new and existing customers in this market. Revenue in 2015 was £6 million. In Canada we purchased two separate businesses at the end of the month. Emballages Maska is engaged in the sale of cleaning and hygiene supplies to distributors throughout Quebec and eastern Ontario. Revenue in 2015 was £16 million. Prescott distributes cleaning and hygiene products to a variety of end users in the construction, property management and healthcare sectors, as well as to some distributors, throughout the Montreal area of Quebec. Revenue in 2015 was £9 million.

Ligne T, a distributor of personal protection equipment, principally workwear, based in Montauban, France, was purchased at the end of May. The business supplies a variety of end user customers throughout the south-west region of France and had revenue of £4 million in 2015. Also at the end of May we completed the acquisition of Istanbul Ticaret, a business engaged in the sale of a variety of personal protection equipment to both end users and other distributors throughout Turkey. Revenue in 2015 was £24 million. This is an exciting development for us as it represents our first acquisition in Turkey which is an important G20 economy that has grown steadily over recent years. The business has a broad range of both branded and own brand products and an excellent reputation for quality and service. It will provide a good platform from which to develop a significant business in Turkey.

22
acquisitions

Read more about our acquisition strategy on **pages 10 and 11**

Increasing employee awareness and improving our processes to reduce our environmental impact.

2
new countries

Read more about our new geographies on **pages 20 and 21**

Chief Executive's review continued

GF, a distributor of industrial packaging, warehouse supplies and equipment which is based in Calgary, Canada, was acquired at the beginning of June. The business has a large and diverse base of end user customers in western Canada and had revenue in 2015 of £42 million.

At the end of June we added two further businesses to the Group's portfolio. Solmaq, based in Bogota, supplies a complete range of head-to-toe personal protection equipment and other welding and industrial consumables to distributors, retailers and end users throughout Colombia. Revenue was £14 million in 2015. It further extends our safety business in Colombia, being a market that we entered with the purchase of Vicsa at the end of 2012. Cordova Safety Products, based in Memphis, Tennessee, is engaged in the sale of a variety of personal protection equipment, principally gloves, to distributors throughout the US. Most products supplied are own label. Revenue in 2015 was £55 million.

We acquired three businesses in July. Steiner, which had revenue of £12 million in 2015, has further expanded our safety business in the US while Bidvest Hospitality Supplies and Delta Hospitality Supplies, each with revenue of £5 million in 2015, have added additional scale to our catering consumables and equipment business in Australia.

The acquisition of Meier Verpackungen, which distributes customer specific packaging products to food processors and had revenue of £29 million in 2015, was completed in September and represents our first step into Austria, complementing our existing business in Switzerland. Planet Clean, which is based in Vancouver and is principally engaged in the sale and distribution of cleaning and hygiene supplies and equipment to a variety of customer markets throughout western Canada, was also acquired in September and had revenue in 2015 of £13 million. It is the seventh acquisition we have made in Canada since November 2013, as a result of which we have developed a national business there with annual revenue in excess of £340 million.

ICB Cleaning Supplies in New Zealand, with revenue of £2 million in 2015, and Cemelin in Spain, with revenue of £3 million in 2015, are both distributors of cleaning and hygiene supplies and were acquired at the end of October and early November respectively. Casa do Epi, an important acquisition for our safety business in Brazil, was also purchased in November. The business is principally engaged in the sale of a wide range of personal protection equipment to end user customers in the mining, construction and manufacturing sectors. Revenue in 2015 was £16 million. At the end of November we acquired DPS, a distributor of catering disposables and a variety of cleaning, safety and packaging products based in Santiago with a number of other locations throughout Chile. Revenue in 2015 was £25 million. The Company's business in Spain was expanded at the end of November with the purchase of Faru. Based in Zaragoza, the business is engaged in the sale of personal protection equipment, including fall arrest and head protection products and safety shoes, to distributors throughout Spain. Revenue in 2015 was £3 million.

At the beginning of December we purchased Comatec, which is engaged in the distribution of high-end, innovative single-use tableware to restaurants and hotels throughout France but also exports products to a large number of distributors in a number of countries worldwide. Revenue in 2015 was £14 million. We also acquired Dental Sorria in December. Based in Belo Horizonte in the State of Minas Gerais and with revenue of £6 million in 2015, the business has expanded our operations in Brazil into the dental supplies sector.

Since the year end we have agreed to acquire two further businesses. At the beginning of February 2016 we purchased Earthwise Bag Company, a distributor of reusable bags to supermarkets and other retailers in the US, which has expanded our offering of environmentally friendly products to the grocery and retail sectors. Revenue in 2015 was £12 million. We also entered into an agreement in February relating to the proposed acquisition of Bursa Pazari, which had revenue of £31 million in 2015. It represents our second step in Turkey and extends our operations there into the foodservice and healthcare sectors. Completion of the acquisition is subject to clearance of the transaction by the Turkish competition authority.

> Meeting customers' needs through a broad and effective service offering.

Prospects

Against the background of variable economic conditions, Bunzl's strong competitive position, the impact of the significant acquisition spend in 2015 and the opportunities to consolidate our fragmented markets further are together expected to lead to continued growth in 2016.

In North America, the combination of recent acquisitions and underlying volume growth should result in a good performance despite the impact of price declines in plastic resin-based products. In Continental Europe, we expect to see a further strong performance due to both organic growth and the effect of recent acquisitions. In UK & Ireland, progress in 2016 will be held back principally due to pressure in the business serving the grocery and retail sectors. Rest of the World will see a strong benefit from recent acquisitions, although the outlook for both economic growth in the relevant markets and for exchange rates, particularly in Brazil, remains uncertain.

The pipeline of potential acquisitions remains promising. Discussions are continuing with a number of potential targets and we expect to complete further transactions as the year progresses.

The Board believes that the prospects of the Group are positive due to its strong market position and our ability to grow the business both organically and through acquisition.

Michael Roney
Chief Executive
29 February 2016

> Our management teams thrive on the fast pace of our business and our decentralised organisation structure keeps responsibilities and decision making local and close to our customers. The hard work, dedication and commitment of everyone employed in the business are key to our ongoing success.
>
> **Michael Roney**
> Chief Executive

Management

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 Budge
Managing Director
UK & Ireland

Paul Hussey
General Counsel &
Company Secretary

Frank van Zanten
Managing Director
Continental Europe

Rodrigo Mascarenhas
Managing Director
Latin America

Andrew Mooney
Director of Corporate
Development

Kim Hetherington
Managing Director
Australasia

extending our global reach

Our global presence

Through the relentless pursuit of our acquisition strategy, the continuing operations of the Bunzl Group have developed from a business based in two countries in 1992 to one with a global presence operating across 29 countries today.

In 2015 we entered two new countries making a total of

→ 29

countries across

→ 4

continents

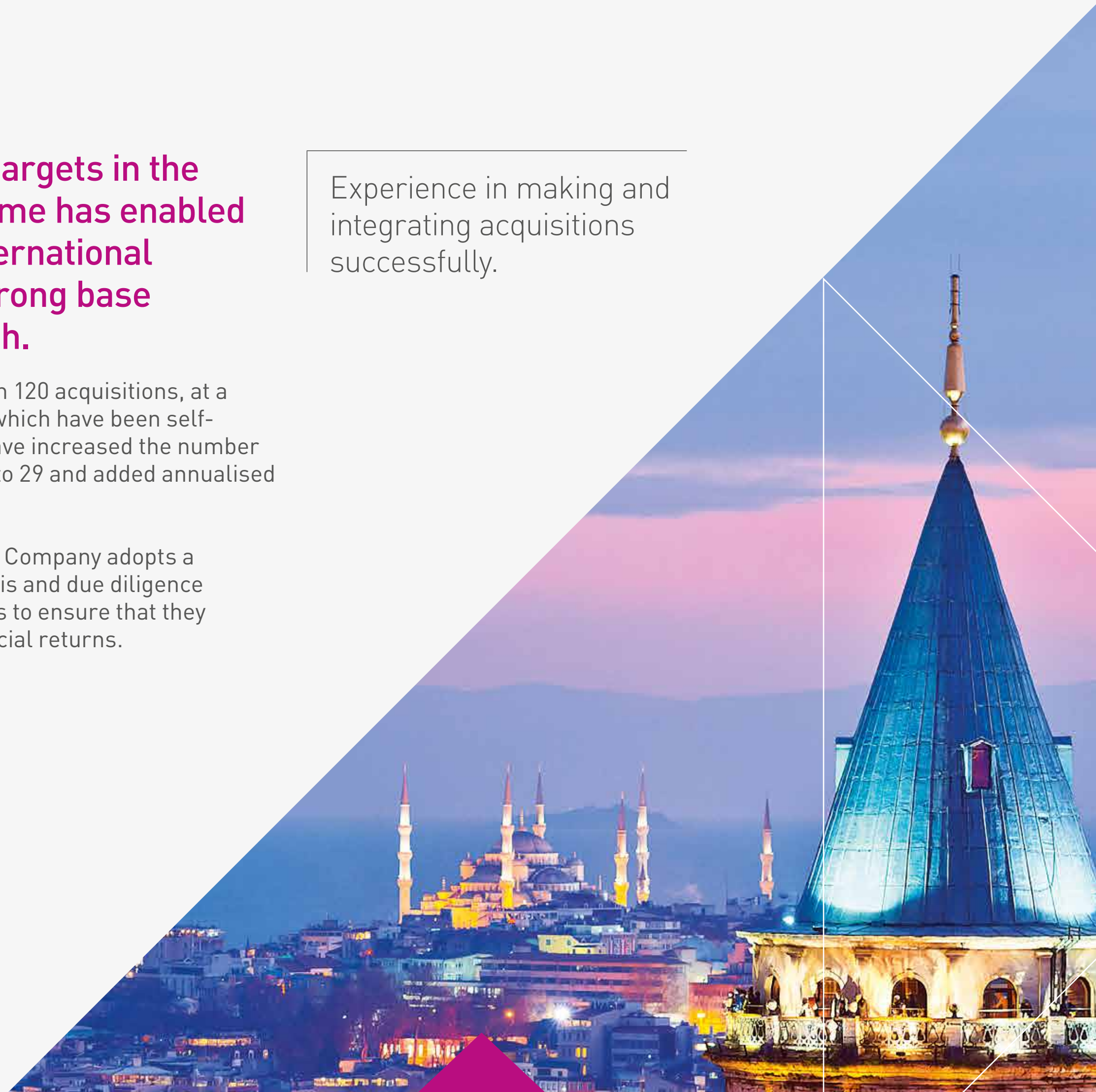
Our ability to find the right targets in the right markets at the right time has enabled us to build a substantial international business and establish a strong base for continued further growth.

Experience in making and integrating acquisitions successfully.

Since 2004 the Group has made more than 120 acquisitions, at a total cost of more than £2.2 billion, all of which have been self-funded. In doing so, over this period we have increased the number of countries in which we operate from 14 to 29 and added annualised revenue in excess of £3.2 billion.

As part of the pre-acquisition process the Company adopts a disciplined approach with rigorous analysis and due diligence being carried out on the target businesses to ensure that they meet Bunzl's criteria for acceptable financial returns.

Read about our acquisition strategy on **pages 10 and 11**



Turkey

The acquisition of Istanbul Ticaret in May 2015 was an important development for the Group as it represented Bunzl's first acquisition in Turkey which is an important G20 economy that has grown steadily over recent years. The business has a broad range of both branded and own brand safety products, which it sells to end users and other distributors, and an excellent reputation for quality and service. It has provided a good platform from which to develop a significant business in Turkey.

Austria

The purchase of Meier Verpackungen in September 2015 was the Company's second entry into a new country during the year. The business has a good position in the local market due to its ability to provide customer specific packaging products and complex packaging solutions in compliance with stringent food regulations at competitive prices, combined with high levels of customer service. The acquisition has improved the Group's technical know-how in a specialist market sector.

North America

Highlights

	2015 £m	2014 £m	Growth at constant exchange
Revenue	**3,751.8**	3,372.1	5%
Adjusted operating profit*	**244.0**	211.1	9%
Operating margin*	**6.5%**	6.3%	

* Before intangible amortisation and acquisition related costs.

- Revenue increase principally from recent acquisitions with operating margin* up 30bp at constant exchange rates to 6.5%.
- Grocery and redistribution businesses impacted by price declines in plastic products and some lost business.
- Three safety acquisitions (Tillman, Cordova and Steiner) significantly enhance growing portfolio of own brand products.
- Recent acquisition activity in Canada creates national distribution platform in cleaning & hygiene.
- Strong revenue and profit growth in businesses serving food processor and agriculture sectors.

North America is Bunzl's largest and longest-established business area, having started in 1981 with the acquisition of Jersey Paper Company in the US. The revenue of the business area that year was £20 million. Over the last 35 years the operations have grown substantially throughout the US while at the same time have expanded into Canada, Mexico and Puerto Rico to become the market-leading business that it is today with revenue of £3.8 billion.

Market sectors

5,097 Employees

168 Locations

Our objective is to give our customers a competitive edge and to improve the efficiency of their operations by offering them greater choice and excellent service throughout the supply chain from the initial order to the final delivery.

Patrick Larmon
President and CEO North America

In North America, revenue increased by 5% to £3,751.8 million principally due to the impact of the three acquisitions made in 2014 and the seven further businesses acquired during 2015. These acquisitions have enabled us to extend our product and service offerings and further consolidate the markets we serve. Although sales volumes increased, organic revenue growth was held back primarily due to deflationary pressures caused by price declines of plastic resin-based products and the net impact of some lost business. As a result of recent acquisitions having higher operating margins than the underlying businesses, operating profit increased 9% to £244.0 million with the business area operating margin at 6.5%, an increase of 30 basis points at constant exchange rates.

Our largest business serving the grocery sector was adversely affected by deflationary pressures and some lost business but we gained some new accounts and renewed some large contracts with existing customers. We have taken steps to reduce operating costs further and improve efficiencies by continuing to invest in new high-tech distribution facilities. We continued to use our 'Think Big' marketing campaign to promote our ability to help food retailers improve their profitability in the fresh food areas of their stores using our category management techniques. By employing our flexible store delivery programmes, retailers are able to provide exceptional customer service with new, innovative packaging while reducing their expenses, improving their asset utilisation and ensuring that they have an optimal supply of the products they require.

In the retail sector, we gained several major new accounts and expanded our business with existing customers. We have continued to seek opportunities to grow our materials consolidation and custom fulfilment business in this sector and to expand this concept into the grocery and convenience store sectors. These services, combined with our expertise in store supplies, décor and branded packaging, further enhance the capabilities we are able to offer to retailers. We also continue to target the growing online retailing market with our efficient and cost-effective packaging solutions. We believe that the depth and breadth of our operational and merchandising offering for our customers enables us to provide an end-to-end solution that is unmatched in the retail sector. The recent purchase of Earthwise Bag Company has further extended our product offering to grocers and retailers.

Although we have also experienced the impact of deflationary pressures and some lost accounts in our redistribution business, we have continued to expand our category management programme with our foodservice distributor customers who increasingly see the value of partnering with us to fulfil their janitorial, sanitation and food packaging requirements. The ongoing investment in digital capabilities benefits our businesses serving all sectors but particularly in redistribution where customers use our digital tools to sell to their own customers. Our central warehouse network enables us to purchase inventory and supply janitorial and sanitation products more efficiently to our local branches and customers. This enhances our ability to provide our redistribution customers with access to a wider range of products, which in turn allows them to use us as their 'virtual warehouse' to improve their sales and profitability without having to invest in additional space and inventory.

In our business serving the safety sector, in addition to Tillman, which we agreed to acquire in December 2014 and completed at the beginning of January 2015, we purchased two further companies during the year, being Cordova Safety Products and Steiner. All three businesses are based in the US and supply industrial distributors with a range of personal protection equipment, including safety gloves and workwear, with Tillman and Steiner specialising in products for the welding industry. Their combined expertise in imports and product development will help us to enhance our growing portfolio of own brand safety products.

Customer consolidation in the food processor sector continues to present challenges as well as potential opportunities for business growth. We have experienced both revenue and profit growth in the sector as a result of our national account strategy and investment in additional resources which together have enabled us to improve our account penetration. Additionally we have expanded our own label product offering including our new line of Clarity vacuum pouches, shrink bags and bin liners.

We have seen strong sales and profit growth in our business that supplies the agriculture sector and we have expanded our presence and capabilities in Mexico in order to meet demand in the region. To improve both collaboration and efficiency, all of our businesses serving in this sector are operating on a new IT system. We continue to develop innovative products to meet the demands of our customers. For example, Destiny Packaging has introduced the 'grab & steam' product, a retail version of a zippered microwavable cooking bag featuring steam valve technology.

In other product developments, FoodHandler has expanded its marketing of the 'oneSAFE' single-use glove dispensing system for the foodservice and healthcare sectors that significantly reduces cross-contamination and thereby improves food safety standards. A dedicated 'oneSAFE' website has been developed featuring educational materials designed to position the system as a leading product in food and health safety.

Despite the challenges presented as a result of continued customer consolidation in the convenience store sector, we have achieved steady profit growth as we have worked with our key wholesale partners to execute a pull-through strategy with key convenience store retailers. With our supplier managed inventory services, our wholesale partners are able to reduce their working capital and warehouse space needs while benefiting from excellent fill rates and just-in-time delivery.

Finally, we have acquired five businesses in Canada during the year, four of which operate in the cleaning & hygiene sector, that have enabled us to establish a truly national distribution platform in this important market. Our most recent acquisition, Planet Clean in September, specialises in offering environmentally friendly and sustainable cleaning and hygiene products. With our purchase of GF in June, we have entered into the industrial packaging sector and further expanded our offering of products and services for our customers. Additionally, we have combined several of our businesses in Winnipeg into one large facility to drive greater efficiencies and productivity. We will continue to use this method of consolidation throughout the North America business area where we have multiple business units operating stand-alone facilities in the same market area.

Continental Europe

Highlights

	2015 £m	2014 £m	Growth at constant exchange
Revenue	**1,121.0**	1,146.3	7%
Adjusted operating profit*	**104.5**	103.2	10%
Operating margin*	**9.3%**	9.0%	

* Before intangible amortisation and acquisition related costs.

- Strong constant exchange revenue and profit growth with operating margin* up 20bp at constant exchange rates to 9.3%.
- Entry into two new countries, Turkey and Austria.
- Impact of lower sales in France offset by continued cost reduction measures.
- Good growth in the Netherlands driven by acquisitions and progress in the safety, healthcare, retail and food processor sectors.
- Significant profit growth in Denmark.
- Further improvement in Spain and central Europe.

Bunzl acquired its first business in Continental Europe with the purchase of Hopa Disposables in the Netherlands in 1994. This was followed by acquisitions in Germany, Denmark and France in 1997, 2000 and 2004 respectively. By 2010 the business had expanded through acquisition into a further eight countries and today operates in 14 countries across the continent.

Market sectors

3,762
Employees

113
Locations

We have a broad product range and a wide geographic spread across a variety of market sectors which continue to position us well to meet our customers' demands in the future.

Frank van Zanten
Managing Director Continental Europe

Continental Europe developed strongly with revenue rising by 7% to £1,121.0 million and operating profit up 10% to £104.5 million despite the slow macroeconomic recovery in many of the countries in which we operate. Gross margins came under pressure from the strength of the US dollar against the euro, thereby increasing the cost of our imports, but careful management of the cost base enabled the underlying business to maintain its profitability. This has been supplemented by the full year impact of the four 2014 acquisitions and the part year contribution of the eight acquisitions completed in 2015, with the operating margin rising by 20 basis points at constant exchange rates to 9.3%. In a significant development, we entered two new countries during the year with the acquisition of Istanbul Ticaret, a personal protection equipment distribution business, in Turkey at the end of May and Meier Verpackungen, which distributes packaging products for food processors, in Austria at the beginning of September. Both businesses are integrating well into the Group. Today we have announced our second step into the Turkish market with the proposed acquisition of Bursa Pazari which will extend our operations there into the foodservice and healthcare sectors.

In France, sales at our cleaning & hygiene business declined slightly due to continuing pressure in the contract cleaning sector in particular. However cost reduction measures mitigated this decline with profits improving in the year. Our personal protection equipment business also recorded lower sales, the impact of which could only partly be offset by lower costs. Ligne T, the specialist safety business acquired in May 2015, has traded in line with expectations and is integrating well. At the beginning of December we acquired Comatec which specialises in the distribution of high-end, innovative single-use tableware to hotel, restaurant and catering ('horeca') customers. This is a significant addition to our operations in France and expands our business there in the foodservice sector.

In the Netherlands, sales grew well in the healthcare, food processor and retail sectors, more than offsetting lower sales in the horeca, grocery, cleaning & hygiene and government sectors. Although gross margins are under pressure, costs remain tightly managed. Allshoes and De Ridder have both integrated successfully into the Group and performed ahead of our initial expectations. Janssen Packaging, the distributor of specialist packaging for the e-commerce, fashion and fulfilment sectors which was acquired in March 2015, had a very successful year due in particular to its exposure to the e-commerce sector. It has now been fully integrated into our existing retail business. The Majestic personal protection equipment business generated good sales growth overall and margins improved despite the strength of the US dollar as sales of own brand products continued to grow.

In Belgium, strong sales growth in the cleaning & hygiene sector came both from significant volume increases with a number of larger customers as well as from winning new customers, which more than offset slightly lower sales in the grocery and food processor sectors. Margins were down due to the impact of new, lower margin business while costs remained carefully controlled.

In Germany, sales grew well with regional accounts and also in the hotel sector although margins were lower than the prior year. The main business has successfully implemented our Microsoft Dynamics AX ERP system. Our safety business reported good sales growth and the cleaning & hygiene business grew significantly, having won a large new customer during the year.

In Switzerland, revenue was up in the industrial sector which offset a decline in the retail sector. Sales were broadly flat in the medical and horeca sectors. The local economy continues to suffer from the strength of the Swiss franc which has adversely affected both tourism and exports. Profits were also at a similar level to last year.

In Denmark, revenue increased strongly with a particularly good performance in sales to the public sector and to redistributors. Growth in sales to the retail sector remained low but significant gains were made in selling personal protection equipment. Together with careful margin and cost management, this led to a significant rise in profit.

In Spain, sales grew well, especially of personal protection equipment, as the local economy has continued to improve. Although margins remained under pressure, in particular due to the strength of the US dollar, profits increased strongly. Quirumed, the healthcare products business acquired in January 2015, was particularly affected by the weak euro, which increased the costs of imports, but the business is integrating well. The integration process is also under way at Cemelim and Faru, both acquired in the last quarter of the year.

In Israel, sales increased in the bakery sector and were flat in the horeca sector. Margin pressure due to the weakening shekel was offset by tight cost control with profits ahead of last year.

In central Europe, revenue rose strongly in Hungary, Romania and the Czech Republic with increased sales in both the retail and industrial sectors. Margins were lower given the high levels of growth with larger customers but overall profits in the region increased significantly.

UK & Ireland

Highlights

	2015 £m	2014 £m	Growth at constant exchange
Revenue	**1,102.4**	1,078.5	3%
Adjusted operating profit*	**84.9**	80.1	6%
Operating margin*	**7.7%**	7.4%	

* Before intangible amortisation and acquisition related costs.

- Good profit growth with operating margin* up 30bp to 7.7%.
- Significant profit increase in safety led by acquisitions and expanded own label product ranges.
- Grocery and retail sectors remain challenging.
- Hospitality continues to grow well and further development of own label product ranges.
- Healthcare performed well despite increased customer focus on cost reductions.
- Significant improvement in Ireland driven by increased retail activity and tourism.

The acquisition of Automatic Catering Supplies in 1993 marked the beginning of the Group's expansion into Europe. Bunzl subsequently entered the cleaning & hygiene sector in 1996, the retail and grocery sectors in 1999 and the healthcare and safety sectors in 2000. Since then the UK & Ireland business area has continued to develop significantly with annual revenue now in excess of £1 billion.

Market sectors

3,636
Employees

88
Locations

We have continued to improve our operational efficiency through good margin management and careful control of costs while continuing to invest in new facilities and technology.

Paul Budge
Managing Director UK & Ireland

In UK & Ireland revenue increased 3% to £1,102.4 million and operating profit rose 6% to £84.9 million. Our constant focus on reducing operating costs and managing margins led to our operating margin improving to 7.7%, up 30 basis points on the previous year. This is a very creditable performance in a market with noticeably increased competition and also an unprecedented level of tender activity from many of our customers.

Our safety business has performed well, with revenue and profits both up, having successfully integrated the two acquisitions from 2014 and continued to build the own label programme with new products and ranges being introduced in footwear, gloves and clothing. To optimise the cost base, the branch network has been consolidated further, resulting in the closure and integration of three locations. Our cleaning & hygiene supplies business continues to provide a very good service to the major facilities management companies in the UK and profits increased as we continued to help our customers mobilise new projects both rapidly and effectively.

In retail supplies, a recent account loss has given rise to a reorganisation of the business which we believe is now well positioned for the future and this has been supported by the successful retention of our largest customer just before the year end. Although the government-imposed tax on single-use plastic carrier bags introduced in early October has reduced sales of those products, we anticipated this change and have continued to develop our offering of Bags for

Life which has offset some of this lost revenue. While also in a very competitive trading environment, Keenpac, our branded retail packaging business, has had a very successful year with some good account wins and has achieved good growth.

Our marketing services business has proven to be a valuable addition to the Group. In 2015 we had good success in renewing customer contracts and winning new business. This, together with the synergy benefits of merging our three businesses into one, has made us the clear market leader in this area.

Our hospitality businesses have performed well and benefited from a year of increased consumer activity and investment by many of our customers. The catering disposables business increased both revenue and profits as a consequence of the continued focus on account management, service, tailored solutions, product category management and a comprehensive own label programme. All of this is supported by an operational platform which continues to improve its efficiency and quality of service. Our catering equipment business has also had a very successful year. Investment by customers has resulted in growth in activity of kitchen design services and the increased supply of heavy catering equipment. Concentrated efforts to build a direct marketing offering has successfully targeted and grown new and smaller customers. The own brand programme has had ongoing investment and the development during the year included new ranges of crystal glassware, plastic glassware, cutlery and porcelain. At the end of the year we opened an innovation centre in London to showcase our ranges of branded and own brand products and the project to relaunch our website will be completed in the first half of 2016. We continue to invest in the growth of this business and will shortly be commissioning a new warehouse facility to consolidate our imported own label products.

The healthcare business has had a successful year, especially in an environment where there have been customer spending constraints and an exchange rate impact on imports. Sales growth has come from acute hospitals looking to save money on the cost of goods and services who see the advantage in utilising our efficient, high-service platform. As there is ongoing pressure on prices, we are concentrating our efforts on the overseas sourcing of items and looking to consolidate supply from fewer suppliers in the Far East.

In Ireland, the domestic economy has improved and the renewed consumer confidence has had an impact on retail activity and tourism, both of which are drivers of activity in our businesses there. Despite the adverse impact of the weakening euro, a number of initiatives undertaken with both suppliers and customers have helped to produce a very good result in this progressively improving area of our business.

During the year we continued to invest in our digital capabilities. Converting more customers onto electronic ordering platforms has been a priority which has delivered positive results. We have three new websites in cleaning and safety with a new one being launched in catering equipment shortly. One of our coffee shop chain customers now utilises our bespoke smartphone app to place orders. This offers significant benefits to the customer and will provide a strong platform for other high street customers to transition to the app in due course. Electronic proof of delivery systems are now in place in a number of our businesses and will be rolled out further. We also hold significant volumes of transaction data in our businesses which record the ordering behaviour of our customers and our service delivery. Our ability to analyse this data and share it with our customers and suppliers is of great benefit to them and is serving to enhance our reputation and the value of what we can offer.

Rest of the World

Highlights

	2015 £m	2014 £m	Growth at constant exchange
Revenue	**514.5**	559.6	6%
Adjusted operating profit*	**42.1**	55.5	(11)%
Operating margin*	**8.2%**	9.9%	

* Before intangible amortisation and acquisition related costs.

- Margins under pressure due to challenging macroeconomic conditions and currency weakness affecting product purchase prices.
- Latin America
  - Weaker performance at Brazil safety with significant fall in profitability.
  - Other businesses trading broadly in line with expectations.
- Australasia
  - Market position further consolidated in consumables.
  - Industrial and safety adversely impacted by slowdown in resources sector.

The current operations of the Group in Rest of the World started in 1983 with the acquisition of United Suppliers based in Sydney, followed by the purchase of a number of other businesses throughout Australia and New Zealand over the next 30 years. The Group's first move into Latin America was in 2008 with the acquisition of Prot Cap in São Paulo since when the business has expanded both within Brazil and into five other countries in the region.

Market sectors

2,549
Employees

101
Locations

In Rest of the World revenue increased 6%to £514.5 million but operating profit fell 11% to £42.1 million as margins came under pressure due to the challenging macroeconomic conditions and the impact of significant currency weakness in both Latin America and Australasia which have particularly affected those businesses that import large volumes of products.

The economies in Latin America have suffered a number of strong headwinds during the year. In particular a very depressed commodity market, combined with significant exchange rate depreciation and intense economic pressure and political volatility in Brazil, have created challenging market conditions across the region.

In Brazil, our largest market in Latin America, the political uncertainty regarding the current government administration, combined with steep interest rate increases to curb inflationary pressures, created a deep recession with a consequential adverse impact on industrial production. Our safety business was particularly affected by this decline in output and increased levels of unemployment leading to a significant fall in profitability. The acquisition in November of Casa do EPI, which is based in the State of Minas Gerais and has a good reputation and an excellent customer portfolio, will help strengthen our position in a region where we were previously under-represented. We have been able to pass on some of the exchange rate impact through price increases and changes in the product mix and will continue to focus on this going forward in order to mitigate the impact of these market pressures. However, due to the continued weakness in the Brazilian real, combined with a long lead time for imported products, it will take some time before we begin to see a recovery in operating margins. Nonetheless, this disruption in the supply chain is providing some opportunities in the marketplace as a result of our well-established infrastructure and extensive product portfolio.

Our cleaning & hygiene business in Brazil has expanded following the successful integration of JPLUS, acquired in 2014, and we have been able to increase revenue in our healthcare business although margins in both businesses also came under pressure. We acquired Dental Sorria, a market leader in the supply of dental products in the State of Minas Gerais, in December 2015 which has further enhanced our product offering in the healthcare sector in Brazil.

In the rest of Latin America, the picture is mixed with softer demand and pressure on margins in almost all of our markets. Despite this, our businesses are trading broadly in line with our expectations. We have also been able to acquire some excellent businesses across different sectors and geographies which will further strengthen our market position in Latin America and provide a solid platform for future growth as trading conditions improve.

In Chile, we acquired DPS at the end of November. The business provides catering disposables and a variety of cleaning, safety and packaging products to wholesalers and distributors as well as to restaurants, supermarkets and other end users. This is our third acquisition in Chile and has bolstered our position in the market there. Vicsa and Tecno Boga faced challenging conditions, caused primarily by the reduction in mining investment as a result of the weak Chilean economy and the continuing pressure on commodity prices, but despite this both businesses held up well.

In Colombia, our business has been enhanced significantly by the acquisition of Solmaq at the end of June which has further consolidated our product and service offering there. The business supplies a complete range of personal protection equipment and welding and other consumables to customers throughout the country.

In Mexico, our safety business, which incorporates both Espomega and Vicsa Mexico, had a good year with revenue and profits both improving strongly despite the pressures caused by currency fluctuations.

In Australasia, the business environment continued to be challenging with ongoing contraction and slowdown in the resources sector and declining commodity prices impacting market conditions. Compounding this, the weakening of the Australian dollar has increased the cost of imports thereby increasing margin pressures at a time when businesses were looking for cost reductions to offset the softer market conditions.

> **Our customers rely on our sourcing expertise and the deep knowledge of our product offering to ensure that they get the items that they need, where and when they are required.**
>
> **Rodrigo Mascarenhas**
> Managing Director Latin America

Although adversely impacted by the market downturn and margin pressures, our largest business, Outsourcing Services, which supplies the healthcare, cleaning, catering and retail sectors, nevertheless delivered a solid performance. The business strategy to develop a strong and sustainable position in the more resilient market sectors places the business well for future growth and should result in an improved performance as the market recovers. To support this strategy the business made three acquisitions during the year, Bidvest Hospitality Supplies in Adelaide, Delta Hospitality Supplies in Brisbane and ICB Cleaning Supplies in Auckland, New Zealand. The purchase of the two catering businesses creates additional scale and capability as we continue to build our national footprint in this sector and ICB Cleaning Supplies brings further knowledge and expertise into our New Zealand business as we continue to develop our position in this market.

Our food processor business continued to build momentum with another improved performance. The business is developing its position as a leading supplier to the Australian and New Zealand food industries. Our strategy to diversify into non-meat food processors, supported by specialist and technical resources, also continues to develop well. This is creating a solid foundation which should deliver strong growth prospects for the future. Our investment, continued focus and development of our specialist resources has helped to build creditability and scale in this market. This strategy will continue as we look for additional opportunities to develop and enhance our position further in this sector.

> **As a service oriented company we have continued to focus on providing training and development for our employees who are key to the ongoing success of our business.**
>
> **Kim Hetherington**
> Managing Director Australasia

Our industrial and safety supplies business has been the most affected by the slowdown in the resources sector. We have endeavoured to offset the impact of the downturn by consolidating facilities and making structural changes to reorganise the business to fit the current market environment. In order to reposition the business for future growth, we have invested in technology, processes and operational initiatives to enhance our competitive position and create efficiencies. We are also focused on developing new product innovations and redesigning our current product range to create a point of difference with improved safety, comfort and performance characteristics. A number of these initiatives will be launched in the first half of 2016 which should create additional business opportunities going forward. Although trading conditions have been challenging, the business has been successful in winning a number of new customers which has strengthened our market position and enabled us to diversify into more resilient market sectors and regions.

Encouraging health and wellbeing

Maintaining excellent health is crucial for our employees' wellbeing both at work and at home and we actively encourage this by sponsoring activities such as 'stepping' challenges, health checks and exercise programmes.

Giving clear roles and objectives

Our flat organisation structure and clear lines of responsibility mean that our people understand what they need to do and when they need to do it and, as a result, are able to provide excellent customer service.

valuing

Our teams across the Group are experienced and incentivised to provide high quality service and produce sustainable returns. We believe that the autonomy given to our people to take decisions locally ensures that, despite our size, we retain the feel of a market-focused, local business for both our employees and customers.

Retaining former owners

Our business model is capital light and relies heavily on our people and their local market knowledge and expertise. The acquisition of businesses is a crucial part of our strategy to grow and develop and post-acquisition it is important that we retain the former owners and other key staff to ensure that successful ongoing customer relationships are maintained.

Matching employee fundraising for charitable causes

By matching the charitable fundraising of our employees, we are able to support the communities in which we operate as well as the charities that are valued by our employees.

> One of the key reasons we sold our business to Bunzl was to benefit from the skills and experience that they could provide to help us grow our business faster. We were initially a little nervous about joining a big company and whether we would lose all control and identity. However after four years with the Group I am very pleased with the growth of our business, the freedom we have been given to operate and the personal career development which has opened up to us. It is great being part of the Bunzl family!
>
> **Steven Sudre**
> General Manager, Safety Brazil

our people

Providing development and training opportunities

We endeavour to ensure that everyone takes personal responsibility for themselves to grow within their roles. Where appropriate to do so, we foster internal appointments and promotions and support personal development through formal training programmes, as well as help to provide learning on the job.

Encouraging feedback and communication

A combination of regular employee engagement surveys, company social media sites and intranet and video technologies allow us to receive feedback from our workforce and to collaborate effectively across the world.

Financial review

Our long term track record of strong cash generation has enabled us to pay a growing dividend over the past 23 years and to support our growth strategy by making acquisitions and reinvesting in the underlying business.

Highlights

Cash conversion

Continued strong cash conversion with operating cash flow† to adjusted operating profit* of 97%.

Revenue and operating profit

Good increases in revenue and adjusted operating profit*, up 5% and 7% respectively at constant exchange rates.

Earnings

Adjusted earnings per share* rise 7% at constant exchange rates.

Dividend

Long track record of dividend growth continues with an increase of 7%.

† Before acquisition related costs.
* Before intangible amortisation and acquisition related costs.

Revenue

£6,489.7m

(2014: £6,156.5m)

Adjusted operating profit*

£455.0m

(2014: £429.8m)

Adjusted profit* before income tax

£411.2m

(2014: £387.8m)

Profit before tax

£322.7m

(2014: £299.8m)

Group performance

Overall currency translation movements had a small positive impact on the Group's revenue but had a 1% to 2% adverse impact on profits and earnings due to the weakening of sterling against the US dollar and the strengthening of sterling against the euro, the Australian dollar, the Canadian dollar and the Brazilian real.

Revenue increased to £6,489.7 million (2014: £6,156.5 million), up 5% at both constant exchange and actual exchange rates, reflecting the benefit of acquisitions and some growth in the underlying businesses. Adjusted operating profit (being operating profit before intangible amortisation and acquisition related costs) increased to £455.0 million (2014: £429.8 million), an increase of 7% at constant exchange rates and 6% at actual exchange rates. At constant exchange rates, the adjusted operating profit margin increased from 6.9% to 7.0% due to the impact of higher margin acquisitions. Intangible amortisation and acquisition related costs were up £0.5 million to £88.5 million due to a £4.9 million increase in intangible amortisation, partly offset by a £4.4 million decrease in acquisition related costs. The net interest charge of £43.8 million was £1.8 million higher than in 2014 at actual exchange rates but up only £0.1 million at constant exchange rates with the impact of a higher average net debt from the funding of acquisitions offset by the effect of lower average interest rates. Adjusted profit before income tax (being profit before income tax, intangible amortisation and acquisition related costs) was £411.2 million (2014: £387.8 million), up 8% at constant exchange rates and 6% at actual exchange rates, principally due to the growth in adjusted operating profit.

Tax

A tax charge at a rate of 27.5% (2014: 27.4%) has been provided on the adjusted profit before income tax. Including the impact of intangible amortisation of £66.8 million, acquisition related costs of £21.7 million and the associated deferred and current tax of £23.1 million, the overall tax rate is 27.9% (2014: 29.7%). The underlying tax rate of 27.5% is higher than the nominal UK rate of 20.25% for 2015, principally because many of the Group's operations are in countries with higher tax rates.

Profit for the year

Profit after tax of £232.7 million was up £22.0 million, primarily due to a £24.7 million increase in operating profit offset by a £1.8 million increase in the net interest charge and a £0.9 million increase in the tax charge.

Earnings

The weighted average number of shares increased to 327.6 million from 326.6 million due to employee share option exercises partly offset by shares being purchased from the market for the Group's employee benefit trust. Earnings per share were 71.0p, up 10% on 2014 at constant exchange rates and 10% at actual exchange rates. After adjusting for intangible amortisation, acquisition related costs and the associated tax, adjusted earnings per share were 91.0p, an increase on 2014 of 7% at constant exchange rates and 6% at actual exchange rates.

Intangible amortisation, acquisition related costs and associated tax are items which are not taken into account by management when assessing the results of the business as they do not relate to the underlying operating performance. Accordingly, such items are removed in calculating the adjusted earnings per share on which management assesses the performance of the Group. For further details of this and other non-GAAP measures see Note 1 to the consolidated financial statements on page 95.

Dividends

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

	2015	2014	Growth
Interim dividend (p)	**11.75**	11.0	7%
Final dividend (p)	**26.25**	24.5	7%
Total dividend (p)	**38.00**	35.5	7%
Dividend cover (times)*	**2.4**	2.4	

* Based on adjusted earnings per share.

The Company's practice has been to pay a progressive dividend with the aim of delivering year-on-year increases in dividends, growing at approximately the same rate as the growth in adjusted earnings per share. The 2015 dividend is 7% higher than the 2014 dividend, comparable to the adjusted earnings per share which have grown by 7% at constant exchange rates and 6% at actual exchange rates. Bunzl has sustained a growing dividend to shareholders over the past 23 years.

Before approving any dividends, the Board considers the level of borrowings of the Group by reference to the ratio of net debt to operating profit before depreciation, intangible amortisation and acquisition related costs ('EBITDA'), the ability of the Group to continue to generate cash and the amount required to invest in the business, in particular into future acquisitions. The Company's long term track record of strong cash generation, coupled with the Group's substantial borrowing facilities, provides the Company with the financial flexibility to enable dividends to be funded.

The risks and constraints to maintaining a growing dividend are principally those linked to the Company's trading performance and liquidity, as described in the Principal risks and uncertainties on pages 36 to 38. The Group has substantial distributable reserves within Bunzl plc and there is a robust process of distributing profits generated by subsidiary undertakings up through the Group to Bunzl plc. At 31 December 2015 Bunzl plc had sufficient distributable reserves to cover more than three years of dividends at the cost of the 2015 dividends, which is expected to be approximately £125 million.

Acquisitions

We completed 22 acquisitions in total in the year ended 31 December 2015, excluding Tillman which we agreed to acquire in December 2014 but completed at the beginning of January 2015. Including Tillman, the estimated annualised revenue and adjusted operating profit of the businesses acquired were £389.5 million and £49.1 million respectively. A summary of the effect of acquisitions is as follows:

	£m
Fair value of assets acquired	243.7
Goodwill	109.0
Consideration	352.7
Satisfied by:	
cash consideration	311.5
deferred consideration	41.2
	352.7
Contingent payments relating to the retention of former owners	36.2
Net bank overdrafts acquired	0.6
Transaction costs and expenses	7.9
Total committed spend in respect of acquisitions completed in the current year	**397.4**
Spend on acquisition committed as at 31 December 2014 but completed in January 2015	(70.2)
Total committed spend in respect of acquisitions agreed in the current year	**327.2**

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

	£m
Cash consideration	311.5
Net bank overdrafts acquired	0.6
Deferred consideration in respect of prior year acquisitions	16.4
Net cash outflow in respect of acquisitions	328.5
Acquisition related costs*	42.7
Total cash outflow in respect of acquisitions	**371.2**

* Cash flow on acquisition related costs relates to £8.5 million of transaction costs paid and £34.2 million from payments relating to the retention of former owners.

Cash flow

Cash generated from operations before acquisition related costs was £465.0 million, a £33.4 million increase from 2014, primarily due to a £25.2 million increase in adjusted operating profit. The Group's free cash flow of £310.2 million was up £33.7 million from 2014, primarily due to the £33.4 million increase in cash generated from operations, partly offset by a £2.7 million increase in the cash outflow relating to tax. After payment of dividends of £116.1 million in respect of 2014 (2014: £105.6 million in respect of 2013), an acquisition cash outflow of £371.2 million (2014: £168.1 million) and a £29.5 million outflow on employee share schemes (2014: £21.8 million), the net cash outflow was £206.6 million (2014: £19.0 million outflow). The summary cash flow for the year was as follows:

	£m
Cash generated from operations*	465.0
Net capital expenditure	(22.4)
Operating cash flow*	442.6
Operating cash flow* to adjusted operating profit†	97%
Net interest	(39.9)
Tax	(92.5)
Free cash flow	310.2
Dividends	(116.1)
Acquisitions	(371.2)
Employee share schemes	(29.5)
Net cash outflow	**(206.6)**

* Before acquisition related costs.

† Before intangible amortisation and acquisition related costs.

Financial review continued

Balance sheet

Return on average operating capital decreased to 55.5% from 57.7% in 2014, driven by the impact of the lower return on operating capital from acquisitions and also a decrease in the return on operating capital in the underlying business. Return on invested capital of 17.1% was down from 17.6% in 2014 due to lower returns on recent acquisitions and in the underlying business, partly offset by favourable exchange rate movements. Intangible assets increased by £153.2 million to £1,632.0 million, reflecting goodwill and customer relationships arising on acquisitions in the year of £281.2 million, partly offset by an amortisation charge of £66.8 million and a reduction of £61.2 million due to exchange. The Group's net pension deficit of £40.0 million at 31 December 2015 was £30.3 million lower than at 31 December 2014, largely due to an actuarial gain of £27.0 million. The actuarial gain arose as a result of the impact of a £33.3 million decrease in the present value of scheme liabilities from changes in assumptions, principally higher discount rates, partly offset by the actual return on scheme assets being £6.3 million lower than expected.

Net debt to EBITDA calculated at average exchange rates, increased to 2.1 times (2014: 1.8 times), principally as a result of the significant acquisition spend during the year. The movements in shareholders' equity and net debt during the year were as follows:

Shareholders' equity	**£m**
At 1 January 2015	983.9
Profit for the year	232.7
Dividends	(116.1)
Currency	(92.7)
Actuarial gain on pension schemes (net of tax)	20.3
Share based payments	14.7
Employee share options	(26.5)
At 31 December 2015	**1,016.3**

Net debt	**£m**
At 1 January 2015	(877.4)
Net cash outflow	(206.6)
Currency	(23.2)
At 31 December 2015	**(1,107.2)**

Net debt to EBITDA (times)	**2.1**

Exchange rates

Average	**2015**	**2014**
US$: £	**1.53**	1.65
€: £	**1.38**	1.24
C$: £	**1.95**	1.82
Brazilian real: £	**5.10**	3.87
A$: £	**2.03**	1.83

Closing	**2015**	**2014**
US$: £	**1.47**	1.56
€: £	**1.36**	1.29
C$: £	**2.05**	1.81
Brazilian real: £	**5.90**	4.14
A$: £	**2.03**	1.91

Group tax strategy

The Group's tax strategy is principally focused on ensuring compliance with the legal obligations of all countries in which it operates. This extends to filings, payments and disclosures to tax authorities. In alignment with the commercial and economic activity of the business, the Group manages its taxes so as to create value for its shareholders in a way that does not adversely impact its reputation as a responsible taxpayer. The Group's tax strategy and tax risks are regularly reviewed by the Audit Committee.

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.

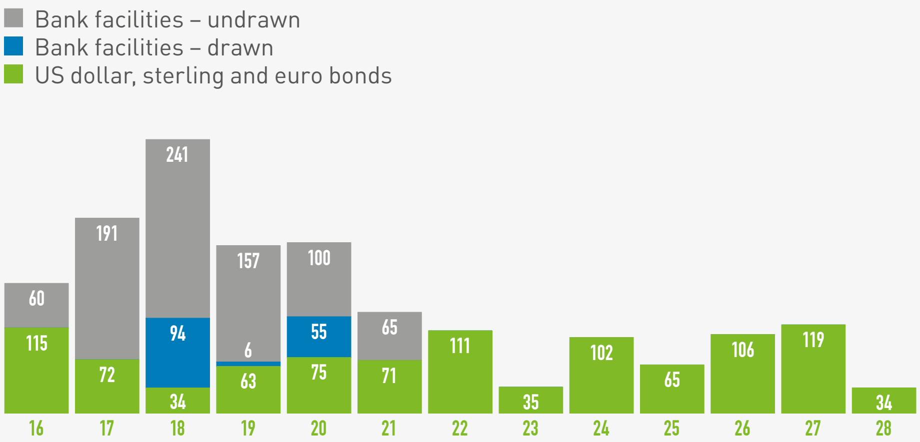
Hedge accounting

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 accounting treatment for hedges is set out in the financial instruments accounting policy in Note 2 to the consolidated financial statements on page 94. The Group tests the effectiveness of hedges on a prospective and retrospective basis to ensure compliance with IAS 39.

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 and formally tested at 30 June and 31 December. The principal covenant limits are net debt, calculated at average exchange rates, 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 2015 all covenants have been complied with

Committed facilities maturity profile £m



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 comprising multi-currency credit facilities from the Group's banks and US private placement notes denominated in US dollars, sterling and euros. During 2015 the Group agreed an issue of fixed interest rate US private placement notes in respect of which drawings of $225 million and €67 million were made during the year and the remaining notes of €133 million and £97 million are due to be drawn in March 2016. At 31 December 2015 the nominal total of US private placement notes outstanding was £1,001.9 million (2014: £793.2 million) with maturities ranging from 2016 to 2028. During the year the Group also refinanced or agreed new banking facilities totalling £133.1 million. The Group's committed bank facilities mature between 2016 and 2021. At 31 December 2015 the available committed bank facilities totalled £969.0 million (2014: £917.0 million) of which £154.9 million (2014: £136.5 million) was drawn down. The committed facilities maturity profile at 31 December 2015 is set out in the chart above.

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 2015 fixed rate debt of £679.4 million (2014: £635.7 million) related to fixed rate US private placement notes denominated in US dollars, sterling and euros was stated at amortised cost with maturities ranging from 2016 to 2024.

At 31 December 2015, floating rate debt was comprised of £160.0 million floating rate bank loans (2014: £138.5 million) and £339.5 million of fixed rate US private placement notes with maturities ranging from 2025 to 2028 which have been swapped to floating rates using interest rate swaps (2014: £173.6 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 £154.9 million were capped at 31 December 2015 (2014: £45.5 million). 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.

Foreign currency risk

The majority of the Group's sales are made and income is earned in US dollars, euros and other foreign currencies. 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 2015, a movement of one cent in the US dollar and euro average exchange rates would have changed profit before income tax by £1.1 million and £0.3 million respectively (2014: £0.9 million and £0.4 million) and adjusted profit before income tax by £1.2 million and £0.5 million respectively (2014: £1.0 million and £0.6 million).

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 2015 all foreign exchange cash flow hedges were effective with a gain of £2.0 million recognised in equity (2014: gain of £3.0 million) which will affect the income statement during 2016.

The majority of the Group's borrowings are effectively denominated in US dollars, sterling and euros, aligning them to the respective functional currencies of the component parts of the Group's EBITDA. This currency profile is achieved using short term foreign exchange contracts 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 relevant 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 at bank and in hand, 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.

Brian May
Finance Director
29 February 2016

Principal risks and uncertainties

Bunzl has an extensive risk management framework designed to identify and assess the likelihood of risks arising, and the consequences of them doing so, and subsequently to manage the actions necessary in order to mitigate their impact to acceptable levels. It also identifies the assurance activities relating to the relevant mitigating actions.

Risk overview

The effective identification, management and mitigation of risks and uncertainties across the Group are an integral part of successfully delivering the Group's strategic objectives. The 'Risk management and internal control' section of the Corporate governance report on pages 53 and 54 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 risk management framework provides a consistent methodology by which every business and business area, the Executive Committee and ultimately the Board assess the risks that the Group faces against a defined set of probability and impact criteria. In assessing impact, the following criteria are considered: business continuity; health, safety and the environment; regulatory; reputational; and financial. The probability and impact of each risk is assessed on two bases. The first, defined as Gross Risk, is the probability and impact of a risk if none of the mitigating actions or internal controls designed to reduce either the probability or the impact of a risk occurring were in place. The second, defined as Net Risk, is the residual probability and impact of a risk assuming that the mitigating actions and internal controls operated as intended in an effective way.

Using this framework, every business documents their key risks in a consistent reporting format which specifically identifies the mitigating activities, relevant controls and related assurance activities for each significant risk. Management then consolidates the risk information at both a business area and Group level using the same reporting format, culminating in the 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. The Audit Committee also reviews the process for the management of risk and the assurance procedures over controls designed to manage key risks. Accordingly, the directors confirm that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

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 2014 Annual Report remain those of most concern to the business at the end of 2015. In addition, this year the Company has determined that there is an additional financial risk relating to taxation, details of which are set out on page 38.

In accordance with the provisions of the Corporate Governance Code, the directors have taken account of the Group's principal risks in assessing the prospects of the Company when considering whether there is a reasonable expectation that the Company will be able to continue operations and meet its liabilities as they fall due over the period of their assessment. The principal risks and uncertainties faced by the Group and the steps taken to mitigate such risks and uncertainties are summarised below. The risks identified do not comprise all of the risks that the Group may face and accordingly this summary is not intended to be exhaustive and is not presented in order of potential probability or impact.

Market risks

Risk	Description	Mitigating factors
Competitive pressures	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. This could result from: customer pressure on sales volumes or margins; the loss of customers due to service or pricing issues; increased price competition; customers and suppliers dealing directly with one another; or unforeseen changes in the competitive landscape due to the introduction of disruptive technologies or changes in routes to market.	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, including own brand products. The Group also regularly reviews the competitive environment in which it operates.
Product price changes	The purchase price of products distributed by the Group can fluctuate from time to time, thereby potentially affecting the results of operations. There could be significant increases in the cost of specific products leading to a diminution in margins if cost increases cannot be passed on in full to customers or substitute products sourced from elsewhere. Potential causes could include changes in the input costs of products purchased through commodity price inflation. In addition, a period of commodity price deflation may lead to reductions in the price and value of the Group's products where sales prices are indexed or if competitors reduced their selling prices. If this was 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 also 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. The Group uses its considerable experience in sourcing and selling products to manage prices during periods of both inflation and deflation in order to minimise the impact on operating margins.
Economic environment	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

Risk	Description	Mitigating factors
Foreign exchange	The majority of the Group's sales are made and income is earned in US dollars, euros and other foreign currencies. The Group does not hedge the impact of exchange rate movements arising on translation of earnings into sterling at average exchange rates. As a result, movements in exchange rates may have a material translation impact on the Group's reported results. The Group is also subject to transaction exposures where products are purchased in one currency and sold in another. As a result, movements in exchange rates may also adversely impact both operating margins and the value of the Group's net assets.	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. The Group undertakes some forward purchasing of foreign currencies for identified exposures to reduce the impact of short term volatility. The impact of changes in foreign exchange rates and related hedging activity is regularly monitored by senior management. The Group's approach to managing foreign exchange risk is reviewed annually by the Board.
Financial liquidity and debt covenants	The Group needs continuous access to funding in order to meet its trading obligations, to support investment in organic growth, to make acquisitions when appropriate opportunities arise, and to pay dividends to shareholders. 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. 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 from a significant and rapid deterioration in the business's performance, foreign exchange rate fluctuations or the failure to manage working capital levels. Ultimately this could result in a significant proportion of the Group's borrowings becoming repayable immediately.	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. 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.

Principal risks and uncertainties continued

Financial risks continued

Risk	Description	Mitigating factors
Taxation	In an increasingly complex corporate tax environment, it is possible that changes in tax law, including those that might arise from the OECD's current Base Erosion and Profit Shifting project, may lead to higher effective tax rates for many international businesses, thereby adversely affecting the Group's future cash flows.	Oversight of the Group's tax strategy is within the remit of the Board. The Group seeks to plan and manage its tax affairs efficiently but also responsibly with a view to ensuring that it complies fully with the relevant legal obligations in the countries in which the Group operates while endeavouring to manage its tax affairs to protect value for the Company's shareholders in line with the Board's broader fiduciary duties. The Group manages and controls these risks through an internal tax department made up of experienced tax professionals who exercise judgement and seek appropriate advice from specialist professional firms. At the same time the Group monitors international developments in tax law and practice, adapting its approach where necessary to do so. Tax risks are assessed by the Audit Committee and are also incorporated within the Group risk assessment reviewed by the Board as part of the formal governance process relating to risk management.

Operational risks

Risk	Description	Mitigating factors
Acquisitions	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. There is also a risk that not all of the acquisitions made will be successful due to the loss of key people or customers after the acquisition, deterioration in the economic environment of the acquired business or the failure to perform adequate pre-acquisition due diligence or appropriately manage the post-acquisition integration of the business. 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.	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. The Group endeavours to maximise the performance of an acquisition through the recruitment and retention of high quality and appropriately incentivised management combined with effective strategic planning, investment in resources and infrastructure and regular reviews of performance by both business area and Group management.
Business continuity	The Group would be adversely affected if any of its major distribution facilities was destroyed or damaged or there was a significant failure of its information systems resulting from either hardware failure or a cybersecurity breach.	The Group seeks to reduce the impact of destruction of, or damage to, facilities through the use of multi-site facilities with products stocked in more than one location. The impact of information systems' failure is mitigated through regular renewal of hardware, layered security measures and disaster recovery plans which are periodically tested and which would be implemented in the event of any such failure.
Laws and regulations	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. 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.	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. The use of reputable suppliers and internal quality assurance and quality control procedures reduces the risks associated with defective products.

The Financial review on pages 32 to 35 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.

Corporate responsibility

We continue to conduct our operations in a sustainable manner while also seeking to encourage our suppliers to maintain high levels of corporate responsibility within their own businesses.

Highlights

- All directors, managers, sales representatives and purchasing staff once again undertook corporate responsibility training.
- Our supplier audit team, based in China, continued to grow and refine its CR audit programme.
- We have for the first time provided information on our Scope 3 emissions comprising emissions from third party carriers, business flights, waste and electricity transmission losses.

382
Asian supplier CR audits

16%
Reduction in accident severity rate

Business context

We are a focused and successful international distribution and outsourcing group with operations across the Americas, Europe and Australasia. 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, reduce carbon emissions and simplify their internal administration.

We do not manufacture any products but as part of our business strategy we source and procure branded, own brand and unbranded products globally. These products are then consolidated into our extensive global warehouse infrastructure, giving our customers a one-stop-shop solution to help reduce or eliminate the hidden costs of self-distribution and reduce their environmental impact. We also offer several delivery options to ensure our customers get their products when and where they are needed.

Sourcing

We source everyday essential non-food items for a number of market sectors including foodservice, grocery, cleaning & hygiene, retail, safety and healthcare. We liaise closely with our suppliers so that we are able to offer a full range of items which satisfy our customers' demands, including offering alternative products which reduce their environmental impact and, as a result, their effect on climate change. Our quality assurance/quality control department based in Shanghai monitors and works with our key suppliers in Asia to ensure that appropriate corporate responsibility ('CR') standards are in place.

Consolidation

We have an extensive footprint of warehouse facilities across four continents. Our broad range of products are therefore never far from where they need to be, allowing us to facilitate our customers' needs quickly and easily, as well as reducing the number of deliveries to our customers, thereby cutting fuel usage, carbon emissions and administration.

Where it has been shown to be cost-effective, we have installed energy efficient lighting, making use of technical advancements available which reduces our energy consumption.

We continue to increase waste segregation facilities and staff are encouraged to work towards zero waste to landfill both in warehouses and offices.

Distribution
With our fleets of delivery vehicles and third party carriers, we are able to get products to our customers in a timely manner. Our flexible delivery service allows our customers to increase the efficiency and competitiveness of their operations.

As well as day-to-day operations, our business relies on developing strong and stable relationships with all of our stakeholders. We believe in managing our business with integrity, making sustainable, long term decisions.

Strategy, framework and materiality

We believe that positive actions with respect to CR are not only desirable in their own right but are also of potential economic and commercial benefit to the Group. A strong reputation for CR can provide business advantage and contribute to shareholder value. Conversely, perceived weakness in CR may damage our reputation and cause risks. Bunzl's good practice in sustainability has been recognised by its FTSE4Good listing and CDP score. Details of our strategy and framework in relation to CR can be found on the Bunzl plc website in the Responsibility section at www.bunzl.com.

Materiality
Understanding our material issues is important to enable us to manage our CR related impacts and stakeholder relationships effectively. It also helps to focus our resources, engagement and reporting activities by addressing those issues most material to our business. Our current areas of focus are:

- business conduct/code of ethics: training to ensure everyone understands our standards;
- employees: engaging through clear communication using a variety of channels, as well as provision of training and development opportunities;
- health & safety: improving safety in our warehouses and on our vehicles and ensuring that everyone takes personal responsibility for this;
- environment/climate change: reducing our and our customers' impacts on the environment by reducing carbon emissions and promoting the reduction of waste and providing innovative products to meet our customers' needs, for example environmentally friendly packaging;
- community: providing support by encouraging employee fundraising, donating to charitable projects that benefit our employees and the communities we work in and by donating stock and cash to charitable organisations and good causes; and
- suppliers: responsible sourcing, working as partners with our suppliers to encourage high levels of CR and ethical trading initiatives.

These issues 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

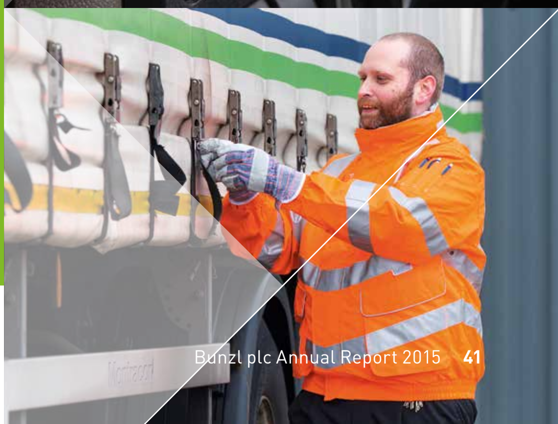
The Group's business conduct/code of ethics policy is disseminated to every employee as a guide to how employees are expected to conduct themselves both from a corporate and individual perspective. The policy clearly states that employees should avoid conflicts of interest, provides guidance on the giving 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 2015. 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 resources ('HR') policies and procedures. 17 (2014: nine) calls/letters were received through our confidential whistle blowing process, 'Speak Up', none of which raised any issues of material concern.

During 2015, all directors, managers, sales representatives and purchasing staff once again undertook all of the CR e-learning modules which had been developed and enhanced since their original launch. There are now a total of 11 modules which provide an overview of the business conduct/code of ethics policy and anti-bribery issues such as facilitation payments and gifts and entertainment, and include two new modules on competition law and cybersecurity. In addition we refreshed the posters which are displayed in all our locations to advertise our whistle blowing process – 'Speak Up'.

> Sustainable business practice is important to Bunzl and we continue to refine our processes and operations to ensure ongoing improvements in this area. Our ability to measure the improvement in our performance relies on the availability of high quality data for our key indicators.
>
> **Philip Rogerson**
> Chairman

We continually review the performance of the fleet as part of our operational efficiency strategy, including the use of routing software. We have also recently fitted cameras to our vehicles in the UK to improve safety, especially when they are manoeuvring.



Corporate responsibility continued

Key performance indicators	Performance			What we said we would do in 2015	What we did
	2013	2014	2015		
Employees Engaging with our employees with clear communications and the provision of training and development opportunities					
Employee turnover: Voluntary	7.5%	10.5%	10.8%	Monitor turnover and take action where necessary.	Turnover levels have remained relatively flat in UK & Ireland, Australasia and Continental Europe, increased somewhat in Latin America but reduced slightly in North America. In our view the movement in voluntary turnover tends to reflect changing economic conditions in the countries in which we operate rather than any intrinsic reasons related to the Group.
Gender diversity: Women at senior management level	9%	10%	11%	Consider development and training opportunities exclusively for women.	The number of women at senior management level has once again increased slightly to 11% (2014: 10%). In February 2015 another female non-executive director was appointed to the Board. We continued to promote a women's development and training network across the Group which is proving to be popular.
Employee engagement index score	–	74%	–	Implement actions as appropriate to address issues raised in the 2014 survey.	The results of the employee survey have been absorbed and, as appropriate, working parties have been set up to address issues raised. The employee engagement survey is run every two to three years and therefore data was only available in 2014.
Health & safety Improving safety in our warehouses and on our vehicles					
Reduction in accident incidence rate (% change year-on-year)	-4%	-19%	-7%	Reduce the Group accident incidence rate by 3% from 2014.	The accident incidence rate reduced by 7% and the accident severity rate reduced by 16%. The accident incidence rate improved substantially in excess of target in North America and Continental Europe. In UK & Ireland, Australasia and Latin America there was an increase in both incidence and severity rates. In UK & Ireland three significant incidents due to unsafe conditions on customer premises accounted for 42% of days lost in that business area. The inclusion for the first time of recently acquired companies in Latin America has increased the incidence and severity rates. The increase in Australasia's incidence and severity rates show no specific causal trends.
Reduction in accident severity rate (% change year-on-year)	-1%	-3%	-16%	Reduce the Group accident severity rate by 5% from 2014.	
Environment/climate change Reducing our impact on the environment by reducing carbon emissions and waste and improving packaging, etc.					
Carbon emissions: Scope 1 (Tonnes of CO_2e per £m revenue)	15.5	15.7	14.7	Reduce emissions by 25% from 2010 base line data (3% from 2014).	The 2015 figure represents a 27% reduction in emissions versus our 2010 baseline data (6% from 2014). Fuel for transportation remains our highest source of CO_2e emissions contributing c. 84% of Scope 1 and 61% of combined Scope 1 and 2 emissions. Of those emissions relating to transportation, more than 75% are generated by our fleet of commercial vehicles. We continually review the performance of the fleet as part of our operational efficiency strategy.
Carbon emissions: Scope 2 (Tonnes of CO_2e/£m revenue)	5.3	5.2	5.4	Reduce emissions by 17% from 2010 base line data (2% from 2014).	The 2015 figure represents an 11% reduction in emissions versus our 2010 baseline data (but an increase of 4% from 2014). As a result of our ongoing acquisition programme and extensions to existing sites and operating hours to service growth within the business, units of electricity consumed across the Group have increased. Lighting is our highest area of electricity consumption and we continue to review the return on investment on low energy lighting at all our sites worldwide as the technology progresses.
Total Scope 1 & 2 emissions (Tonnes of CO_2e/£m revenue)	20.8	20.9	20.1	Reduce emissions by 23% from 2010 base line data.	The 2015 figure represents a 24% reduction in emissions versus our 2010 baseline data.
Suppliers Responsible sourcing, working as partners with our suppliers to encourage high levels of CR and ethical trading initiatives					
Asian supplier CR audits and assessments covering environmental and social standards (No. of audits/assessments carried out)	275	323	382	Continue to work with key suppliers to encourage them to meet Bunzl's CR standards.	The audit team has continued to grow and has further refined its CR audit programme to categorise suppliers appropriately in relation to their standards and practices.
Community Providing support to our local communities through employee fundraising, matched funding and donations of stock and cash to charitable organisations					
Charity donations (£000s)	580	572	631	Continue to support relevant charities.	Bunzl supported a variety of projects for charities supporting healthcare and the environment. For example, we have funded a mobile first aid vehicle for St John Ambulance and a seed collection trip for Kew's Millennium Seed Bank.

What we plan to do in 2016
Monitor turnover and take action where necessary.
Extend the training network further and encourage wider participation.
Prepare to undertake the employee engagement survey either at the end of 2016 or during the first half of 2017.
Reduce the Group accident incidence rate by 5% from 2015.
Reduce the Group accident severity rate by 5% from 2015. Establish programmes in each business area to identify behaviours that promote safety as a value.
Reduce emissions by 29% against 2010 baseline data (3% from 2015).
Reduce emissions by 13% against 2010 baseline data (2% from 2015).
Reduce emissions by 25% against 2010 baseline data.
Undertake a supplier risk assessment in relation to enforced labour/slavery.
Continue to support relevant charities.

Employees

Bunzl currently operates in 29 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 to 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. Details of the Group's workforce diversity at 31 December 2015 are set out in the charts opposite.

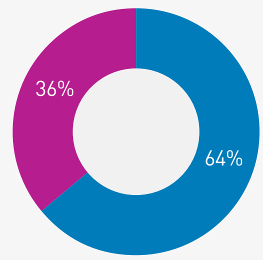
Human rights

Bunzl adheres to the Universal Declaration of Human Rights ('UDHR') and upholds the Fundamental Principles and Rights at Work policies, defined by the International Labour Organization, as well as local laws. The majority of countries in which Bunzl operates have their own laws banning child and forced labour and promoting human rights. We monitor the age of our workforce across the world to ensure compliance and identify any potential succession issues. In the US some of our operations, particularly in the north east, are represented by trade unions with which we have negotiated pay contracts. Bunzl does not restrict any of its employees in any of the countries in which it operates from joining a trade union if they wish to do so. We also work closely with our suppliers to ensure that they at least meet internationally recognised minimum requirements for workers' welfare and conditions of employment, as defined by the International Labour Organization or the Ethical Trading Initiative, and do not use any forced labour.

Total workforce

Gender split at 31 December 2015

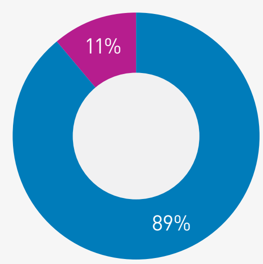
- Male (8,809)
- Female (4,941)



Senior management

Gender split at 31 December 2015

- Male (352)
- Female (43)



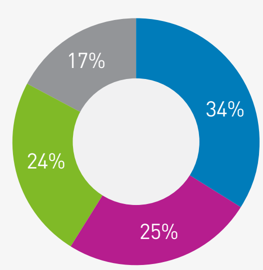
Board composition

7 male, 2 female

Average number of employees

By business area

- North America (5,097)
- Continental Europe (3,762)
- UK & Ireland (3,636)
- Rest of the World (2,549)



Corporate responsibility continued

Health & safety

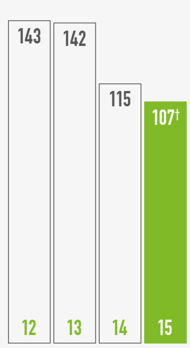
Health and safety remains a priority for Bunzl and it is our aim that no employee or other person should be injured as a result of our operations. Incidents relating to manual handling, slipping and tripping and impact with equipment/objects remain the highest causes of accidents and days lost. Together these three hazards represent 90% of incidents and 82% of days lost. Regretfully in the 2015 reporting period there were two fatalities (2014: two) both resulting from impact with Bunzl vehicles. One incident involved the death of a delivery driver who was struck by a reversing vehicle on Bunzl premises and the other was the death of a third party whose vehicle was in collision with an overturned Bunzl trailer. We continue to invest in premises and equipment to improve the safety of our employees and others. The majority of the vehicles in our commercial fleet already have on-board telematics that enable us to improve safety. We are currently piloting the use of telematics in France Hygiene's commercial fleet which is the largest fleet in Continental Europe. Following a successful pilot study, UK & Ireland is fitting its commercial fleet with cameras and audible turn left and reversing warnings with audible/visual side sensors. It is expected that the fitting of such devices will significantly improve safety and reduce vehicle damage.

Many of the incidents we experience result from human error and/or failure to implement identified safe working practices. We recognise that world-class safety depends on leadership that promotes safe working practices and we have introduced a number of activities to demonstrate this. Bunzl has developed a Safety Guide for Managers based on Bunzl's accident history, an app which can be accessed via tablets or mobile phones to assist senior managers in raising safety issues while visiting sites. Further, substantial investment was approved for our web-based accident reporting system in order to provide improved analysis and management reports. The Safety Observations Programme, mentioned in last year's report, has been implemented in North America and UK & Ireland and is also being adopted in Continental Europe. Investment in additional Environment, Health & Safety management resource has occurred in Continental Europe which has resulted in safety improvement programmes being implemented in each company based on self-assessment. North America has launched Safety Call to Action, a communication programme led by Division Presidents to enhance safety behaviours of all staff. In addition, UK & Ireland has developed a series of bespoke safety posters with supporting Tool-box Talks. In Australasia the Safety Walk programme is aimed at promoting a safe working culture by demonstrating the engagement of business leaders. The programme involves senior managers visiting sites and talking with individual employees about safety related matters that affect their particular site.

The Bunzl Risk Management Committee, which reviews Group safety performance on a quarterly basis, will focus on this issue going forward. Details of our performance from 2012 to 2015 are provided in the bar charts below. The accident data provided is for the whole Group including acquisitions made during the relevant reporting period.

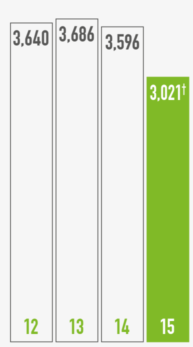
Incidence rate

Average number of incidents per month per 100,000 employees



Severity rate

Average number of days lost per month per 100,000 employees



Incidence and severity rates for previous years have been restated to address inconsistencies in the definition of employee numbers. The number of time lost accidents and days lost are unchanged from those previously reported.

† Included in the external auditors' limited assurance scope referred to on page 47. 2014 data was also assured as detailed in the 2014 Annual Report.

Environment/ climate change

We seek to minimise the contribution of Bunzl operations to climate change and to prevent other harmful effects of Bunzl's operations on the environment. Our facilities operate worldwide to Group standards and we promote environmental awareness throughout the business. Our branch network serves to minimise the effects of extreme local climate conditions. Bunzl had no significant environmental incidents in 2015.

Direct water usage is not a significant environmental impact for our business as it is principally confined to staff hygiene and workplace cleaning purposes. We continue to measure water across a sample of our sites worldwide and our usage per employee is largely unchanged. As we do not manufacture any of the goods we sell, water discharges, apart from internal sanitation, are limited to rainwater run-off from the yards of Group locations where the water is treated by interceptors in accordance with local legislation.

Our reported environmental data includes all businesses that are subsidiaries of the Group for financial reporting purposes, with the exception of those recent acquisitions where there has been insufficient opportunity for the businesses to adopt our reporting guidelines, in which case the revenue from the businesses is not included when calculating the indexed emissions. We integrate our environmental reporting with our financial reporting through the annual budget review. Businesses provide commentary on their environmental performance and set targets for the following year. Environmental data is reviewed and agreed by the relevant Finance Directors.

The EU Energy Efficiency Directive came into effect during 2015. UK & Ireland appointed Lead Assessors in May 2015 and the Company's submission was completed ahead of the deadline. Recommendations for energy reductions are currently under review and the findings will be shared across the Group through the Bunzl Risk Management Committee. We have completed a review of the businesses in Continental Europe within the scope of the Directive and plans are in place to comply with the requirements of the relevant legislation in each country. A number of locations in UK & Ireland, Australasia and Continental Europe renewed their ISO 14001 accreditation. Currently, measured by revenue, approximately 27% of the Group's operations are ISO 14001 accredited.

All acquisitions made prior to the 2015 reporting year are now providing environmental data. Revenue relating to more recent acquisitions which are not yet reporting emissions is excluded. The reported data covers around 98% of the Group by revenue.

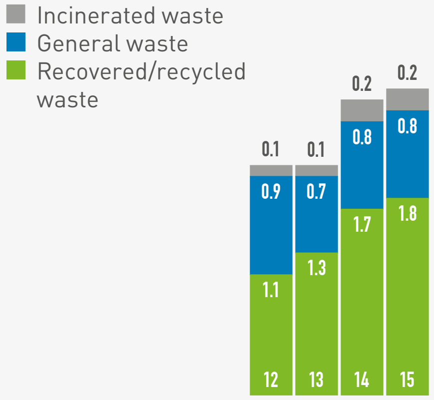
Scope 1: Fuel for transportation remains our highest source of CO_2e emissions contributing c. 84% of Scope 1 and 61% of combined Scope 1 and 2 emissions. Of those emissions relating to transportation, more than 75% are generated by our fleet of commercial vehicles. We continually review the performance of the fleet as part of our operational efficiency strategy. This includes regular replacement and maintenance of vehicles, mapping of customers against the branch network and optimising routing, the use of vehicle telematics and driver training programmes. At Group level diesel consumed by our commercial fleet decreased by c. 1%. Reductions in UK & Ireland and Australasia were partially offset by slight increases in North America and Continental Europe where fleet sizes have increased due to a combination of acquisition and organic growth. We have considered the use of bio fuels in UK & Ireland but it is not currently viable due to the requirement to install on-site fuel tanks and concerns about compatibility with Euro 6 engines. France Hygiene, which operates the largest commercial fleet in Continental Europe, is piloting the use of vehicle telematics which can encourage more fuel efficient driving. Fuel consumption in Latin America has increased by 18% as a result of acquisitions. Consumption of gas during the year fell by 5% as slight increases in UK & Ireland and Continental Europe, due primarily to acquisitions, were more than offset by reductions in North America because of the less harsh winter weather compared with 2014.

Scope 2: As a result of our ongoing acquisition programme and extensions to existing sites and operating hours to service growth within the business, units of electricity consumed across the Group have increased. North America has seen a 9% increase in electricity consumption resulting from a combination of extensions to a number of sites, longer operating hours and the purchase of new materials handling equipment to reduce manual handling risks. In Australasia, Bunzl Industrial Services ('BIS') has reported for the first time. BIS is made up of a number of smaller sites which is less energy efficient, and accounted for 34% of electricity consumed in Australasia during the year. Despite some lighting renewal projects in Continental Europe, both Continental Europe and Latin America have increased consumption due to the effect of acquisitions, together with some increases in the number or size of sites to provide extra capacity. In UK & Ireland there was a reduction in consumption as a result of site consolidations and some lighting improvement programmes in office areas. Lighting is our highest area of electricity consumption and we continue to review the return on investment on low energy lighting at all our sites worldwide as the technology progresses and continues to improve the efficiency of such lighting.

Scope 3: We have for the first time provided information on our Scope 3 emissions comprising emissions from third party carriers, business flights, waste and electricity transmission losses. We are aware that there is still work to be done to refine the data which is provided for transparency of our emissions, particularly in relation to the distribution of products. The majority of the businesses which have been acquired since 2010 do not have their own fleet. In addition all our businesses, irrespective of whether they have their own fleet, will distribute a proportion of goods by third party carriers where it is more efficient and cost-effective to do so. The bar graph below shows that third party carriers produce the largest part of our Scope 3 emissions. Bunzl is an international company with an active global acquisition programme and business flights are essential for the effective management and growth of our business. We increasingly use alternative means of communication such as video and telephone conferencing and flights are justified by business needs and subject to authorisation by senior management. Reduction and segregation of waste continues to be an area of focus and the data provided covers approximately 96% of the Group by revenue. Although we have included this in our Scope 3 calculation, we have for transparency continued to provide waste data separately as well. UK & Ireland has successfully launched initiatives in the hospitality and catering sector to improve recovery and recycling of waste generated by our customers, including disposable products that we have supplied, by partnering with our customers and waste management contractors who specialise in recycling.

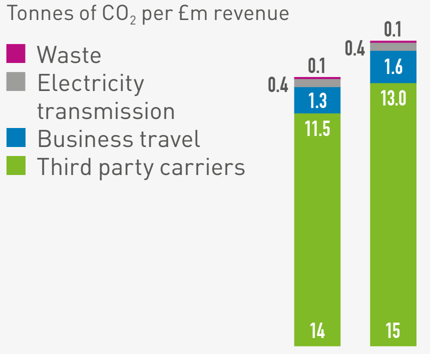
Waste

Tonnes per £m revenue



Scope 3 carbon emissions

Tonnes of CO_2 per £m revenue



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

	Tonnes of CO_2e		
	Base year 2010	2014	2015†
Scope 1	95,249	93,641	**92,645**
Scope 2	28,757	31,204	**33,843**
Total gross emissions	124,006	124,845	**126,488**
Total carbon emissions per £m revenue	26.3	20.9	**20.1**

† Included in the external auditors' limited assurance scope referred to on page 47. The data for 2014 was also assured as detailed in the 2014 Annual Report.

Corporate responsibility continued

Suppliers

Price is only one factor in our purchasing decisions and matters such as quality, availability, our customers' preferences and our policies are also taken into account. The vast majority of our products are sourced locally by our businesses but many products are sourced elsewhere if it is appropriate to do so. In 2015 less than 20% of our products were sourced from lower cost countries. Each business area is responsible for implementing appropriate processes to assess key suppliers' compliance with the relevant CR standards and to monitor performance and improvements against such standards. Bunzl focuses on its key suppliers to ensure that they meet the same CR standards we have set for ourselves. We periodically write to those suppliers that provide us with 50% of our products by value to update them on our CR aspirations and to encourage them to adopt a similar approach.

To assist the business areas, we have our own quality assurance/quality control department based in Shanghai whose main aim is to perform regular audits of our suppliers in Asia to ensure that they meet international standards, as well as testing the factories' production capabilities and their quality assurance and quality control systems. Employees' terms and conditions of work, customer service capabilities, hygiene management systems and their policies and practices on environmental issues are also checked. Our policy is that all our suppliers meet internationally recognised minimum requirements for workers' welfare and conditions of employment, as defined by the International Labour Organization or the Ethical Trading Initiative. During 2015 the team has continued to grow and has further refined its CR audit programme to categorise suppliers appropriately in relation to their standards and practices.

Suppliers who are unable to meet all the requirements after an initial assessment/audit are given the opportunity to comply fully within a period which is deemed appropriate for the circumstances. If a serious breach is identified following assessment, an action plan is documented and the supplier is expected to commit to addressing all the areas where discrepancies have been identified. The process of improvement via this method is principally reliant on the commitment of the supplier's management team/owner/agent to ensure that all areas are addressed. If we have reason to believe that the supplier is not making sufficient or committed progress, this could lead to a suspension in the relationship until such time that we are confident that all areas are being satisfactorily addressed. Bunzl companies reserve the right to cease a relationship with a supplier if it is found that unacceptable practices are being employed at any sites used for producing or sourcing Bunzl products. Such practices include use of child labour, forced or bonded labour as well as physical abuse or discipline and intimidation, illegal discrimination, wages not meeting local minimum requirements and not providing adequate days of rest. Since 2015, in order to enhance the processes further, any suppliers that are being monitored and assessed due to identification of a serious breach are now reported to and reviewed by the Board.

We continue to liaise with suppliers and have refined and introduced a process to ensure that any paper or wood based products are manufactured from sustainable sources in compliance with the relevant timber regulations.

We continue to support our employees in their charitable fundraising, for example a cycle challenge raising money for Northern Ireland Hospice, as well as supporting projects for healthcare and environmental charities, such as sponsoring Kew Gardens' Millennium Seed Bank field trips to the Atacama Desert in Chile to collect seeds from rare plants flowering due to unusual weather conditions.

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 fundraising activities championed by our employees locally. This is supplemented by donations made at Group level to charities predominantly in the fields of healthcare and the environment to support projects often in the 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 £631,000 to charitable causes during 2015 (2014: £572,000). This does not include in-kind donations or employee fundraising.

For more information on all of Bunzl's CR policies and activities please visit the Responsibility section of our website, www.bunzl.com.

External assurance

We engaged PricewaterhouseCoopers LLP ('PwC') to undertake a limited assurance engagement, reporting to Bunzl plc only, using International Standard on Assurance Engagements ('ISAE') 3000 (Revised): 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' and ISAE 3410: 'Assurance Engagements on Greenhouse Gas Statements' over the three KPIs on page 15 and the data on pages 44 and 45, in each case that has been highlighted with the symbol '†'. They have provided an unqualified opinion in relation to the relevant KPIs and data and their full assurance opinion is also available in the Responsibility section of our website, www.bunzl.com.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. In order to reach their opinion, PwC performed a range of procedures including making enquiries of relevant Bunzl management, and evaluating the design of the key structures, systems, processes and controls for managing, recording and reporting the selected information. This included analysing and testing over three sites selected on the basis of their inherent risk and materiality to the Group, to understand the key processes and controls for reporting site performance data and to obtain supporting information. Finally PwC performed limited substantive testing on a selective basis of the selected information in relation to one site in Bunzl UK & Ireland and multiple sites across Bunzl North America to check that data had been appropriately measured, included, collated and reported.

Non-financial performance information, including greenhouse gas quantification in particular, is subject to more inherent limitations than financial information. It is important to read the selected corporate responsibility information contained in this Annual Report in the context of PwC's full limited assurance opinion and the Company's Corporate Responsibility Performance Reporting Guidelines which are also available in the Responsibility section of our website.

Risks

The Principal risks and uncertainties section on pages 36 to 38 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 a number of CR risks which could impact the Group's business have been identified and these are set out below together with the steps taken by management to mitigate such risks.

Risk	Mitigating factors
CR compliance failures 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. Regular training in all areas of CR takes place using our suite of e-training modules.
Loss of key employees 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 and sickness absence is measured on a monthly basis and employee age profiles are reviewed annually, which enables any issues to be identified and resolved.
Loss of operating facilities/unavailability of staff 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.
Suppliers' non-compliance with good CR practices 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 quality assurance/quality control department based in China audits key suppliers throughout Asia. The top 50% of suppliers by value of Bunzl spend 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 as previously outlined in this report.

Board of directors

The implementation of Bunzl's global strategy is overseen by a strong, independent Board.

1 Philip Rogerson
Chairman

2 Michael Roney
Chief Executive

3 Patrick Larmon
Executive director

4 Brian May
Finance Director

> **Our Board has continued to evolve while maintaining its focus on creating shareholder value by successfully building the business through a combination of organic growth and consolidating the markets in which we compete.**
>
> **Philip Rogerson**
> Chairman

1 Philip Rogerson # (Age 71)
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 Group plc (formerly British Gas plc) from 1992 to 1998, latterly as Deputy Chairman. Since then he has held a number of non-executive directorships and was Chairman of Aggreko plc from 2002 to 2012 and Carillion plc from 2005 until 2014. He is currently Chairman of De La Rue plc.

3 Patrick Larmon (Age 63)
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. He is a non-executive director of Huttig Building Products, Inc.

2 Michael Roney # (Age 61)
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 was a non-executive director of Johnson Matthey Plc from 2007 until 2014, latterly as the senior independent director, and is currently a non-executive director of Brown-Forman Corporation. He will retire from the Board following the Annual General Meeting on 20 April 2016.

4 Brian May (Age 51)
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.

5 Frank van Zanten
Executive director

6 David Sleath
Non-executive director

7 Eugenia Ulasewicz
Non-executive director

8 Jean-Charles Pauze
Non-executive director

9 Meinie Oldersma
Non-executive director

10 Vanda Murray
Non-executive director

5 Frank van Zanten (Age 49)
Executive director since February 2016 and Chief Executive and member of the Nomination Committee from April 2016. He joined Bunzl in 1994 when Bunzl acquired his family owned business in the Netherlands and subsequently assumed responsibility for a number of businesses in other countries. In 2002 he became Chief Executive Officer of PontMeyer NV, a listed company in the Netherlands, before re-joining Bunzl in 2005 as Managing Director of the Continental Europe business area. He is a non-executive director of Grafton Group plc.

8 Jean-Charles Pauze *†#• (Age 68)
Non-executive director since 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 the Supervisory Boards of CFAO SA and IMCD Group NV and Vice President of the supervisory Board of Europcar Groupe SA.

6 David Sleath *†#• (Age 54)
Non-executive director since 2007, senior independent director 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 and has been Chief Executive since 2011.

9 Meinie Oldersma *†#• (Age 56)
Non-executive director since 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 where he was Chief Executive from 2008 until 2014. He is Chairman of Kondor Limited and a non-executive director of the Supervisory Board of Smallsteps BV.

7 Eugenia Ulasewicz *†#• (Age 62)
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 and was President of Burberry, Americas, one of three global regions of Burberry Group plc which includes North and Latin Americas, from 1998 until 2013. She is a non-executive director of Signet Jewelers Limited and Vince Holding Corp.

10 Vanda Murray *†#• (Age 55)
Non-executive director since February 2015 and Chair of the Remuneration Committee. Formerly Chief Executive Officer of Blick plc from 2001 to 2004, she subsequently became UK Managing Director of Ultraframe PLC from 2004 to 2006 and was appointed OBE in 2002 for Services to Industry and Export. She is presently a non-executive director of Exova Group plc and Fenner PLC where she is senior independent director.

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

Corporate governance report

Chairman's introduction

As a Board we are committed to maintaining the highest standards of corporate governance and one of my key responsibilities as Chairman is to ensure that we continue to do so. Bunzl's corporate governance framework is designed to facilitate effective, entrepreneurial and prudent management that can safeguard shareholders' and other stakeholders' interests while at the same time sustain the continued success of the Company over the longer term.

One of the key aspects of good governance by any Board is to develop and maintain a comprehensive strategy and plan for future management succession. In this regard, with help from the Nomination Committee, we have undertaken an extensive search and selection process to identify Michael Roney's successor as Chief Executive following Mike's decision to retire from the Board after more than 10 years in the role. In January 2016 we announced the appointment of Frank van Zanten, who is currently the Managing Director of our Continental Europe business area. Frank joined the Board on 1 February 2016 and will succeed Mike as Chief Executive following the conclusion of the Annual General Meeting to be held on 20 April 2016.

In September 2014 the Financial Reporting Council published the latest edition of the UK Corporate Governance Code (the 'Code'), a copy of which is available at www.frc.org.uk. This 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. The new version of the Code incorporates a number of changes to the previous edition including amendments to the principles and provisions relating to directors' remuneration and risk management and internal control. It has also introduced a new requirement for Boards to make an annual viability statement. The report that follows provides an overview of the work undertaken by the Board and its Committees in fulfilling our governance responsibilities and describes how the principles of the Code have been applied by the Company during the year ended 31 December 2015.

Philip Rogerson
Chairman
29 February 2016

Compliance statement

It is the Board's view that for the year ended 31 December 2015 the Company has been fully compliant with all of the relevant provisions set out in the Code applicable to this reporting period. The Company's auditors, PricewaterhouseCoopers LLP, are required to review whether this statement reflects the Company's compliance with those provisions of the Code specified for their review by the Listing Rules of the Financial Conduct Authority and to report if it does not reflect such compliance. No such report has been made.

Board composition

As at 31 December 2015, the Board was made up of nine members comprising a Chairman, a Chief Executive, two other executive directors and five non-executive directors. As at the date of this report the Board was made up of 10 members following the appointment of Frank van Zanten as a director with effect from 1 February 2016. Michael Roney, who has been Chief Executive since 2005 having previously joined the Board as a non-executive director in 2003, will retire from the Board following the Company's Annual General Meeting on 20 April 2016. Brief biographical details of the directors are given on pages 48 and 49. 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 each of the directors, with the exception of Michael Roney who retires at the conclusion of the Annual General Meeting, 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 in 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 in 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.

David Sleath is currently 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. He is also available to the other directors should they have any concerns which are not appropriate to raise with the Chairman or which have not been satisfactorily resolved by the Chairman.

The non-executive directors play a key role in corporate governance and accountability through both their attendance at Board meetings and their membership of the various Board Committees. The non-executive directors bring a broad and diverse range of business and financial expertise and experience to the Board which complements and supplements the experience of the executive directors. This enables them to evaluate information provided and constructively challenge management's viewpoints, assumptions and performance.

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. The Board is supplied with full and timely information, including detailed financial information, to enable the directors to discharge their responsibilities. 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 seven 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 2015 a number of the Group's senior executives made presentations to the Board about a variety of different and diverse topics including reviews of potential acquisition opportunities, the post-acquisition performance of businesses acquired in prior years, the Group's financing facilities and treasury policies, cybersecurity risks and controls, supplier audits carried out and health and safety performance metrics.

In addition to regular 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.

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.

Conflicts of interest

The directors are required to avoid situations where they have, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. In accordance with the Companies Act 2006, the Company's Articles of Association allow the Board to authorise potential conflicts of interest that may arise and to impose such limits or conditions as it thinks fit.

Directors are required to give notice of any potential situational and/or transactional conflicts which are then considered by the Board and, if deemed appropriate, authorised accordingly. A director is not however permitted to participate in such considerations or to vote in relation to their own conflicts.

The Board has considered and authorised a number of potential situational conflicts all of which relate to the holding of external directorships and have been entered on the Company's conflicts register. No actual conflicts have been identified during the year. The Board considers that these procedures operate effectively.

Audit Committee

The Audit Committee comprises all of the independent non-executive directors and is chaired by David Sleath who, as Chief Executive and formerly Group Finance Director of SEGRO plc and as a fellow of the ICAEW, 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 auditors. The Secretary to the Committee is Paul Hussey, Company Secretary. Further details about the Audit Committee and the work undertaken by it during the year and prior to the publication of the Group's results for 2015 are set out in the Audit Committee report on pages 56 to 59. Members' attendance at the Committee meetings held during the year is set out in the table on page 52. The terms of reference of the Committee, which were reviewed during the year by both the Committee and the Board, are available on the Company's website, www.bunzl.com.

Remuneration Committee

The Remuneration Committee comprises all of the independent non-executive directors and is currently chaired by Vanda Murray, who was appointed Chair of the Remuneration Committee in April 2015 upon Peter Johnson's retirement. 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

Corporate governance report continued

applied are set out in the Directors' remuneration report on pages 60 to 81. Members' attendance at the Committee meetings held during the year is set out in the table below. The terms of reference of the Committee, which were reviewed 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 (unless the Committee is dealing with the matter of succession of the Chairman of the Company), 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 and its Committees including proposed appointees to the Board, whether to fill any vacancies that may arise or to change the number of Board members. It is the Committee's role to ensure that the Board and its Committees maintain the appropriate balance of skills, knowledge, experience and diversity to ensure their continued effectiveness.

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 which does not have any other connection with the Company is retained by the Company to assess potential candidates to be considered as prospective non-executive directors and, when appropriate, executive directors. This process was adopted both in relation to the appointment of Vanda Murray as a non-executive director with effect from 1 February 2015 and of Frank van Zanten to succeed Michael Roney as Chief Executive with effect from 20 April 2016. Details of the process followed in relation to Vanda Murray's appointment are set out in the Corporate governance report included in the 2014 Annual Report and further information relating to Frank van Zanten's appointment is set out below.

Activities
The Committee met on seven occasions during 2015. Members' attendance at those meetings is set out in the table below.

As mentioned above, one of the Committee's main responsibilities during the year related to the process of identifying and selecting a new Chief Executive to succeed Michael Roney upon his retirement as Chief Executive in April 2016. Having taken account of the challenges and opportunities facing the Company currently and in the future and after identifying the background, skills, knowledge and experience that will be required of the Chief Executive in the future, the Committee prepared and agreed a detailed specification for the role and appointed an external search consultancy, The Zygos Partnership, to assist them in the recruitment process. The Zygos Partnership does not provide any other services to, or have any connection with, the Company. In particular the Committee was keen to find a successful senior business executive with extensive management experience of an international distribution business. We carried out an extensive search and selection process overseen by a sub-committee of the Committee and a number of both internal and external candidates were considered. All members of the Committee had the opportunity to meet the shortlisted candidates following which the recommendation was made to the Board, which was subsequently unanimously approved, that Frank van Zanten be appointed as the Company's new Chief Executive. He has extensive knowledge and experience of the Company's business gained over many years and has a successful track record of implementing the Company's long-standing strategy for developing and expanding the Group both organically and by acquisition. His appointment will provide continuity for the business as well as its customers and employees going forward.

During the year 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 when considering and recommending the nomination of directors for re-election at the 2016 Annual General Meeting. In particular the Committee reviewed the performance of David Sleath, who was appointed to the Board in September 2007. The Committee believes that he continues to be effective and to demonstrate strong independence in

Board and committee attendance

The following table shows the attendance in 2015 of directors at Board meetings and at meetings of the Board Committees of which they were members:

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings	7	4	3	7
Philip Rogerson	7			7
Michael Roney	7			6
Patrick Larmon	7			
Peter Johnson*	3	1	1	3
Brian May	7			
David Sleath	7	4	3	7
Eugenia Ulasewicz	7	4	3	7
Jean-Charles Pauze	7	4	3	7
Meinie Oldersma†	7	4	3	5
Vanda Murray◊	6	4	2	6

Notes:

* Peter Johnson retired as a director on 15 April 2015 having attended all of the Board and Committee meetings held between 1 January 2015 and that date.

† Meinie Oldersma was unable to attend two of the Nomination Committee meetings for personal reasons.

◊ Vanda Murray was appointed as a director on 1 February 2015 and attended all of the Board and Committee meetings held between that date and the end of the year.

In addition to the directors named above, Frank van Zanten was appointed as an executive director with effect from 1 February 2016 and will become Chief Executive following Michael Roney's retirement on 20 April 2016.

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.

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 over both the medium to long term to ensure that there is the right mix and skills available as the Company evolves.

As part of the review of the composition of the Board and the succession planning process, both the Board and the Committee recognise the importance of gender diversity throughout the Group. As at the date of this report, two of the 10 Board members (moving to two of the nine Board members following Michael Roney's retirement in April 2016) 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. Further information about the Company's workforce diversity is set out on page 43.

The terms of reference of the Committee, which have recently been reviewed and amended by the Board, are set out on the Company's website.

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 first 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. Although the Code only requires that the evaluation of the Board and its Committees should be externally facilitated at least every three years, the Board has decided to appoint Lintstock to carry out an annual performance evaluation and accordingly external evaluations have been completed each year since 2012. By doing so, the Board is able to ensure that there is consistency and continuity in the evaluation process and the presentation of the results from one year to the next. Following the evaluation which was carried out in 2015, the Board once again identified a number of key priorities in order to improve the Board's performance, including:

- continuing to focus on the key strategic issues facing the Group both as part of the Board's annual strategy review and at other times of the year as appropriate;
- ensuring the smooth succession of the new Chief Executive, providing the appropriate level of support as necessary;
- continuing the focus of the Nomination Committee on the management succession plans for the Group, including in particular maintaining the Board's exposure to the Group's senior management below Board level; and
- maintaining the focus on both the opportunities and threats presented by future developments in technology and digital marketing activities and how these might best be developed in order to ensure the continuing success of the Group.

As a result of the overall performance evaluation process carried out in 2015, the Board concluded that both it and its Committees are operating effectively.

Financial and business reporting

The responsibilities of the directors in respect of the preparation of the Group and parent company financial statements are set out on page 133 and the auditors' report on pages 134 to 139 includes a statement by the external auditors about their reporting responsibilities. As set out on page 91, the directors are of the opinion that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

The process of preparing the Annual Report has included the following:

- comprehensive reviews undertaken at different levels in the Group in order to ensure the accuracy, consistency and overall balance of the Annual Report; and
- procedures to verify the factual accuracy of the Annual Report.

From the information and assurance provided by the ongoing work of the internal audit department, the reviews conducted by the external auditors in relation to both the half year and full year results, the Board's understanding of the Group's business and the information provided by the senior executive management team, the Board considers that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Risk management and internal control

The directors acknowledge that they have overall responsibility for identifying, evaluating, managing and mitigating the principal risks faced by the Group and for monitoring the Group's risk management and internal control systems. However, such systems are 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 the principal risks faced by the Group and for determining the nature and extent of the principal 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 2015 and up to the date of approval of these financial statements and that the Group's risk management and internal control systems have been monitored during the year.

Corporate governance report continued

A summary of the principal control structures and processes in place across the Group is set out below and 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 50.

The Board has delegated to an Executive Committee, consisting of the Chief Executive, Finance Director and other functional managers, the initial responsibility for identifying, evaluating, managing and mitigating the risks facing the Group and for deciding how these are best 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, fair dealing and compliance with the local laws and regulations of the countries in which the Group operates;
- 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 supplemented by internal control procedures at a business area level.

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 principal 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;
- each business area, 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;
- all treasury activities, including in relation to the management of foreign exchange exposures and Group borrowings, are reported and reviewed monthly;
- 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 implements 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 and the external auditors;
- an annual self-assessment of the status of internal controls measured against a prescribed list of minimum standards is performed by every business and action plans are agreed where remedial action is required;
- 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, which includes a review of the effectiveness of the Company's internal financial controls and the assurance procedures relating to the Company's risk management system, are set out in the Audit Committee report on pages 56 to 59;
- regular meetings are held with insurance and risk advisers to assess the risks throughout the Group;
- a 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 Company's risk management and internal control systems in operation during 2015.

The external auditors are engaged to express an opinion on the financial statements. The audit includes a review and evaluation 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.

Assessment of the prospects of the Company and its viability statement

In accordance with provision C.2.2 of the Code, the directors set out below how they have assessed the prospects of the Company, over what period the prospects have been assessed and the Company's formal viability statement.

The context for and period over which the prospects of the Company have been assessed

To consider the prospects of the Company and determine an appropriate time frame for the purpose of making a statement on the Company's longer term viability, the directors have taken into account various factors including the nature of the Company's business, its business model and strategy and the existing planning periods. In particular:

- Bunzl has a geographically balanced and diversified business portfolio operating in 29 countries;
- the Company operates across six core, fragmented market sectors, many of which are growing and resilient to challenging economic conditions; and

- the business model and strategy minimise the volatility of the Company's results, enabling Bunzl to deliver consistently good results with high returns on capital and operating cash flow conversion.

With regards to the time frame specifically, the directors considered the above factors as well as the Group's strategic planning process. Comprehensive budgets are prepared annually by the business areas and approved by the Board. Strategic plans covering a period of two years beyond the forecast for the current year are also prepared annually and reviewed by the Board. While the directors have no reason to believe the Company will not be viable over a longer period, given the inherent uncertainty involved, the period over which the directors consider it possible to form a reasonable expectation as to the Group's longer term viability is the three year period to 31 December 2018.

How the prospects of the Company and its longer-term viability have been assessed
In making a viability statement, the directors are required to consider the Company's ability to meet its liabilities in full as they fall due, taking into account the Company's current position and principal risks. The Company has significant financial resources including committed and uncommitted banking facilities and US private placement notes, further details of which are set out in Note 13 to the consolidated financial statements. As a result, the directors believe that the Company is well placed to manage its business risks successfully.

The resilience of the Group to a range of possible scenarios, in particular the impact on key financial ratios and its ongoing compliance with financial covenants, was factored into the directors' considerations through stress testing current financial projections. These included the following:

- an adverse but plausible deterioration in revenue and operating profit combined with the adverse impact of a number of acquisitions underperforming and a significant increase in working capital;
- the impact that the materialisation of the market, operational and tax related principal risks may have on the Company's longer term viability, in particular on its financial liquidity and debt covenants risk, both with and without mitigating actions; and
- a reverse stress test scenario which identified what would need to happen to cause the Company to fail, which for this purpose is taken to mean an unavoidable breach of financial covenants. The conditions required to create this situation were so severe that it was considered to be implausible.

In all scenarios it has been assumed, based on past experience and all current indicators, that the Company will be able to refinance its banking facilities and US private placement notes as and when they mature. The directors consider that the stress testing based assessment of the Company's prospects, building on the results of the robust assessment of the principal risks to the business and the financial implications of them materialising, confirms the resilience of the Group to severe but plausible scenarios and provides a reasonable basis on which to conclude on its longer term viability.

Confirmation of longer term viability
Taking into account the Company's current position and principal risks and the assessment performed of the prospects of the Company, the directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period to 31 December 2018.

Relations with shareholders

As required by the relevant law and regulations, 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 has published two trading statements during the year on a voluntary basis in order to keep the Company's shareholders and the financial markets periodically updated on the Company's trading performance outside of the regulatory announcements made in relation to the half year and annual results.

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.

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
29 February 2016

Audit Committee report

The Committee has a key role to play in overseeing the interests of shareholders by focusing on the integrity of our financial reporting and ensuring that the Company maintains clearly defined and established risk management and internal control processes and procedures.

Statement from David Sleath, Chairman of the Audit Committee

On behalf of the Board, I am pleased to present our Audit Committee report for 2015, the purpose of which is to give shareholders an overview of the role of the Committee and to report on the work it has carried out during the past year.

The UK Corporate Governance Code (the 'Code') issued by the Financial Reporting Council includes a number of provisions relating to the role and reporting requirements of audit committees and accordingly this report has been prepared in accordance with the relevant provisions of the revised 2014 edition of the Code which applied to the financial year ended 31 December 2015.

Once again our activities continued to be focused on the integrity of the Company's financial reporting and the related controls. The Committee has a clearly defined role in the corporate governance framework of listed companies and acts independently of management to ensure that the interests of our shareholders are properly protected through the Committee's oversight of the Company's financial management and reporting processes and procedures. There are a number of key aspects to this including the use of appropriate accounting policies and practices, supported by the implementation of a robust assurance framework in which the risk management and internal control systems, the internal and external audit functions and the regular internal reporting of the Company's performance against budgets, forecasts and prior year results are all very important. In particular, this year the Committee has considered and approved the process by which the Board is able to meet its new responsibility under the terms of the Code in relation to the 'viability statement'. This specifically requires the Board to assess the prospects of the Company over an agreed period of time and to state whether the Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of the Board's assessment. Further details of the viability statement, including how the appropriate period has been determined and the prospects of the Company have been assessed, are set out in the Corporate governance report on pages 54 and 55.

The significant accounting matters considered by the Committee in relation to the 2015 financial statements were the accounting for business combinations, the carrying value of goodwill and other intangible assets, taxation, defined benefit pension schemes, supplier rebates and provisions. These are discussed in detail in the report that follows and the Committee is satisfied that these matters have been properly recorded in the Company's books and records and accounted for appropriately.

As a Committee we will continue to keep our activities under review to ensure that we are able to maintain high standards of financial governance in line with the regulatory framework and market practice for audit committees going forward.

Role

The Committee's principal role is to ensure that the Company has effective governance over the Group's financial reporting, including the adequacy of related disclosures, the performance of both the internal and external audit functions and the management of the Group's systems of internal control, business risks and related compliance activities. In particular the Committee is responsible for:

- monitoring and reviewing the integrity of the financial statements of the Group and the significant financial reporting judgements contained in them;
- reviewing the effectiveness of the Company's internal financial controls;
- reviewing the process for the management of risk and reviewing the assurance procedures over controls designed to manage key risks;
- overseeing the Company's internal audit activities;
- making recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditors;

- reviewing the appropriateness of the Company's relationship with the external auditors, including monitoring the auditors' independence and objectivity;
- agreeing the scope of, and the terms of engagement and fees for, the statutory audit;
- initiating and supervising a competitive tender process for the external audit as may be required from time to time; and
- developing and implementing a policy on the engagement of the external auditors to supply non-audit services.

Pursuant to the terms of the Competition & Markets Authority Order, which was introduced with effect from 1 January 2015, the Committee is now solely responsible for negotiating and agreeing the external auditors' fee, the scope of the statutory audit and initiating and supervising a competitive tender process for the external audit where it is appropriate to do so and to make recommendations to the Board as to the external auditors' appointment pursuant to any such process. The Company has complied with the provisions of this Order for the 2015 financial year. The current version of the Committee's terms of reference, which were reviewed by both the Committee and the Board in 2015, is available on the Company's website, 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 auditors and may obtain outside professional advice as necessary. Both the Head of Internal Audit and the external auditors have direct access to me as the Chairman of the Committee and I held a number of meetings with each of them during the year outside formal Committee meetings.

Activities

As Chairman of the Committee, I hold preparatory discussions with the Company's senior management, the Head of Internal Audit and the external auditors 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 auditors without management present. I also attend 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 52.

The Committee's activities included:

- making recommendations to the Board concerning the re-appointment of the external auditors and approving the remuneration and terms of engagement of the auditors including the audit strategy and planning process for the current financial year;
- receiving and considering reports from management and the external auditors in relation to the half yearly financial report and the annual financial statements;
- reviewing the half yearly financial report and the annual financial statements 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;
- reviewing the Committee's effectiveness following an externally facilitated performance evaluation;
- reviewing the effectiveness of both the external auditors and the internal audit function following completion of detailed questionnaires by both the Board and senior management within the Company;
- reviewing and approving the level and nature of non-audit work which the external auditors performed during the year, including the fees paid for such work;
- reviewing the principal tax risks applicable to the Company and the steps taken to manage such risks;
- as part of an ongoing programme to review specific areas relating to financial reporting matters within the Group's businesses, receiving and considering a presentation about the finance function and control environment within the Group's operations in both North America and Continental Europe; and
- reviewing the process to be used in supporting the Board's assessment of the Company's longer term viability as required by a new provision of the Code.

Following each Committee meeting, I report 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 auditors.

During the year the Financial Reporting Council's Audit Quality Review team carried out a review of the external auditors' audit files relating to the year ended 31 December 2014, the results of which were subsequently discussed by the Committee with the external auditors. Although there were no significant findings to report, the Committee is satisfied that the appropriate follow-up actions identified in the review have now been addressed.

Financial statements and significant accounting matters

During the year and prior to the publication of the Group's results for 2015, the Audit Committee reviewed the 2015 half yearly financial report and related news release, the 2015 Annual Report (including the financial statements), the 2015 annual results news release and the reports from the external auditors on the outcomes of their half year review and the audit relating to 2015.

As part of its work, the Committee considered the following significant accounting issues in relation to the Group's financial statements:

Accounting for business combinations
For business combinations, the Group has a long-standing process for the identification of the fair values of the assets acquired and liabilities assumed including separate identification of intangible assets using external valuation specialists where required. The Committee reviewed this process and discussed with management and the external auditors the methodology and assumptions used to value the assets and liabilities of the acquisitions completed in 2015. The Committee concluded that it was satisfied with management's valuations of these assets and liabilities, including the degree to which such valuations are supported by professional advice from external advisers.

Audit Committee report continued

The carrying value of goodwill and other intangible assets
Goodwill is allocated to cash generating units ('CGUs') and is tested annually for impairment. The Committee critically reviewed and discussed management's report on the impairment testing of the carrying value of goodwill and other intangible assets of each CGU (including the sensitivity of the outcome of impairment testing to the use of different discount rates) and considered the external auditors' testing thereof. After due challenge and debate, the Committee concluded that it was satisfied with the assumptions and judgements applied in relation to such testing and agreed that there was no impairment to goodwill or other intangible assets. Details of the key assumptions and judgements used are set out in Note 9 to the consolidated financial statements.

Taxation
The Committee reviewed a report and received a presentation from the Head of Tax highlighting the principal tax risks that the Group faces, the tax strategy and a detailed risk assessment relating to the tax risks identified including the judgements underpinning the provisions for potential tax liabilities. The Committee also reviewed the results of the external auditors' assessment of provisions for income taxes and, having done so, was satisfied with the key judgements made by management.

Defined benefit pension schemes
The Committee considered reports from management and the external auditors in relation to the valuation of the defined benefit pension schemes and reviewed the key actuarial assumptions used in calculating the defined benefit pension liabilities, especially in relation to discount rates, inflation rates and mortality/life expectancy. The Committee discussed the reasons for the decrease in the net pension deficit and was satisfied that the assumptions used were appropriate and were supported by independent actuarial experts. Details of the key assumptions used are set out in Note 20 to the consolidated financial statements.

In addition to the matters above, which are referred to in the Critical accounting judgements, estimates and assumptions section of Note 2 to the consolidated financial statements, the Committee also considered the following, significant accounting issues in relation to the financial statements:

Supplier rebates
The Group has various rebate arrangements with a number of suppliers. Some of these arrangements are based on the volume of products purchased and others are based on the volume of products sold. The recognition of supplier rebate income from the arrangements based on the volume of products purchased may involve the requirement for some estimates to be made about whether certain conditions related to such rebate income have been, or will be, met. In reviewing the consolidated financial statements, the Committee considered a report from management in relation to the key financial controls over supplier rebates, the accounting treatment for each type of rebate, the value of the different types of rebates in the income statement for the year and the value of supplier rebate income receivables at the year end. The Committee discussed the findings of the external auditors in this area and discussed with management the supplier rebate accounting process. Having done so, the Committee concluded that it was satisfied with the Group's supplier rebate accounting process for the year and with the value of rebate income recognised.

Provisions
The Group holds a number of provisions relating to properties (including liabilities for onerous lease commitments, repairs and dilapidations) and actual and anticipated legal, environmental and other claims. The Committee reviewed reports from management and the external auditors concerning provisions with notable movements and those requiring a greater degree of judgement. The Committee considered the background to such provisions and discussed with management the judgements applied in determining their value. The Committee concluded that it was satisfied with the value of provisions carried.

External auditors' independence and effectiveness

The Committee ensures that the external auditors remain independent of the Company and receives written confirmation from the external auditors as to whether they consider themselves independent within the meaning of their 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 auditors is not compromised, the Committee has also pre-approved the non-audit service categories that can be provided by the external auditors 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 myself as 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. It is the Company's policy to assess the services required on a case-by-case basis to ensure that the most appropriate adviser is retained. As a result the Committee believes that it is sometimes appropriate for this additional work to be carried out by the Company's auditors. However other firms are also used by the Company to provide non-audit services if such other firms are thought to be best placed to undertake the work involved. Details of the fees paid to the external auditors in 2015 in respect of the audit and for non-audit services are set out in Note 4 to the consolidated financial statements. The ratio of the fees relating to non-audit services to audit services in 2015 was 18%.

Following the adoption of the EU Audit Directive and Regulation in 2014, the Financial Reporting Council has carried out two consultation exercises as to how it intends to implement the Directive and Regulation in the UK. It is expected that the final rules relating to such implementation will be published during the first half of 2016 and that the changes will apply to listed companies for accounting periods beginning on or after 17 June 2016 (i.e. the 2017 financial year in the case of the Company). The new rules will include regulations to determine what type of non-audit services may be provided by the auditors of a company, introduce a statutory cap on the level of non-audit fees which may be billed by the auditors and implement changes to the Code and accompanying guidance which will be of particular relevance to audit committees. As a result, as part of the 2016 review of both its terms of reference and the Company's policy for the provision of non-audit services by the external auditors, the Committee will ensure that such terms of reference and policy are fully compliant with the new regulations.

During 2015 the Committee carried out a review of the effectiveness of the external audit process carried out in relation to the audit of the financial statements for the year ended 31 December 2014. As part of this review, the Committee considered feedback on the audit gathered through a detailed survey which was completed by each of the directors and members of the Company's senior management team at both Group and business area levels. The survey covered a total of 24 different aspects of the audit process grouped under four separate headings; the robustness of the audit process, the quality of delivery, the quality of people and service and the quality of reporting. Each respondent was asked to award a rating on a scale of 1 to 5 for each aspect reviewed and to provide any additional comments they wished to make in relation to the questions raised. The Committee discussed the findings of the survey and their overall assessment of the work of the auditors. Having done so, the Committee confirmed that it was satisfied with the effectiveness of the external audit process. The Committee will carry out a similar effectiveness review in 2016 in relation to the audit of the financial statements for the year ended 31 December 2015.

Auditors' re-appointment

In considering whether to recommend to the Board the appointment or re-appointment of the external auditors, the Committee takes into account the tenure of the auditors in addition to the results of its review of the effectiveness of the external auditors and considers whether there should be a full tender process either as a result of that review or as may be required by the relevant regulations. There are no contractual obligations restricting the Committee's choice of external auditors.

As reported last year, following a detailed tender process in 2014, the Committee subsequently recommended to the Board that PricewaterhouseCoopers LLP ('PwC') be appointed as the external auditors to replace KPMG Audit Plc who, together with their predecessor firms, had been the Company's external auditors since 1986. Accordingly PwC carried out the statutory audit for the year ended 31 December 2014 and were subsequently re-appointed as the Company's external auditors for the 2015 financial year following the passing of the relevant resolution by shareholders at the 2015 Annual General Meeting.

As a consequence of its satisfaction with the results of its review of the external auditors' activities during the year, the Committee has again recommended to the Board that a resolution proposing the re-appointment of PwC as external auditors for the year ending 31 December 2016 be put to shareholders at the forthcoming Annual General Meeting.

Internal control and risk management

As mentioned above, the Committee is responsible for reviewing on behalf of the Board the effectiveness of the Company's internal financial controls and the assurance procedures relating to the Company's risk management system. These controls and procedures are designed to manage, but not eliminate the risk of failure of the Company to meet its business objectives and, as such, provide reasonable, but not absolute, assurance against material misstatement or loss. During the year, the Committee monitored the effectiveness of the internal financial controls framework through reports from the Finance Director, the Head of Internal Audit and the external auditors. In particular the Committee considered the scope and results of work of the internal audit function, the findings of the external auditors in relation to the year end audit, the assessment of fraud risk carried out by management, the controls over the Company's financial consolidation and reporting system, the treasury controls, the tax risks and the processes for setting strategic plans and budgets and for monitoring the ongoing performance of the Company.

In relation to the risk management system, the Committee reviewed the process by which significant risks had been identified by management and the Board, the key controls and other processes designed to manage and mitigate such risks and the assurance provided by the internal audit function, the external auditors and other oversight from management and the Board.

Internal audit

The Company has an internal audit department which comprises eight in-house auditors, including the Head of Internal Audit who reports jointly to me, in my capacity as Chairman of the Audit Committee, and the Finance Director. The scope of work of the internal audit function covers all systems and activities of the Group. Work is prioritised according to the Company's risk profile with the annual audit plan being approved by the Committee each year. Internal audit reports are regularly provided to the Committee which include details of the audit findings, and the relevant management actions required in order to address any issues arising therefrom, as well as updates on the progress made by management in addressing any outstanding recommendations from previously reported findings. In addition, the internal audit function reports on any significant issues relating to the processes for controlling the activities of the Group and the adequacy and effectiveness of such processes. Together the work of the internal audit function provides the Committee with a further means of monitoring the processes and actions to manage and mitigate those risks identified as posing the greatest threat to the Company.

A review by the Committee of the effectiveness of the internal audit function was carried out during the year. The Committee considered the results of a detailed questionnaire completed by each of the directors and those members of the senior management team who interact with the internal audit department and discussed generally the work of the internal audit department, the adequacy of resources and the skills and capabilities of the internal audit team. The Committee remains satisfied with the efficiency and effectiveness of the internal audit function. In order to benchmark the internal audit department against best practice, an external assessment of the function is currently being conducted and overseen by the Institute of Internal Auditors. Once finalised, the outcome of the assessment will be considered and reviewed by the Committee.

David Sleath
Chairman of the Audit Committee
29 February 2016

Directors' remuneration report

The competitiveness of the remuneration package has been a crucial element in retaining and attracting key talent joining the business by recruitment or acquisition.

This report has been prepared on behalf of, and has been approved by, the Board. It complies with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the 'Regulations'), the UK Corporate Governance Code and the Financial Conduct Authority Listing Rules and takes into account the accompanying Directors' Remuneration Reporting Guidance and the relevant policies of shareholder representative bodies. This report is presented in three main sections: an annual statement from the Chairman of the Committee; the Directors' remuneration policy as approved by shareholders at the 2014 Annual General Meeting ('AGM'); and the Annual report on remuneration for 2015. The report also contains information relating to the directors' remuneration for 2016 and additional information on directors' share interests.

Statement from Vanda Murray, Chairman of the Remuneration Committee

This is my first statement as Chairman of the Remuneration Committee, having succeeded Peter Johnson who retired from the Board in April 2015. On taking up this role I was conscious of the long and successful tenure of the leadership team, who together have created a high-performance culture which focuses on building shareholder value.

The competitiveness of the remuneration package has been a crucial element in the attraction of key talented individuals into the business, whether by recruitment or acquisition, along with their subsequent retention. The remuneration framework is structured in a way that allows us to compete for key talent across multiple geographies while also complying with UK corporate governance good practice.

The business strategy has remained constant during 2015 with the Group continuing to grow both organically and by acquisition while continuously improving the efficiency of our operations. The Committee is satisfied that the remuneration framework reinforces the link between pay and performance and rewards senior executives appropriately. Therefore, no major changes have been made during the year to the current remuneration arrangements and no changes are being proposed to the current policy at the forthcoming Annual General Meeting. The current remuneration policy was approved at the 2014 AGM for a period of three years until April 2017. Once again we have included the policy in the 2015 Annual Report although, in accordance with the Regulations, at the 2016 AGM we will only be inviting shareholders to approve the Annual Report on remuneration for 2015.

During the year the Committee reviewed its stance with regard to the disclosure of annual bonus targets for the executive directors. The policy of the Committee is 'not to disclose specific targets while still commercially sensitive'. After full discussion the Committee has agreed that, although we would continue not to disclose the specific targets for the year in which they operate, the specific bonus targets for the year being reported on will now be disclosed retrospectively. A new table providing this information can be seen on page 72. The Committee considers that the key performance indicators ('KPIs') for the annual bonus, being adjusted earnings per share and return on average operating capital performance for the year relative to a target level of return, are still appropriate and that the target levels are stretching without encouraging inappropriate levels of risk.

The Committee also considers that the out-turn of our incentive plans appropriately reflects Bunzl's performance in 2015. Bunzl's total shareholder return ('TSR') performance continued to outperform the FTSE Support Services sector and the share price reached another all-time high. Against this performance, the Chief Executive's annual bonus was 64% of the maximum opportunity, which equated to 74% of his annual salary. In addition, 100% of his executive share options and 69% of his performance shares vested during the year. The Committee has not exercised any discretion to adjust the relevant performance conditions as a result of events that have taken place during the year.

The policy relating to the recruitment of executive directors was used as the basis for determining the remuneration package of the new Chief Executive, Frank van Zanten, as detailed on page 79. After running an extensive internal and external search process, this was an internal appointment and the remuneration package that the Committee has put in place is in accordance with the approved remuneration policy. This package is substantively the same as that provided to the retiring Chief Executive, Michael Roney, but with a reduced salary and pension allowance. Frank van Zanten is currently based in Amsterdam and will be moving with his family to London so a relocation package, including assistance with accommodation, removal costs and school fees has also been put in place in accordance with the approved remuneration policy.

Finally, the Committee, within the terms of the approved remuneration policy and having given due consideration to the policy on payment for departure from office and the long and successful tenure of Michael Roney as Chief Executive for more than 10 years, agreed the treatment of his unvested deferred shares under the Deferred Annual Share Bonus Scheme ('DASBS') and the Long Term Incentive Plan ('LTIP') awards following his retirement in April 2016. The details are shown on page 78. No payment in lieu of notice will be made, no bonus payment will be made for service during 2016 and no long term incentives will be granted in 2016.

Vanda Murray OBE
Chairman of the Remuneration Committee
29 February 2016

Directors' remuneration policy report

At Bunzl we continue to pursue our well defined 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. 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 while 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 following table summarises the policy for the remuneration of executive directors approved at and effective from the 2014 AGM which is binding until the AGM to be held in 2017.

Salary	
Purpose	• recognise knowledge, skills and experience as well as reflect the scope and size of the role • reward individual performance without encouraging undue risk • promote the importance of environmental, social and governance issues
Operation	• paid in 12 equal monthly instalments during the year • reviewed annually, normally in December (with any changes usually effective from January) • 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 a large international presence • pensionable
Maximum potential value	• salary increases are normally considered in relation to the salary increases of other employees in the Group and performance of the individual unless there has been a major change in role or responsibility or major market movement. The annual salaries for the executive directors for 2015 and 2016 are on pages 71 and 77 respectively
Performance metrics	• individual performance in the role, as well as the performance of the Group and achievements related to environmental, social and governance issues, are all taken into consideration

Annual bonus	
Purpose	• incentivise the attainment of annual corporate targets • retain high performing employees • align with shareholders' interests
Operation	• annual award based on financial targets set by the Committee at the beginning of the year • 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 actual performance relative to that measure's performance targets, on a pro rata basis • any bonus is paid as 50% in cash and 50% in shares (with the shares normally deferred for three years under the DASBS) • a clawback facility is in operation by which part or the full deferred bonus award may be reduced or cancelled to the extent that the value of the bonus originally awarded is subsequently found to have been overstated as a result of a material misstatement of the financial accounts by which the bonus was originally determined • non-pensionable
Maximum potential value	• the annual on target bonus opportunity for Michael Roney and Brian May is 70% of salary with a threshold award of 49% of salary and a maximum award of 115% of salary and for Patrick Larmon is 70%* of salary with a threshold award of 31% of salary and a maximum award of 110% of salary

* Patrick Larmon's annual on target bonus opportunity has been 70% of salary since 2009. Although correctly disclosed in the remuneration overview section of the directors' remuneration policy report in the 2013 and 2014 Annual Reports, the target award level as shown in this table has been amended to 70% as it was incorrectly shown as 65% in such Annual Reports.

Directors' remuneration report continued

Annual bonus continued	
Performance metrics	• the principal 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 ('eps') against the relevant target • the bonus derived from constant exchange rate eps performance will be increased or decreased according to the Company's performance against the target return on average operating capital ('RAOC'), referred to as the RAOC modifier • the use of eps and RAOC measures are seen as appropriate as they are two of Bunzl's KPIs. The use of eps growth aligns the executive directors' interests with those of the shareholders and the RAOC modifier ensures the continued focus on working capital management together with profit growth • bonus awards are at the Committee's discretion and may take into account performance on environmental, social and governance matters as appropriate • Patrick Larmon has additional measures based on the profit before interest and tax ('pbit') and working capital employed in the business area, both measures on a constant currency basis for which he has direct responsibility (North America). The additional measures relating to pbit and working capital are relevant for Patrick Larmon as these are both KPIs of the business area he is responsible for running and these measures, together with other performance measures, are used to incentivise the management group in North America • the performance metrics and targets are reviewed annually to ensure they remain appropriate. The Committee retains the discretion to set alternative metrics as appropriate • the current relevant performance metrics are: threshold (which must be exceeded to attract any payment of bonus); target; and maximum amount (the level at which the bonus is capped). These performance metrics 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 targets will not be disclosed while still commercially sensitive

Long term incentives	
Purpose	• incentivise growth in longer term eps and TSR • align with shareholders' interests • recruit and retain senior employees
Operation	• discretionary biannual grants of executive share option awards and performance share awards which vest subject to performance conditions measured over three years and subject to continuous Company service. There is no opportunity to retest • a clawback facility is in operation under which part or the full amount of a vested award may be recovered, by reduction in the amount of any future bonus, subsisting award, the vesting of any subsisting award or future share awards and/or a requirement to make a cash payment, to the extent that the value of a vested award is subsequently found to have been overstated as a result of a material misstatement of the financial accounts by which the vesting was determined • all awards are subject to the discretions contained in the relevant plan rules
Maximum potential value	**Executive share options** • maximum annual award of 250% of salary • normal grant levels for executive directors are expected to be between 167% and 200% of salary and the Committee would not grant above this level to incumbent executive directors without further consultation with shareholders **Performance shares** • maximum annual award of 150% of salary • normal grant levels for executive directors are expected to be between 94% and 112.5% of salary and the Committee would not grant above this level to incumbent executive directors without further consultation with shareholders

Long term incentives continued

Performance metrics	Performance and service conditions must be met over a three year performance period **Executive share options** • eps performance measure relates to the absolute growth in the Company's eps against the targets set for the performance period • the vesting is scaled as follows: – no vesting for performance below the threshold target – 25% of an award will vest for achieving the threshold target – 100% of an award will vest for achieving or exceeding the maximum target – for performance between these targets, the level of vesting will vary on a straight line sliding scale • the Committee annually reviews the performance conditions outlined above and, in line with the rules of the 2014 LTIP, reserves the right to set different targets for forthcoming annual grants provided it is deemed that the relevant performance conditions remain appropriately challenging in the prevailing economic environment • the targets set for the previously approved 2004 LTIP are shown on page 66 of the 2014 Annual Report. The targets set for the 2014 LTIP are shown on page 74 **Performance shares** • TSR performance measure (50% of the total award) compares a combination of both the Company's share price and dividend performance during the performance period against a comparator group of the constituents of the FTSE 50 – 150 with significant international operations, excluding companies in the financial services, oil & gas and natural resources sectors • the other 50% of the award is subject to an eps performance measure which relates to the absolute growth in the Company's eps against the targets set for the performance period • the vesting for both performance measures is scaled as follows: – no vesting for performance below median performance (TSR) or the threshold target (eps) – 25% of an award will vest for achieving median performance (TSR) or the threshold target (eps) – 100% of an award will vest for achieving or exceeding upper quartile performance (TSR) or the maximum target (eps) – for performance between these targets, the level of vesting will vary on a straight line sliding scale • the Committee annually reviews the performance conditions outlined above and, in line with the rules of the 2014 LTIP, reserves the right to set different targets for forthcoming annual grants provided it is deemed that the relevant performance conditions remain appropriately challenging in the prevailing economic environment • the targets set for the previously approved 2004 LTIP are shown on page 66 of the 2014 Annual Report. The targets set for the 2014 LTIP are shown on pages 74 and 75

All employee share plans

Purpose	• encourage employees including the executive directors to build a shareholding through the operation of all employee share plans such as the HM Revenue & Customs ('HMRC') tax advantaged Sharesave Scheme in the UK and the Internal Revenue Service ('IRS') approved Employee Stock Purchase Plan (US) ('ESPP') in the US
Operation	• the Sharesave Scheme has standard terms under which participants can normally enter into a savings contract, over a period of either three or five years, in return for which they are granted options to acquire shares at a discount of up to 20% of the market price prevailing on the day immediately preceding the date of invitation to apply for the option. Options are normally exercisable either three or five years after they have been granted • the ESPP 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. The purchase of the shares is funded by after tax payroll deductions from the employee with the employing company contributing the 15% discount • rules of both of the above plans were approved by shareholders at the 2011 AGM
Maximum potential value	• in the UK, the Sharesave Scheme is linked to a contract for monthly savings within the HMRC limits over a period of either three or five years (currently £500 per month) • in the US, the ESPP allows the purchase in the market of shares within IRS limits (currently up to an annual maximum of 10% of remuneration or US$25,000 worth of shares, whichever is lower)
Performance metrics	• service conditions apply

Directors' remuneration report continued

Retirement benefits

Purpose	• provision of competitive retirement benefits • retain executive directors
Operation	• all defined benefit pension plans in the Group have been closed to new entrants since 2003 with any new recruits being offered defined contribution retirement arrangements and/or a pension allowance • legacy arrangements exist for one UK based executive director and the US based executive director as disclosed previously • pension contributions and allowances are normally paid monthly
Maximum potential value	• company pension contributions to defined contribution retirement arrangements or cash allowances are capped at 30% of annual salary • benefits under the legacy UK defined benefit pension plan accrue at a rate of 2.4% on salary up to the notional pensionable salary cap (from 6 April 2016 £150,000 per annum)
Performance metrics	Not applicable

Other benefits

Purpose	• provision of competitive benefits which helps to recruit and retain executive directors
Operation	• benefits may include a car allowance or a car which may be fully expensed, various insurances such as life, disability and medical and in some jurisdictions club expenses and other benefits provided from time to time • some benefits may only be provided in the case of relocation, such as removal expenses, and in the case of an international relocation might also include fees for children's schooling, home leave, tax equalisation and professional advice etc
Maximum potential value	• the value of benefits is based on the cost to the Company and varies according to individual circumstances. For example the cost of medical insurance varies according to family circumstances and the jurisdiction in which the family is based
Performance metrics	Not applicable

Shareholding requirement

Purpose	• strengthen the alignment between the interests of the executive directors and those of shareholders
Operation	• executives will be normally expected to retain shares through the exercise of awards under the DASBS and the LTIP until they attain the required holding. Three years is allowed for executives who are promoted from within the Company to achieve the required shareholding. It is recognised that a longer time period may be required for externally recruited executives to achieve the required shareholding
Maximum potential value	• retain shareholdings worth equal to at least 200% of annual salary. This does not include any holdings of deferred shares or vested but unexercised share options or performance shares
Performance metrics	Not applicable

Performance measures and targets
The key measures used by the Committee for incentivising the executive directors are eps modified by RAOC for the annual bonus and eps and relative TSR for the 2014 LTIP. The Committee considers that all of these measures are appropriate for incentive purposes.

- Eps is one of Bunzl's KPIs. The use of eps aligns the executive directors' interests with those of shareholders. In addition, one of the executive directors, Patrick Larmon, President and Chief Executive Officer of North America, also has part of his annual bonus determined by additional measures relating to pbit and working capital which are relevant as these are two of the KPIs of the business area he is responsible for running.
- RAOC is another of Bunzl's KPIs. The RAOC modifier ensures continued focus on working capital and profit growth by rewarding efficient profit generation, taking into account acquisitions once they are established, and uses average capital employed rather than only capital at the end of the period.
- Relative TSR provides an external assessment of the Company's performance against similar sized companies listed in the UK. It also aligns the rewards received by executives with the returns received by shareholders.

This combination of performance measures provides an important balance relevant to the Group's business and market conditions as well as providing a common goal for the executive directors, senior management and shareholders. The Committee does not feel that the introduction of non-financial measures for the executive directors is appropriate at this time.

The Committee reviews performance targets on an annual basis taking into account the Company's annual budgeting process, the economic environment in the jurisdictions in which the Company operates and external expectations.

Changes to the remuneration policy
A number of changes to the Company's remuneration policy were implemented following the 2014 AGM in accordance with the remuneration policy approved by shareholders to bring the arrangements in line with best practice. No changes to this remuneration policy are proposed for 2016.

Differences in remuneration policy for executive directors and employees in general
The main difference in remuneration policy between the executive directors and employees in general is the split of fixed and performance related pay such as bonus and long term incentives. Overall the percentage of performance related pay, in particular longer term incentive pay, is greater for the executive directors. This reflects that executive directors have more freedom to act and the consequences of their decisions are likely to have a broader and more far reaching time span of effect than those decisions made by employees with more limited responsibility. As a consequence only executive directors, Executive Committee members and other key employees (currently 26 people) are granted both executive share option and performance share awards. Approximately 370 senior managers are granted executive share option awards on an annual basis, which helps to provide a common focus for management in the Company's decentralised organisation structure, whereas the annual bonuses are related to the performance of individual operating units.

Bonus arrangements vary throughout the Group and are related to the specific role and the country in which the employee operates. The majority of bonus plans have quantitative targets but the performance measures and targets vary according to each specific role. Sales representatives often have high levels of annual bonus payments which may be commission based.

When there is a critical mass of employees within a country to make it cost-effective to do so, to encourage wider employee share ownership, an all employee share plan is offered. Currently plans are offered to all employees based in Australia, Canada, Germany, Ireland, the Netherlands, US and UK. In France employees take part in profit sharing arrangements in accordance with local regulations.

Retirement and other benefits offered to employees across the Group differ according to the country in which the job is based, as social provision and market norms differ, and the function and seniority of the relevant role.

Directors' remuneration report continued

Statement of consideration of employment conditions elsewhere in the Group
The Committee is provided annually with information on the salaries and proposed increases for the Executive Committee members and other senior direct reports of the Chief Executive, as well as data on the average salary increases within each geographical region within the Group. In addition the Committee reviews and agrees all grants of executive share option and performance share awards.

In 2016 employees across the Group have received, on average, salary increases in the range of 1.5% – 3.0%, dependent on geographical location with the exception being those employees based in Turkey, Latin America and China where, due to inflation, 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.

The Company did not consult with employees when drawing up the directors' remuneration policy set out in this part of the report.

Recruitment of executive directors – approach to remuneration
For the ongoing stability and growth of the Group, it is important to secure, as necessary, the appointment of high calibre executives to the Board by either external recruitment or internal promotion. The overarching principles applied by the Committee in developing the remuneration package will be to set an appropriate base salary together with benefits and short and long term incentives taking into consideration the skills and experience of the individual, the complexity and breadth of the role, the particular needs and situation of the Group, internal relativities, the marketplace in which the executive will operate and an individual's current remuneration package and location. In addition, the Committee recognises that it may need to meet certain relocation expenses as appropriate.

To ensure consistency across the Board, the expected components of the package would be in line with the remuneration policy as set out on pages 61 to 64. In order to provide the Company with sufficient flexibility on the recruitment of an executive director, the Committee has set the maximum level of variable remuneration on recruitment at 427.5% of annual salary. This covers the maximum annual bonus, including the deferred annual share bonus award, and the maximum face value of any long term incentive awards.

For an external appointment, the Committee may consider offering additional cash and/or share based elements to the remuneration package when it considers these to be in the best interests of the Company and its shareholders. Such elements, as appropriate, would be made under Section 9.4.2 of the Listing Rules and take account of any remuneration relinquished when leaving the former employer and would reflect the nature, time horizons and performance requirements attaching to that remuneration. Shareholders will be informed of any such payments at the time of appointment.

For an internal appointment, any variable pay element or benefit awarded in respect of the prior role may be allowed to remain in place according to its terms, adjusted as relevant to take into account the new appointment.

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. 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

Policy on payment for departure from office

On termination of an executive director's service contract, the Committee will take into account the departing director's duty to mitigate his loss when determining the amount of compensation. The Committee's policy in respect of the treatment of executive directors leaving the Group is described below and is designed to support a smooth transition from the Company taking into account the interests of shareholders:

Component of pay	Voluntary resignation or termination for cause	Death, ill health, disability (excluding redundancy)	Departure on agreed terms
Base salary, pension and benefits	Paid for the proportion of the notice period worked and any untaken holidays pro rated to the leaving date	Paid up to the date of death or leaving, including any untaken holidays pro rated to such date. In the case of ill health, a payment in lieu of notice may be made and, according to the circumstances, may be subject to mitigation. In such circumstances some benefits such as company car or medical insurance may be retained until the end of the notice period	Treatment will normally fall between the two treatments described in the previous columns, subject to the discretion of the Committee and the terms of any termination agreement
Annual bonus cash	Cessation of employment during a bonus year will normally result in no cash bonus being paid	Cessation of employment during a bonus year or after the year end but prior to the normal bonus payment date will result in cash and deferred bonus being paid and pro rated for the relevant portion of the financial year worked and performance achieved	
Annual bonus deferred shares	Unvested deferred shares will lapse	In the case of the death of an executive, all deferred shares will be transferred to the estate as soon as possible after death. In all other cases, subject to the discretion of the Committee, unvested deferred shares will be transferred to the individual on a date determined by the Committee	
Executive share options	Unvested executive share options will lapse	Tax advantaged options will vest in full on the cessation of employment and be exercisable for the following 12 months after which any unexercised options will lapse Subject to the discretion of the Committee, unvested non-tax advantaged share options will normally be retained by the individual for the remainder of the vesting period and remain subject to the relevant performance conditions. However in the case of the death of an executive, the Committee will determine the extent of vesting within 12 months of the date of death	
Performance shares	Unvested performance shares will lapse	Subject to the discretion of the Committee, unvested performance shares will normally be retained by the individual for the remainder of the vesting period and remain subject to the relevant performance conditions. However in the case of the death of an executive, the Committee will determine the extent of vesting within 12 months of the date of death	
Options under Sharesave	As per HMRC regulations	As per HMRC regulations	
Other	None	Disbursements such as legal costs and outplacement fees	

Notes

a) For share options granted under Part A of the 2004 LTIP, any unvested executive share options which are subject to the discretion of the Committee may vest in full on the termination date and be exercisable for the following 12 months after which any unexercised options will lapse.

b) The Committee will have the authority to settle any legal claims against the Company, e.g. for unfair dismissal etc, that might arise on termination.

Discretions retained by the Committee in operating the incentive plans

The Committee operates the Group's various incentive plans according to their respective rules and in accordance with HMRC and IRS rules where relevant. To ensure the efficient administration of these plans, the Committee may apply certain operational discretions. These include the following:

- selecting the participants in the plans;
- determining the timing of grants and/or payments;
- determining the quantum of grants and/or payments (within the limits set out in the policy table above);
- adjusting the constituents of the TSR comparator group;
- determining the extent of vesting based on the assessment of performance;

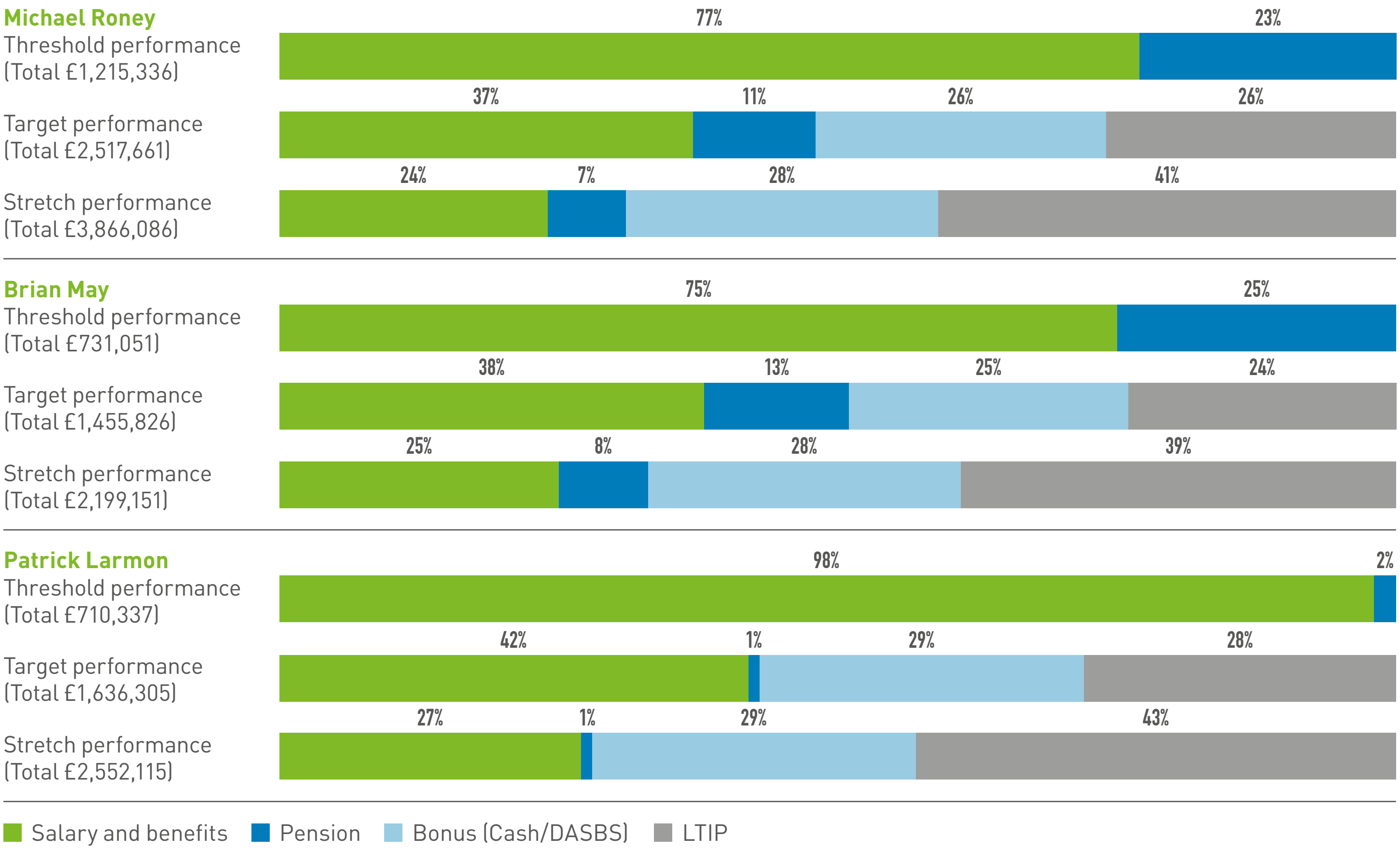
Directors' remuneration report continued

- determining 'good leaver' status and the extent of vesting in the case of the share based plans;
- determining the extent of vesting of awards under share based plans in the event of a change of control;
- making the appropriate adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events, variation of capital and special dividends); and
- under the annual review of weighting of performance measures, setting targets for the annual bonus plan and 2014 LTIP from year to year.

The Committee may vary the performance conditions applying to share based awards if an event occurs which causes the Committee to consider that it would be appropriate to amend the performance conditions, provided the Committee considers the varied conditions are fair and reasonable and not materially less challenging than the original conditions would have been but for the event in question.

Remuneration overview

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.



Notes

a) Salary represents annual salary for 2016. Patrick Larmon's salary is paid in US dollars but has been translated at the exchange rate of £1: US$1.53. Benefits such as a car or car allowance and private medical insurance are as shown on page 71.

b) Pension represents the cost of pension accrued in 2015 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 and Retirement Savings Benefit (the 'RSB'). No further contributions were made through the Defined Contribution Senior Executive Retirement Agreement ('SERA'), further details of which are shown on page 73. Although there has been no change to the remuneration policy related to Patrick Larmon, the effect of the cessation of payments to the SERA has been to alter the relevant percentages of his remuneration package shown above.

c) Below threshold performance comprises salary, benefits and pension only with no bonus awarded and no LTIP awards vested.

d) 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 that 50% of the share options will vest and deliver 30% of their face value in gain to the executives.

e) 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 delivering 100% of their face value in gain to the executive directors and 100% of share options will vest which will deliver 30% of their face value in gain to the executives.

Legacy arrangements
The Remuneration policy report was approved by shareholders at the 2014 AGM and, by doing so, authority was given to the Company to honour any commitments entered into with current or former directors (that have been disclosed to shareholders in previous remuneration reports) or internally promoted future directors (in each case, such as the payment of a pension or the unwind of legacy share plans). Details of any payments to former directors will be set out in the Remuneration report as they arise.

Policy of 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.

Non-executive directors' terms of appointment
On appointment of a new Chairman of the Board or non-executive director, the fees will be set taking into account the experience and calibre of the individual and the prevailing fee rates of the other non-executive directors at that time.

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 2016 AGM
Philip Rogerson	1 January 2010	15 April 2015	6 years 3 months
Peter Johnson*	1 January 2006	n/a	n/a
David Sleath	1 September 2007	15 April 2015	8 years 7 months
Eugenia Ulasewicz	1 April 2011	15 April 2015	5 years
Jean-Charles Pauze	1 January 2013	15 April 2015	3 years 3 months
Meinie Oldersma	1 April 2013	15 April 2015	3 years
Vanda Murray	1 February 2015	15 April 2015	1 year 2 months

* Peter Johnson retired from the Board at the conclusion of the 2015 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.

Fees policy for Chairman and non-executive directors (the 'NEDs')

Purpose	• provision of a competitive fee to attract NEDs who have a broad range of experience and skills to oversee the implementation of the Company's strategy
Operation	• determined in light of market practice and with reference to time commitment and responsibilities associated with the roles • annual fees are paid in 12 equal monthly instalments during the year • the senior independent director and Chairman of the Audit and Remuneration Committees are paid an extra fee to reflect their additional responsibilities • the NEDs and the Chairman are not eligible to receive benefits and do not participate in pension or incentive plans. Expenses incurred in respect of their duties as directors of the Company are reimbursed • the NEDs' fees are reviewed annually in January each year and the Chairman's fee is reviewed biennially, the last date being February 2014 • the Board as a whole considers the policy and structure for the NEDs' fees on the recommendation of the Chairman and the Chief Executive. The NEDs do not participate in discussions on their specific levels of remuneration; the Chairman's fees are set by the Committee
Maximum potential value	• determined within the overall aggregate annual limit of £1,000,000 authorised by shareholders with reference to the Company's Articles of Association
Performance metrics	• not eligible to participate in any performance related elements of remuneration

Statement of consideration of shareholder views
The Committee considers shareholder feedback received in relation to the AGM each year and guidance from shareholder representative bodies more generally. In addition the Committee consults proactively with its major shareholders prior to making significant changes to its policy. There have been no significant changes to policy since 2013 when consultation was conducted with 19 major shareholders and two shareholder representative bodies with regard to the proposed changes to the remuneration policy and the introduction of a new long term incentive plan. This policy and the 2014 LTIP were approved at the 2014 AGM.

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Annual report on remuneration for 2015

Committee remit and membership
The following independent non-executive directors were members of the Committee during 2015:

	Date of appointment to the Committee	Meetings eligible to attend	Meetings attendance
Peter Johnson*	18 January 2006	2	2
David Sleath	5 December 2007	4	4
Eugenia Ulasewicz	20 April 2011	4	4
Jean-Charles Pauze	1 January 2013	4	4
Meinie Oldersma	1 April 2013	4	4
Vanda Murray	1 February 2015	4	4

* Peter Johnson retired from the Board at the conclusion of the 2015 AGM.

The Secretary to the Committee is Celia Baxter, Director of Group Human Resources. No director plays any part in determining his or her remuneration. During the year ended 31 December 2015, 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.

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. 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.

Advisers to the Remuneration Committee
In carrying out these responsibilities, the Committee seeks external remuneration advice as necessary. During the year the Committee received advice from PwC and New Bridge Street. PwC provided external survey data on directors' remuneration and benefit levels. New Bridge Street provided information to determine whether, and if so to what extent, the performance conditions attached to existing share option and performance share awards under the LTIP had been satisfied. The fees payable to each adviser, based on hourly rates, were: £13,290 (PwC) and £11,415 (New Bridge Street) for such work undertaken in 2015. In addition to the work undertaken on behalf of the Committee, PwC, who are the Company's external auditors, also provide the Company with some pre-acquisition due diligence and IT security services and tax advice. 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. The Committee remains satisfied that the provision of these other services does not in any way compromise the independence of their advisers.

Statement of voting at the 2015 AGM
Last year the remuneration report received a 96.43% shareholder vote in favour as set out below:

	Votes cast	Votes For	% of shares voted	Votes Against	% of shares voted	Votes Withheld
Remuneration report	265,750,509	256,264,436	96.43	9,486,073	3.57	1,080,776

Notes

a) The votes 'For' include votes given at the Company Chairman's discretion.

b) A vote 'Withheld' is not a vote in law and is not counted in the calculation of the votes 'For' or 'Against' the resolution. Votes 'For' and 'Against' are expressed as a percentage of the votes cast.

Single total figure of remuneration 2015 (audited information)

Executive directors

	Salary £000		Taxable benefits £000		Bonus £000		LTIP £000		Pension £000		Total £000	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Michael Roney	**922.0**	895.0	**16.7**	16.8	**680.4**	877.1	**1,740.5**	2,709.4	**276.6**	268.5	**3,636.2**	4,766.8
Brian May	**515.0**	500.0	**16.7**	16.8	**380.1**	490.0	**906.2**	1,406.6	**184.3**	171.6	**2,002.3**	2,585.0
Patrick Larmon	**677.1**	614.5	**18.9**	17.0	**369.0**	428.4	**1,007.1**	1,490.9	**14.3**	13.2	**2,086.4**	2,564.0
Total	**2,114.1**	2,009.5	**52.3**	50.6	**1,429.5**	1,795.5	**3,653.8**	5,606.9	**475.2**	453.3	**7,724.9**	9,915.8

Non-executive directors

	Board fees £000		Committee Chair/SID fees £000		Total £000	
	2015	2014	**2015**	2014	**2015**	2014
Philip Rogerson	**325.0**	325.0	**–**	–	**325.0**	325.0
Peter Johnson	**19.3**	64.5	**9.1**	30.0	**28.4**	94.5
David Sleath	**66.0**	64.5	**26.3**	14.0	**92.3**	78.5
Eugenia Ulasewicz	**66.0**	64.5	**–**	–	**66.0**	64.5
Jean-Charles Pauze	**66.0**	64.5	**–**	–	**66.0**	64.5
Meinie Oldersma	**66.0**	64.5	**–**	–	**66.0**	64.5
Vanda Murray	**60.5**	–	**10.6**	–	**71.1**	–
Total	**668.8**	647.5	**46.0**	44.0	**714.8**	691.5

Notes

a) The figures above represent remuneration earned as directors during the relevant financial year including the bonus of which the cash element, 50% of the bonus, is paid in the year following that in which it is earned. The other 50% of the bonus shown above is deferred and conditionally awarded as shares under the rules of the DASBS. Shares relating to the 2014 deferred bonus were awarded in 2015 as shown in the table on page 79 and the shares relating to the 2015 deferred bonus will be awarded in 2016.

b) Benefits provided for all executive directors are a car or car allowance and medical insurance coverage for them and their families. In addition to these benefits Patrick Larmon's club fees are paid by the Company.

c) The long term incentives are in the form of awards under the 2004 LTIP which were granted in 2012 and 2013. Long term incentive figures exclude any gain from the purchase of shares by Patrick Larmon through the ESPP described on page 63.

d) The figures shown in relation to 2014 for the LTIP have been restated from those figures shown in the 2014 Annual Report to reflect the difference between the relevant grant price and the value of the LTIP awards on the actual date of vesting on 1 March 2015 and 31 August 2015 at the closing mid-market share price of 1,896p and 1,739p respectively. Consequently the 2014 total figures have also been restated to reflect the change in the LTIP valuations.

e) The remuneration for Patrick Larmon is determined and paid in US dollars and has been translated at the average exchange rates for the year of £1: US$1.53 in respect of 2015 and £1: US$1.65 in respect of 2014.

f) Peter Johnson retired from the Board on 15 April 2015. Vanda Murray joined the Board on 1 February 2015 and took over as Remuneration Committee Chairman on 16 April 2015. David Sleath became the senior independent director on 16 April 2015.

g) There were no payments made to former directors during the year and no payments were, or are due to be, made in respect of loss of office.

Executive directors' annual salary (audited information)

Executive directors' salaries were reviewed with effect from 1 January 2015 in accordance with normal policy and were increased taking into account the average salary increases for employees across the Group.

	Salary from 1 January 2015	Salary from 1 January 2014	Increase in salary 2014 to 2015
Michael Roney	**£922,000**	£895,000	3.0%
Brian May	**£515,000**	£500,000	3.0%
Patrick Larmon	**US$1,036,000**	US$1,014,000	2.2%

Executive directors' salaries were also reviewed with effect from 1 January 2016 and the increases awarded are shown on page 77.

Executive directors' external appointments

Michael Roney served as a non-executive director of Brown–Forman Corporation throughout 2015 and during the year retained fees of US$40,178 and was awarded 1,612 deferred stock units which will be paid to him upon completion of his service subject to the terms of the Deferred Stock Unit programme for non-employee directors. Brian May served as a non-executive director of United Utilities Group PLC throughout 2015 and during the year retained fees of £76,767. Patrick Larmon served as a non-executive director of Huttig Building Products, Inc. from 22 June 2015 and during the remainder of the year retained fees of US$31,868 and was awarded 12,800 deferred shares which will vest in 2016.

Directors' remuneration report continued

Non-executive directors' fees (audited information)

The Chairman's fee is reviewed every two years and, as a result, no review took place in 2015. The fees for the non-executive directors were reviewed with effect from 1 January 2015 in accordance with normal policy.

	With effect from January 2015	Fees paid in 2014	Increase in fees 2014 to 2015
Chairman's fee	**£325,000**	£325,000	–
Non-executive director fee	**£66,000**	£64,500	2.3%
Supplements:			
Senior independent director	**£16,000**	£16,000	–
Audit Committee Chairman	**£15,000**	£14,000	7.1%
Remuneration Committee Chairman	**£15,000**	£14,000	7.1%

The Chairman's and non-executive directors' fees were reviewed with effect from 1 January 2016 and the increases awarded are shown on page 78.

Performance against annual bonus targets (audited information)

The annual bonus plan and DASBS operate as set out in the policy section on pages 61 and 62. All of Michael Roney's and Brian May's and 25% of Patrick Larmon's bonus potential in 2015 related to the growth in the Company's constant exchange rate eps relative to budget which was modified by the achievement of the Group's RAOC relative to budget. For Patrick Larmon, a further 75% of his bonus potential related to the pbit performance of North America which was modified by the achievement of North America's return on average operating capital relative to the target set and measured on a constant exchange rate basis. The results for 2015 against the targets set were as follows:

			Performance against targets			
			Primary		Modifier	
Group performance	On target bonus opportunity as % salary	Target eps	% actual constant exchange rate eps relative to target	2015 bonus as % of salary before modifier applied	RAOC for the Group relative to target (57.5%)	2015 bonus award as % of salary
Michael Roney	70%	93.2p	101.6% of target performance	77.2%	0.956	73.8%
Brian May	70%	93.2p	101.6% of target performance	77.2%	0.956	73.8%
Patrick Larmon	17.5%	93.2p	101.6% of target performance	19.9%	0.956	19.0%
North American ('NA') performance		**Target NA pbit (constant exchange rate US$)**	**% pbit of NA businesses relative to target**	**Bonus as % of salary before modifier applied**	**% RAOC for the NA business relative to budget**	
Patrick Larmon	52.5%	US$367.3m	97.6% of target performance	35.5%	On target RAOC%, no adjustments made	35.5%

Notes

a) Annual on target bonus opportunity for Michael Roney and Brian May is 70% of salary with a threshold award of 49% of salary and a maximum award of 115% of salary and for Patrick Larmon is 70% of salary with a threshold award of 31% of salary and a maximum award of 110% of salary.

Threshold award was 95% of target and the maximum bonus award would have been paid out at 110% of the target for Group performance and 107.5% of target for NA performance.

b) The bonuses derived from the primary measures shown above are increased, decreased or remain unchanged according to the actual performance against the relevant modifier. The modifier is unlikely to change the bonus determined by the primary measure by more than 5% up or down.

c) At target exchange rates the adjusted eps for 2015 was 94.7p.

Accordingly the total payments under the annual bonus plan were:

	Total bonus payment (cash and deferred shares) as a % of salary				
	2015 %	2014 %	2013 %	2012 %	2011 %
Michael Roney	**73.8**	98.0	104.2	77.0	114.0
Brian May	**73.8**	98.0	104.2	77.0	114.0
Patrick Larmon	**54.5**	69.7	85.3	85.9	110.0

The monetary values of the bonus payments for 2015 and 2014 are included in the table on page 71.

LTIP grants/awards with performance periods ending in 2015 (audited information)

Executive share options – LTIP Part A

Executive share option awards, granted three years previously, are due to vest on 28 February 2016 and 30 August 2016. The Committee assessed the relevant performance of the Company against the performance conditions. Eps (restated on adoption of IAS 19 (revised 2011)) growth was 28.9% for the three years ended 31 December 2015 which compared to an increase in RPI of 5.59% over the same period. Since the performance condition would have been satisfied if eps had grown by at least 14.86% over the period, all of the options will vest. Included in the single total figure of remuneration table on page 71 is the estimated value of these awards based on the difference between the grant price and the average of the Company's closing mid-market share price for the three month period ended 31 December 2015 (1,861p).

Performance shares – LTIP Part B

Awards of performance shares were made to the executive directors on 5 April 2012 and 8 October 2012 with the three year performance periods being completed on 31 March 2015 and 30 September 2015 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 27.52% for the three years ended 31 December 2014 compared to an increase in RPI of 7.56% over the same period. A quarter of the award would have been exercisable if eps had grown by at least 20.05% over the period and the whole award would have been exercisable if eps had grown by at least 40.66%. As a result of the Company's actual growth in eps over the period, 52.18% of this part of the awards vested (26.09% 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 2012 award, the Company ranked eighth out of the remaining 40 companies in the comparator group of companies, as a result of which 100% of this part of the award vested (50% of the full award) for performance above the upper quartile. For the October 2012 award, the Company ranked twelfth out of the remaining 38 companies in the comparator group of companies, as a result of which 73.53% of this part of the award vested (36.77% of the full award) for performance between the median and upper quartile.

Accordingly 76.09% of the total performance shares awarded in April and 62.86% of the total performance shares awarded in October 2012 vested in April and October 2015 respectively. Included in the single total figure of remuneration table on page 71 is the value of these vested awards at the closing mid-market share price on the dates of vesting, 8 April 2015 and 8 October 2015, which were 1,888p and 1,861p respectively.

Total pension entitlements (audited information)

	Defined benefit pension (DB) entitlements				
	Pension plan's normal retirement age	Additional value of pension on early retirement	Pension value in the year from DB scheme	Value of cash allowance including any company DC and/or 401k contributions in 2015	Total pension 2015
Michael Roney	–	–	–	£276,600	**£276,600**
Brian May	60	–	£74,365	£109,950	**£184,315**
Patrick Larmon	65	–	–	£14,330	**£14,330**

Notes

a) Michael Roney receives a pension allowance of 30% of base salary. He has chosen to join the Defined Contribution Section of the Bunzl Pension Plan ('BPP') and his contribution of 5% of base salary, up to the pensionable salary cap (notionally £149,500 for tax year 2015/2016 and £145,800 for tax year 2014/2015) is matched by the Company. During 2015 such contributions amounted to £7,425 (2014: £7,230) and this amount was deducted from his pension allowance.

b) 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.

c) 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.

d) 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 no further benefits have accrued. Patrick Larmon is currently a member of a defined contribution plan, the Retirement Saving Benefit ('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 2015 of £6,536 (2014: £6,061).

e) In addition, Patrick Larmon receives a supplementary pension through a defined benefit Senior Executive Retirement Agreement ('SERA'). Patrick Larmon's SERA, which became fully accrued in 2012, provides for a lifetime pension of US$100,000 per annum, payable upon retirement. In 2015 the Company paid all necessary expenses, due to changes in assumptions and other factors outside of the Company's control such as change in market conditions, on actuarial advice, to the SERA which amounted to £45,007 (2014: £47,268). In 2007, this 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 and the final contribution was paid to the DC SERA in 2013.

f) Patrick Larmon also participates in the Bunzl USA, Inc Deferred Savings (401k) Plan. The Company makes matching contributions to this Plan. During 2015 contributions for Patrick Larmon amounted to £7,794 (2014: £7,091).

Directors' remuneration report continued

LTIP grant policy

Conditional awards of executive share options and performance shares are granted twice a year to executive directors and other senior executives. Executive share option awards are normally granted in February or March and August or September dependent on the date of announcement of the Company's results. Performance share awards are normally granted in April and October each year. Executive share options were granted in February and August and performance share awards were granted in April and October under the 2014 LTIP in accordance with the policy and performance conditions as approved at the 2014 AGM.

LTIP interests awarded during the financial year (audited information)

	Plan	Date of grant	Basis of award	Face value £000	% vesting at threshold performance	Number of shares	Performance period end date
Michael Roney	2014 LTIP Part A	26.02.15	100% of salary	923.5	100%	48,100	31.12.17
	2014 LTIP Part B	02.04.15	56.25% of salary	518.9	25%	28,200	31.03.18
	2014 LTIP Part A	27.08.15	100% of salary	922.0	100%	54,653	31.12.17
	2014 LTIP Part B	05.10.15	56.25% of salary	518.6	25%	28,749	30.09.18
Brian May	2014 LTIP Part A	26.02.15	95% of salary	489.6	100%	25,500	31.12.17
	2014 LTIP Part B	02.04.15	52.5% of salary	270.5	25%	14,700	31.03.18
	2014 LTIP Part A	27.08.15	95% of salary	489.2	100%	29,001	31.12.17
	2014 LTIP Part B	05.10.15	52.5% of salary	270.4	25%	14,988	30.09.18
Patrick Larmon	2014 LTIP Part A	26.02.15	95% of salary	639.4	100%	33,300	31.12.17
	2014 LTIP Part B	02.04.15	52.5% of salary	368.0	25%	20,000	31.03.18
	2014 LTIP Part A	27.08.15	95% of salary	635.0	100%	37,639	31.12.17
	2014 LTIP Part B	05.10.15	52.5% of salary	357.8	25%	19,834	30.09.18

Note

The face value of the awards is calculated using the closing mid-market share price on the day prior to the grant of the award. Options were awarded under the 2014 LTIP Part A on 26 February 2015 and on 27 August 2015 at a value of 1,920p and 1,687p per share respectively. Performance shares were awarded under the 2014 LTIP Part B on 2 April 2015 and on 5 October 2015 at a value of 1,840p and 1,804p per share respectively.

Performance conditions for 2015 awards

The performance conditions for the executive share options and performance shares awarded under the 2014 LTIP to the Company's executive directors, Executive Committee members and selected key employees in 2015 were as detailed below.

Executive 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) over three years, based on the following sliding scale:

Absolute annual growth in the Company's eps over a three year period	Proportion of share option awards exercisable
Below 5%	Nil
5%	25%
Between 5% and 8%	Pro rata between 25%–100%
8% or above	100%

Performance share awards – 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) over three years, based on the following sliding scale:

Absolute annual growth in the Company's eps over a three year period	Proportion of performance share awards exercisable
Below 6%	Nil
6%	25%
Between 6% and 12%	Pro rata between 25%–100%
12% or above	100%

The extent to which the other half of the performance share awards may vest is subject to the Company's TSR performance, a combination of both the Company's share price and dividend performance during the three year performance period, relative to the TSR performance of a specified comparator group of similarly sized companies with large international presence. These performance share awards may vest based on the following sliding scale:

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

The applicable comparator group for the 2015 awards were those companies in the FTSE 50 – 150 with significant international operations, excluding companies in the financial services, oil & gas and natural resources sectors.

Shareholder dilution
In accordance with The Investment Association Principles of Remuneration, the Company can satisfy awards to employees under all its share plans with new issue shares or shares issued from treasury up to a maximum of 10% of its issued share capital (adjusted for share issuance and cancellation) in a rolling 10 year period. Within this 10% limit, the Company can only issue (as newly issued shares or from treasury), 5% of its issued share capital (adjusted for share issuance and cancellation) to satisfy awards under executive (discretionary) plans.

As well as the LTIP, the Company operates various all employee share schemes as described on page 63. Newly issued shares are currently used to satisfy the exercise of options under the Sharesave Scheme and the International and Irish Sharesave Plans. Awards under the LTIP of executive options and performance shares are principally satisfied by shares delivered from the Employee Benefit Trust which buys shares on the market, unless security laws in relevant jurisdictions prevent this.

Limit on awards	Cumulative options and performance shares granted as a percentage of issued share capital as at 31 December 2015
10% in any rolling 10 year period	2.1%
5% in any rolling 10 year period (executive (discretionary) plans)	1.2%

Statement of directors' shareholding and share interests (audited information)
As at 31 December 2015, all executive directors and their connected persons owned shares outright at a level exceeding their required shareholding of 200% of their annual salary.

	Actual share ownership as a percentage of salary at 31 December 2015 at the closing mid-market price (1,885p)
Michael Roney	638%
Brian May	385%
Patrick Larmon	347%

Directors' remuneration report continued

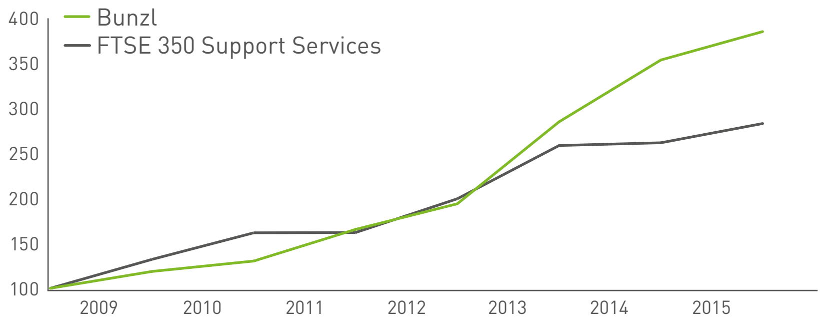
Interests in shares and share options

The interests of the directors, and their connected persons, in the Company's ordinary shares and share options at 31 December 2015 were:

	Shares			Options (LTIP Part A and Sharesave)			Total interests held
	Owned outright	Unvested and subject to holding period (DASBS)	Unvested and subject to performance conditions (LTIP Part B)	Unvested and subject to performance conditions	Unvested subject to continued employment	Vested but not exercised	
Michael Roney	**312,263**	77,520	195,549	300,853	2,533	–	888,718
Brian May	**105,240**	42,984	102,188	158,001	2,173	–	410,586
Patrick Larmon	**124,546**	49,109	124,234	191,939	–	111,500	601,328
Philip Rogerson	**10,000**	–	–	–	–	–	10,000
David Sleath	**4,000**	–	–	–	–	–	4,000
Eugenia Ulasewicz	**4,000**	–	–	–	–	–	4,000
Jean-Charles Pauze	**2,500**	–	–	–	–	–	2,500
Meinie Oldersma	**2,500**	–	–	–	–	–	2,500
Vanda Murray	**3,000**	–	–	–	–	–	3,000

Performance graph and table

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 seven year period. The Company's TSR performance against the FTSE 350 Support Services Sector over a seven year period commencing on 1 January 2009 is shown to the right.



Source: Thomson Reuters datastream

Chief Executive's pay in last seven years (audited information)

The table below summarises the Chief Executive's single total figure of remuneration, as shown on page 71, annual bonus and long term incentive payout as a percentage of maximum opportunity for 2015 and the previous six years.

		2009	2010	2011	2012	2013	2014	2015
Single total figure of remuneration £000		1,943.2	2,314.2	3,394.1	3,502.9	4,387.6	4,766.8	**3,636.2**
Annual variable element award rates against maximum opportunity		45%	71%	99%	67%	91%	85%	**64%**
Long term incentive vesting rates against maximum opportunity	LTIP Part A (options)	100%	100%	100%	100%	100%	100%	**100%**
	LTIP Part B (performance shares)	84%	65%	29%	45%	62%	89%	**69%**

Note

The single total figure of remuneration in relation to 2014 has been restated from the figure shown in the 2014 Annual Report to reflect the difference between the grant price and the value of the relevant LTIP awards on the actual date of vesting as detailed in Note d) to the table of the single total figure of remuneration 2015 on page 71.

Percentage change in Chief Executive's remuneration

The table below sets out the increase in the salary, benefits and bonus of the Chief Executive and that of a Bunzl UK and US management population. This population has been selected for this comparison because it is considered to be the most relevant as these countries have the Group's largest concentration of employees with a similarly structured remuneration package. Employees from businesses acquired by Bunzl in 2015 and leavers and joiners in either year have been removed from the data to prevent distortion.

	Chief Executive	UK and US management population
	Percentage change (2015 vs 2014)	Percentage change (2015 vs 2014)
Salary	3%	3%
Benefits	0%	5%
Bonus	(22)%	(39)%

Notes

a) US and UK management population includes any promotional increases that occurred during either year.

b) Bonus relates to the performance targets of the companies for which the relevant individuals work.

Relative importance of spend on pay

The table below shows a comparison between the overall expenditure on pay and dividends paid to shareholders for 2015 and 2014 (as stated in Note 21 and Note 17 to the consolidated financial statements on pages 118 and 113 respectively).

£ million unless otherwise stated	2015	2014	Percentage change
Overall expenditure on pay	**558.1**	524.2	6.5%
Dividend paid in the year	**116.1**	105.6	9.9%

Notes

a) Overall expenditure on pay excludes employer's social security costs.

b) Dividends paid in the year relate to the previous financial year's interim and final dividends.

c) Overall expenditure on pay for 2014 has been restated as laid out in Note 21 to the consolidated financial statements on page 118.

2016 Remuneration (audited information)

The remuneration policy was implemented with effect from the 2014 AGM and continues to apply in 2016 as follows:

Salary

The salary increases for the executive directors for 2016, which are in line with increases that have been implemented for other employees in the Group as discussed on page 66, are as follows:

	Salary from 1 January 2016	Salary from 1 January 2015	Increase in salary 2015 to 2016
Michael Roney	£922,000	£922,000	0%
Brian May	£530,000	£515,000	2.9%
Patrick Larmon	US$1,060,000	US$1,036,000	2.3%

Directors' remuneration report continued

2016 bonus targets

The structure for Brian May's and 25% of Patrick Larmon's annual bonus for 2016 is described on pages 61 and 62. Due to Michael Roney's retirement he will not be eligible for a bonus in 2016. The threshold for bonus payments on growth in constant exchange rate eps has been set above the actual result achieved in 2015 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 achievement of North America's return on average operating capital relative to the target set. 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 will not be disclosed while still commercially sensitive.

Performance measures for long term incentives to be awarded in 2016

Grants of executive share options and performance shares awarded to executive directors and senior executives in 2016 will be subject to the same performance conditions as those executive share options and performance share awards granted in 2015 as detailed on pages 74 and 75.

Non-executive directors' fees for 2016 (audited information)

The Chairman's and the non-executive directors' fees were reviewed with effect from 1 January 2016. The Chairman's fee is reviewed every two years with the previous review in January 2014. The non-executive directors' fees are reviewed annually. The current fee structure for the non-executive directors is shown below:

	With effect from 1 January 2016	Fees paid in 2015	Increase in fees 2015 to 2016
Chairman's fee	£340,000	£325,000	4.6%
Non-executive director basic fee	£67,500	£66,000	2.3%
Supplements:			
Senior independent director	£16,000	£16,000	–
Audit Committee Chairman	£16,000	£15,000	6.7%
Remuneration Committee Chairman	£16,000	£15,000	6.7%

Departure terms of Michael Roney (Chief Executive until 20 April 2016)

As announced on 14 January 2016 Michael Roney will retire from the Board at the Annual General Meeting on 20 April 2016 and leave the Group on 30 April 2016. Full details of his departure terms are set out in the statement required by Section 430 (2B) of the Companies Act 2006 which can be found on www.bunzl.com in the Investors section under Corporate governance (Remuneration). The Remuneration Committee determined the following treatment within the terms of the Company's approved remuneration policy:

- salary (which was not increased from 1 January 2016), benefits and pension allowance will be paid as usual until the 30 April 2016 (the 'Leaving Date');
- no payment in lieu of notice will be made;
- no annual cash bonus or DASBS award will be made for the 2016 financial year;
- any deferred shares outstanding at the Leaving Date, which were awarded under the DASBS in relation to the 2014 and 2015 financial years, will vest in full on 1 March 2017;
- no grants or awards under the LTIP will be made in 2016; and
- any grants and awards outstanding at the Leaving Date, which were made under the LTIP Parts A and B in 2013, 2014 and 2015, will vest at the normal vesting date subject to satisfaction of the existing performance conditions and provided that prior to the relevant vesting date Michael Roney has not worked in any capacity for a competitor organisation. Recovery provisions will continue to apply.

Remuneration arrangements for Frank van Zanten (Chief Executive from 20 April 2016)
As also announced on 14 January 2016, Frank van Zanten will take over as Chief Executive on 20 April 2016 following Michael Roney's retirement from the Board. The remuneration package for Frank van Zanten, as set out below, was agreed within the terms of the Company's approved remuneration policy:

- salary of £800,000 per annum;
- pension allowance of 25% of salary;
- eligible to participate in (a) the directors' annual bonus scheme up to 115% of salary (half of which will be deferred for three years under the DASBS), as described on pages 61 and 62 and (b) the LTIP up to (i) an annual award of 200% of salary in respect of executive share options and (ii) an annual award of 112.5% of salary in respect of performance shares, as described on pages 62 and 63; and
- benefits including a car allowance, life and medical insurances and relocation expenses.

Additional information on directors' interests

Details of the executive directors' interests in outstanding share awards under the DASBS, LTIP and all employee share plans are set out below.

Deferred share awards as at 31 December 2015
The outstanding awards granted to each director of the Company under the DASBS are set out in the table below. Further information relating to the deferred bonus is provided on page 61.

	Shares held at 1 January 2015	Shares awarded during 2015	Shares vested during 2015	Total number of award shares at 31 December 2015	Normal vesting date	Share price at grant p	Market price at vesting p	Monetary value of vested award £000
Michael Roney	48,882	–	48,882	–	01.03.15	962	1,900	929
	25,575	–	–	25,575	01.03.16	1,272	–	–
	28,815	–	–	28,815	01.03.17	1,573	–	–
	–	23,130	–	23,130	01.03.18	1,896	–	–
Brian May	27,018	–	27,018	–	01.03.15	962	1,900	513
	14,165	–	–	14,165	01.03.16	1,272	–	–
	15,898	–	–	15,898	01.03.17	1,573	–	–
	–	12,921	–	12,921	01.03.18	1,896	–	–
Patrick Larmon	33,349	–	33,349	–	01.03.15	962	1,900	634
	21,045	–	–	21,045	01.03.16	1,272	–	–
	16,003	–	–	16,003	01.03.17	1,573	–	–
	–	12,061	–	12,061	01.03.18	1,896	–	–

Note

The deferred element of the 2015 annual bonus plan as shown on page 71 is not included in the table above as the appropriate number of shares have not yet been awarded. No shares lapsed during the year.

Directors' remuneration report continued

LTIP

The tables below show the number of executive share options and performance shares held by the executive directors under the LTIP.

Executive share options – LTIP Part A

	Options at 1 January 2015	Grant date	Exercise price p	Options exercisable between	Options at 31 December 2015
Michael Roney	85,500	03.03.11	724.5	03.03.14–02.03.21	–
	76,500	02.09.11	812.5	02.09.14–01.09.21	–
	66,000	01.03.12	962	01.03.15–28.02.22	–
	57,000	31.08.12	1,116	31.08.15–30.08.22	–
	53,000	28.02.13	1,240	28.02.16–27.02.23	**53,000**
	47,500	30.08.13	1,375	30.08.16–29.08.23	**47,500**
	43,000	27.02.14	1,566	27.02.17-26.02.24	**43,000**
	54,600	29.08.14	1,641	29.08.17-28.08.24	**54,600**
	–	26.02.15	1,920	26.02.18-25.02.25	**48,100**
	–	27.08.15	1,687	27.08.18-26.08.25	**54,653**
Total	483,100				**300,853**
Brian May	34,500	01.03.12	962	01.03.15–28.02.22	–
	29,500	31.08.12	1,116	31.08.15–30.08.22	–
	27,500	28.02.13	1,240	28.02.16–27.02.23	**27,500**
	24,500	30.08.13	1,375	30.08.16–29.08.23	**24,500**
	22,500	27.02.14	1,566	27.02.17-26.02.24	**22,500**
	29,000	29.08.14	1,641	29.08.17-28.08.24	**29,000**
	–	26.02.15	1,920	26.02.18-25.02.25	**25,500**
	–	27.08.15	1,687	27.08.18-26.08.25	**29,001**
Total	167,500				**158,001**
Patrick Larmon	44,000	03.09.10	746	03.09.13–02.09.20	–
	46,500	03.03.11	724.5	03.03.14–02.03.21	–
	41,500	02.09.11	812.5	02.09.14–01.09.21	**41,500**
	36,000	01.03.12	962	01.03.15–28.02.22	**36,000**
	34,000	31.08.12	1,116	31.08.15–30.08.22	**34,000**
	31,500	28.02.13	1,240	28.02.16–27.02.23	**31,500**
	28,500	30.08.13	1,375	30.08.16–29.08.23	**28,500**
	25,500	27.02.14	1,566	27.02.17-26.02.24	**25,500**
	35,500	29.08.14	1,641	29.08.17-28.08.24	**35,500**
	–	26.02.15	1,920	26.02.18-25.02.25	**33,300**
	–	27.08.15	1,687	27.08.18-26.08.25	**37,639**
Total	323,000				**303,439**

Notes

a) Executive share options were exercised during 2015 by:

(i) Michael Roney on 6 March 2015 in respect of 85,500 ordinary shares at an exercise price of 724.5p and 76,500 ordinary shares at an exercise price of 812.5p, at a market price of 1,884p and 1,882p respectively, resulting in a total gain of £1,809,540. In addition Michael Roney exercised share options on 28 September 2015 in respect of 66,000 ordinary shares at an exercise price of 962p, at a market price of 1,778p resulting in a gain of £538,560 and on 9 November 2015 in respect of 57,000 ordinary shares at an exercise price of 1,116p, at a market price of 1,885p result in a gain of £438,330;

(ii) Brian May on 4 November 2015 in respect of 34,500 ordinary shares at an exercise price of 962p and 29,500 ordinary shares at an exercise price of 1,116p, at a market price of 1,879p resulting in a total gain of £541,450; and

(ii) Patrick Larmon on 25 February 2015 in respect of 44,000 ordinary shares at an exercise price of 746p, at a market price of 1,924p, resulting in a gain of £518,320. In addition Patrick Larmon exercised share options on 3 December 2015 in respect of 46,500 ordinary shares at an exercise price of 724.5p, at a market price of 1,958p resulting in a gain of £573,577.

b) The mid-market price of a share on 31 December 2015 was 1,885p and the range during 2015 was 1,671p to 1,950p.

c) The performance conditions have been satisfied in relation to options granted prior to 2014 under the 2004 LTIP Part A.

d) Executive share options granted in February 2014 and earlier have been granted under the 2004 LTIP Part A. Executive share options granted since then have been granted under the 2014 LTIP Part A.

Performance shares – LTIP Part B

	Awards (shares) held at 1 January 2015	Conditional shares awarded during 2015	Award date	Market price per share at award p	Lapsed awards (shares) during 2015	Exercised awards (shares) during 2015	Market price per share at exercise p	Value at exercise £000	Awards (shares) held at 31 December 2015
Michael Roney	48,000	–	05.04.12	990.5	11,477	36,523	1,884	688	**–**
	42,000	–	08.10.12	1,137	15,602	26,398	1,860	491	**–**
	38,500	–	05.04.13	1,277	–	–	–	–	**38,500**
	37,000	–	07.10.13	1,325	–	–	–	–	**37,000**
	31,500	–	04.04.14	1,606	–	–	–	–	**31,500**
	31,600	–	06.10.14	1,597	–	–	–	–	**31,600**
	–	28,200	02.04.15	1,840	–	–	–	–	**28,200**
	–	28,749	05.10.15	1,804	–	–	–	–	**28,749**
Total	228,600	56,949			27,079	62,921			**195,549**
Brian May	25,000	–	05.04.12	990.5	5,978	19,022	1,884	380	**–**
	22,000	–	08.10.12	1,137	8,173	13,827	1,860	292	**–**
	20,000	–	05.04.13	1,277	–	–	–	–	**20,000**
	19,500	–	07.10.13	1,325	–	–	–	–	**19,500**
	16,500	–	04.04.14	1,606	–	–	–	–	**16,500**
	16,500	–	06.10.14	1,597	–	–	–	–	**16,500**
	–	14,700	02.04.15	1,840	–	–	–	–	**14,700**
	–	14,988	05.10.15	1,804	–	–	–	–	**14,988**
Total	119,500	29,688			14,151	32,849			**102,188**
Patrick Larmon	26,500	–	05.04.12	990.5	6,337	20,163	1,884	358	**–**
	25,000	–	08.10.12	1,137	9,287	15,713	1,860	257	**–**
	23,000	–	05.04.13	1,277	–	–	–	–	**23,000**
	22,000	–	07.10.13	1,325	–	–	–	–	**22,000**
	18,500	–	04.04.14	1,606	–	–	–	–	**18,500**
	20,900	–	06.10.14	1,597	–	–	–	–	**20,900**
	–	20,000	02.04.15	1,840	–	–	–	–	**20,000**
	–	19,834	05.10.15	1,804	–	–	–	–	**19,834**
Total	135,900	39,834			15,624	35,876			**124,234**

Notes

a) The closing mid-market price of the Company's shares as at the vesting dates on 8 April 2015 and 8 October 2015 were 1,888p and 1,861p respectively.

b) Performance share awards granted in April 2014 and earlier have been granted under the 2004 LTIP Part B. Performance share awards granted since then have been granted under the 2014 LTIP Part B.

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 63.

	Options at 1 January 2015	Grant date	Exercise price p	Options exercisable between	Options at 31 December 2015
Michael Roney	1,948	27.03.12	770	01.05.17-31.10.17	**1,948**
	–	20.03.15	1,536	01.05.18-31.10.18	**585**
Brian May	1,197	21.03.14	1,253	01.05.19-31.10.19	**1,197**
	–	20.03.15	1,536	01.05.20-31.10.20	**976**

Vanda Murray OBE
Chairman of the Remuneration Committee
29 February 2016

Other statutory information

Annual General Meeting

The Annual General Meeting will be held at The Park Suite, The Dorchester, Park Lane, London W1K 1QA on Wednesday 20 April 2016 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 11.75p was paid on 4 January 2016 in respect of 2015 and the directors recommend a final dividend of 26.25p, making a total for the year of 38.0p per share (2014: 35.5p). Dividend details are given in Note 17 to the consolidated financial statements. Subject to approval by the shareholders at the Annual General Meeting on 20 April 2016, the final dividend will be paid on 1 July 2016 to those shareholders on the register at the close of business on 20 May 2016.

Share Capital

The Company has a single class of share capital which is divided into ordinary shares of $32\frac{1}{7}$p 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 Citibank N.A. under which the Company's shares are traded on the over-the-counter (OTC) 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.

Substantial shareholdings

As at 31 December 2015 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.

As at 29 February 2016 no further notifications have been received since the year end.

Shareholder	Date of notification	Number of shares	% of issued share capital
Massachusetts Financial Services Company	07.10.14	33,452,090	10.0
Cascade Investment L.L.C.	15.10.15	23,503,182	7.0
BlackRock, Inc.	30.11.15	17,189,833	5.1
Invesco Limited	26.08.14	16,645,696	5.0
APG Asset Management N.V.	24.06.15	10,265,263	3.1

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.

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 2015 Annual General Meeting to allot shares or grant rights to subscribe for or to convert any security into shares of the Company up to a maximum nominal amount of £35.87 million. 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 £5.38 million, without regard to the pre-emption provisions of the Companies Act 2006. No such shares were issued or allotted under these authorities in 2015, 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.

These authorities are valid until the conclusion of the forthcoming Annual General Meeting. The directors again propose to seek equivalent authorities at such Annual General Meeting.

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 Conduct 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 2015 Annual General Meeting, shareholders gave the Company authority to purchase a maximum of 33,475,000 ordinary shares. During the year ended 31 December 2015 the Company did not purchase any of its own shares pursuant to this authority or the authority granted at the 2014 Annual General Meeting and no shares have been purchased between 31 December 2015 and 29 February 2016. The Company is therefore currently authorised to buy back 33,475,000 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 after 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.

Biographical details of all the directors who served throughout the year are set out on pages 48 and 49. Vanda Murray and Frank van Zanten were appointed to the Board with effect from 1 February 2015 and 1 February 2016 respectively but all of the other directors 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 Michael Roney who retires from the Board 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 2015. 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 60 to 81.

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

Indemnities were in force throughout 2015 and remain in force as at the date of this report 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.

Other statutory information continued

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 39 to 47.

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, sterling and euro US private placement notes which have been entered into by Bunzl Finance plc and the Company and are also guaranteed by the Company.

Political donations

During 2015 no contributions were made for political purposes.

Disclosures required under UK listing rule 9.8.4

Apart from the dividend waiver which has been issued in respect of shares held by the Bunzl Group General Employee Benefit Trust referred to in Note 16 to the consolidated financial statements on page 112, there are no disclosures required to be made under UK Listing Rule 9.8.4.

External auditors

Each of the directors at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all steps that he 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 auditors are 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 PricewaterhouseCoopers LLP as auditors of the Company at a rate of remuneration to be determined by the directors.

Strategic report and Directors' report

Pages 1 to 47 inclusive consist of the Strategic report and pages 48 to 84 inclusive consist of the Directors' report. These reports have 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 these reports 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 a strategic report and a directors' report. Under English law, the directors would be liable to the Company, but not to any third party, if the Strategic report or the Directors' report contain errors as a result of recklessness or knowing misstatement or dishonest concealment of a material fact, but would not otherwise be liable.

The Strategic report and the Directors' report were approved by the Board on 29 February 2016.

On behalf of the Board

Paul Hussey
Secretary
29 February 2016

Financial statements

In this section

Consolidated income statement

for the year ended 31 December 2015

	Notes	2015 £m	2014 £m
Revenue	3	**6,489.7**	6,156.5
Operating profit	3	**366.5**	341.8
Finance income	5	**4.8**	4.0
Finance cost	5	**(48.6)**	(46.0)
Profit before income tax		**322.7**	299.8
Income tax	6	**(90.0)**	(89.1)
Profit for the year attributable to the Company's equity holders		**232.7**	210.7
Earnings per share attributable to the Company's equity holders			
Basic	7	**71.0p**	64.5p
Diluted	7	**70.2p**	63.7p

Non-GAAP measures†			
Operating profit	3	**366.5**	341.8
Adjusted for:			
Intangible amortisation	3	**66.8**	61.9
Acquisition related costs	3	**21.7**	26.1
Adjusted operating profit		**455.0**	429.8
Finance income	5	**4.8**	4.0
Finance cost	5	**(48.6)**	(46.0)
Adjusted profit before income tax		**411.2**	387.8
Tax on adjusted profit	6	**(113.1)**	(106.2)
Adjusted profit for the year		**298.1**	281.6
Adjusted earnings per share	7	**91.0p**	86.2p

† See Note 2w on page 95 for further details of the non-GAAP measures.

The Accounting policies and Notes on pages 91 to 122 form part of these consolidated financial statements.

Consolidated statement of comprehensive income

for the year ended 31 December 2015

	Notes	2015 £m	2014 £m
Profit for the year		**232.7**	210.7
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss:			
Actuarial gain/(loss) on defined benefit pension schemes	20	**27.0**	(30.1)
Tax on items that will not be reclassified to profit or loss	6	**(6.7)**	8.0
Total items that will not be reclassified to profit or loss		**20.3**	(22.1)
Items that may be reclassified to profit or loss:			
Foreign currency translation differences for foreign operations		**(77.8)**	(26.1)
Loss taken to equity as a result of effective net investment hedges		**(13.5)**	(17.1)
Gain recognised in cash flow hedge reserve		**9.6**	3.9
Movement from cash flow hedge reserve to income statement		**(10.6)**	0.1
Tax on items that may be reclassified to profit or loss	6	**(0.4)**	0.6
Total items that may be reclassified subsequently to profit or loss		**(92.7)**	(38.6)
Other comprehensive expense for the year		**(72.4)**	(60.7)
Total comprehensive income attributable to the Company's equity holders		**160.3**	150.0

Consolidated balance sheet

at 31 December 2015

	Notes	2015 £m	2014 £m
Assets			
Property, plant and equipment	8	**126.7**	119.2
Intangible assets	9	**1,632.0**	1,478.8
Defined benefit pension assets	20	**5.4**	–
Derivative financial assets		**16.5**	16.3
Deferred tax assets	15	**–**	3.9
Total non-current assets		**1,780.6**	1,618.2
Inventories	10	**794.2**	705.3
Income tax receivable		**0.7**	0.7
Trade and other receivables	11	**947.5**	869.8
Derivative financial assets		**17.2**	12.6
Cash at bank and in hand	23	**79.2**	82.4
Total current assets		**1,838.8**	1,670.8
Total assets		**3,619.4**	3,289.0
Equity			
Share capital	16	**107.7**	107.6
Share premium		**163.9**	160.3
Translation reserve		**(179.1)**	(87.2)
Other reserves		**20.2**	21.0
Retained earnings		**903.6**	782.2
Total equity attributable to the Company's equity holders		**1,016.3**	983.9
Liabilities			
Interest bearing loans and borrowings	23	**1,058.8**	913.3
Defined benefit pension liabilities	20	**45.4**	70.3
Other payables		**20.8**	18.5
Provisions	14	**25.3**	20.9
Deferred tax liabilities	15	**112.8**	116.0
Total non-current liabilities		**1,263.1**	1,139.0
Bank overdrafts	23	**28.5**	28.1
Interest bearing loans and borrowings	23	**120.8**	35.8
Income tax payable		**74.8**	64.6
Trade and other payables	12	**1,096.4**	1,018.4
Derivative financial liabilities		**10.0**	8.5
Provisions	14	**9.5**	10.7
Total current liabilities		**1,340.0**	1,166.1
Total liabilities		**2,603.1**	2,305.1
Total equity and liabilities		**3,619.4**	3,289.0

Approved by the Board of Directors of Bunzl plc (Company registration number 358948) on 29 February 2016 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 2015

	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 2015	107.6	160.3	(87.2)	2.5	16.1	2.4	(115.1)	897.3	983.9
Profit for the year								232.7	232.7
Actuarial gain on defined benefit pension schemes								27.0	27.0
Foreign currency translation differences for foreign operations			(77.8)						(77.8)
Loss taken to equity as a result of effective net investment hedges			(13.5)						(13.5)
Gain recognised in cash flow hedge reserve						9.6			9.6
Movement from cash flow hedge reserve to income statement						(10.6)			(10.6)
Income tax (charge)/credit on other comprehensive income			(0.6)			0.2		(6.7)	(7.1)
Total comprehensive (expense)/income			(91.9)			(0.8)		253.0	160.3
2014 interim dividend								(36.0)	(36.0)
2014 final dividend								(80.1)	(80.1)
Issue of share capital	0.1	3.6							3.7
Employee trust shares							(30.2)		(30.2)
Movement on own share reserves							26.4	(26.4)	–
Share based payments								14.7	14.7
At 31 December 2015	107.7	163.9	(179.1)	2.5	16.1	1.6	(118.9)	1,022.5	1,016.3

	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 2014	107.2	153.0	(45.4)	2.5	16.1	(0.8)	(100.0)	807.3	939.9
Profit for the year								210.7	210.7
Actuarial loss on defined benefit pension schemes								(30.1)	(30.1)
Foreign currency translation differences for foreign operations			(26.1)						(26.1)
Loss taken to equity as a result of effective net investment hedges			(17.1)						(17.1)
Gain recognised in cash flow hedge reserve						3.9			3.9
Movement from cash flow hedge reserve to income statement						0.1			0.1
Income tax credit/(charge) on other comprehensive income			1.4			(0.8)		8.0	8.6
Total comprehensive (expense)/income			(41.8)			3.2		188.6	150.0
2013 interim dividend								(32.6)	(32.6)
2013 final dividend								(73.0)	(73.0)
Issue of share capital	0.4	7.3							7.7
Employee trust shares							(26.7)		(26.7)
Movement on own share reserves							11.6	(11.6)	–
Share based payments								18.6	18.6
At 31 December 2014	107.6	160.3	(87.2)	2.5	16.1	2.4	(115.1)	897.3	983.9

Consolidated cash flow statement

for the year ended 31 December 2015

	Notes	2015 £m	2014 £m
Cash flow from operating activities			
Profit before income tax		**322.7**	299.8
Adjustments:			
depreciation	8	**24.1**	24.4
intangible amortisation	9	**66.8**	61.9
acquisition related costs	3	**21.7**	26.1
share based payments		**9.1**	7.9
finance income		**(4.8)**	(4.0)
finance cost		**48.6**	46.0
provisions		**(3.9)**	(5.0)
retirement benefits		**(7.4)**	(8.0)
other		**(2.1)**	(1.9)
Working capital movement		**(9.8)**	(15.6)
Cash generated from operations before acquisition related costs		**465.0**	431.6
Cash outflow from acquisition related costs	24	**(42.7)**	(14.0)
Income tax paid		**(92.5)**	(89.8)
Cash inflow from operating activities		**329.8**	327.8
Cash flow from investing activities			
Interest received		**2.8**	2.3
Purchase of property, plant and equipment		**(24.8)**	(25.1)
Sale of property, plant and equipment		**2.4**	1.2
Purchase of businesses	24	**(328.5)**	(154.1)
Cash outflow from investing activities		**(348.1)**	(175.7)
Cash flow from financing activities			
Interest paid		**(42.7)**	(43.7)
Dividends paid		**(116.1)**	(105.6)
Increase in borrowings		**256.4**	181.0
Repayment of borrowings		**(73.8)**	(170.3)
Realised gains on foreign exchange contracts		**27.5**	17.4
Proceeds from issue of ordinary shares to settle share options		**3.7**	7.7
Proceeds from exercise of market purchase share options		**23.1**	18.5
Purchase of employee trust shares		**(56.3)**	(48.0)
Cash inflow/(outflow) from financing activities		**21.8**	(143.0)
Increase in cash and cash equivalents		**3.5**	9.1
Cash and cash equivalents at start of year		**54.3**	46.8
Increase in cash and cash equivalents		**3.5**	9.1
Currency translation		**(7.1)**	(1.6)
Cash and cash equivalents at end of year	23	**50.7**	54.3

Notes

1 Basis of preparation

Bunzl plc (the 'Company') is a public limited company listed on the London Stock Exchange incorporated and domiciled in the United Kingdom.

(i) Basis of accounting

The consolidated financial statements for the year ended 31 December 2015 have been approved by the directors. They are prepared in accordance with (i) EU endorsed International Financial Reporting Standards ('IFRS') and interpretations of the International Financial Reporting Standards Interpretations Committee and those parts of the Companies Act 2006 as applicable to companies using IFRS and (ii) International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB'). They are prepared under the historical cost convention with the exception of certain items which are measured at fair value as described in the accounting policies below. The directors consider that it is appropriate to adopt the going concern basis of accounting in preparing the financial statements.

(ii) New accounting standards and interpretations

There are no new standards issued by the IASB that are effective for the Group for the year ended 31 December 2015. The Group has adopted all relevant amendments to existing standards issued by the IASB that are effective from 1 January 2015 with no material impact on its consolidated results.

The Group is currently assessing the potential impact of other new and revised standards and interpretations issued by the IASB that will be effective from 1 January 2016 and beyond. Based on the analysis to date, the Group does not anticipate that these will have a material impact on its consolidated results.

2 Accounting policies

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

a Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group is either exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. A list of all of Bunzl plc's subsidiary undertakings is included in the Related undertakings note in the Shareholder information section on pages 141 to 143 and is subject to audit. The results of all of the subsidiary undertakings are included in full in these consolidated financial statements.

(ii) Business combinations

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 and deferred consideration, excluding 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.

(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 other comprehensive income.

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 balances, are recognised directly in other comprehensive income and accumulated in the translation reserve. Differences that have arisen since 1 January 2004, the date of transition to IFRS, are presented in this separate component of equity.

Notes continued

2 Accounting policies continued

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

Revenue is valued at invoiced amounts, 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.

d Cost of goods sold

Cost of goods sold consists of the cost of the inventories sold or disposed of in the period, where the cost of inventories is net of supplier rebate income related to those inventories.

e Supplier rebates

The Group has various rebate arrangements with a number of suppliers. Some of these arrangements are based on the volume of products purchased and others are based on the volume of products sold. Supplier rebate income is recognised in cost of goods sold concurrent with the sale of the inventories to which it relates and is calculated by reference to the expected consideration receivable from each rebate arrangement. Supplier rebate income is not recognised if there is significant uncertainty regarding recovery of the amount due. Supplier rebate income accrued but not yet received is included in other receivables.

f Share based payments

The Group operates a number of equity settled share based payment 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 which is spread over the expected vesting period with a corresponding credit to equity.

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 Income tax

Income tax in the income statement comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year using tax 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. A deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

i Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses. The carrying values of property, plant and equipment are periodically reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items.

2 Accounting policies continued

j Depreciation
Depreciation is charged to profit or loss on a straight line basis to write off cost less estimated residual value over the assets' estimated remaining useful lives. The estimated useful lives are as follows:

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

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

k 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 Generally Accepted Accounting Practice ('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 other 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).

l 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 of disposal 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.

m Inventories
Inventories are valued at the lower of cost and net realisable value. The cost of inventories comprises the purchase price, net of any related supplier volume rebates, plus import duties and other taxes, inbound freight and haulage costs and other related costs incurred to bring the product into its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and estimated cost necessary to make the sale.

n Trade and other receivables
Trade and other receivables are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these assets are measured at amortised 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.

o Trade and other payables
Trade and other payables are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition these liabilities are measured at amortised cost.

Notes continued

2 Accounting policies continued

p 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. IFRS 13 'Fair Value Measurement' defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 is designated and qualifies as a hedge of a forecast transaction, 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.

q Cash and cash equivalents

Cash and cash equivalents, as reported in the cash flow statement, comprises cash at bank and in hand and bank overdrafts. Cash at bank and in hand includes cash balances and short term deposits with maturities of three months or less from the date the deposit is made.

r 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.

s Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event that can be reliably measured and 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 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.

t 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.

At each reporting date the Group remeasures the value of the shares held in the employee benefit trust to present them in the own shares reserve at the market value of those shares at the reporting date. This is done through a reclassification from retained earnings to the own shares reserve. This movement has no effect on the actual numbers of shares held by the employee benefit trust.

2 Accounting policies continued

u Retirement benefits

(i) Defined contribution pension schemes

A defined contribution pension scheme is a post-employment benefit scheme under which the Company pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Obligations for contributions to defined contribution pension schemes are recognised as an expense in the income statement in the periods during which services are rendered by employees.

(ii) Defined benefit pension schemes

A defined benefit pension scheme is a post-employment benefit plan other than a defined contribution pension scheme. Defined benefit pension schemes are recognised on the balance sheet as a defined benefit pension asset or a defined benefit pension liability based on the difference between the fair value of pension scheme assets and the present value of pension scheme liabilities.

The present value of pension scheme liabilities are calculated by a qualified actuary using the projected unit method by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, discounted using the rate applicable to AA rated corporate bonds that have a similar maturity and currency to the pension scheme liabilities. The fair value of any pension scheme assets (at bid price) are deducted from the present value of pension scheme liabilities to determine the net deficit or surplus of each scheme. Remeasurements arising from defined benefit pension schemes comprise actuarial gains and losses of pension scheme liabilities and the actual return on pension scheme assets excluding amounts already included in net interest. The net actuarial gain or loss for the year is recorded in full in the statement of comprehensive income.

Current service cost, past service cost or gain 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. Net interest on the net defined benefit pension liability or asset is calculated by applying the discount rate used to measure the defined benefit pension scheme deficit or surplus at the beginning of the year to the net defined benefit pension liability or asset at the beginning of the year. Net interest is recorded within finance cost in the income statement.

When the valuation of a defined benefit pension scheme results in a surplus, the recognised defined benefit pension asset is limited to the present value of benefits available in the form of any future refunds from the pension scheme or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

v Dividends

The interim dividend is recognised in the 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.

w Non-GAAP measures

Further to the various performance measures defined under IFRS, the Group reports a number of additional performance measures that are designed to assist with the understanding of the underlying performance of the Group and its businesses. These measures are not defined under IFRS and, as a result, do not comply with Generally Accepted Accounting Practice (known as 'non-GAAP measures') and may not be directly comparable with other companies' non-GAAP measures. They are not designed to be a substitute for any of the IFRS measures of performance. The principal additional performance measures used within the consolidated financial statements include:

- adjusted operating profit;
- adjusted profit before income tax;
- adjusted profit for the year;
- adjusted earnings per share; and
- adjusted diluted earnings per share.

These measures exclude the charge for intangible amortisation, acquisition related costs and, where relevant, the associated tax. Intangible amortisation, acquisition related costs and the associated tax are items which are not taken into account by management when assessing the results of the business as they do not relate to the underlying operating performance. Accordingly, these items are removed in calculating the profitability measures by which management assess the performance of the Group.

Acquisition related costs comprise transaction costs and expenses, deferred consideration payments relating to the retention of former owners of businesses acquired and adjustments to previously estimated earn outs.

The Group's key performance indicators are set out and defined on pages 14 and 15. A number of these are based on, or derived from, the non-GAAP measures noted above.

Notes continued

2 Accounting policies continued

Critical accounting judgements, estimates and assumptions

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the choice and application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those derived from the application of such judgements, estimates and assumptions, in particular those which involve anticipating future events. Accordingly, the judgements, estimates and assumptions are reviewed on an ongoing basis, with the impact of any revisions considered necessary being recognised prospectively thereafter.

The key assumptions and sources of estimation uncertainty at the balance sheet date that have most risk of causing material adjustment to the carrying values of assets and liabilities in the consolidated financial statements for the year ended 31 December 2015 are noted below and explained more fully in the referenced Notes. The directors believe that the judgements, estimates and assumptions applied in the preparation of these consolidated financial statements are appropriate. Where relevant and practicable, sensitivity analysis is disclosed in the relevant Notes to demonstrate the impact of changes in estimates or assumptions used.

a Defined benefit pension schemes
The measurement of the present value of defined benefit pension scheme liabilities involves the use of various actuarial assumptions, the selection of which is judgemental. The Group uses independent actuarial experts to assist with the measurement of defined benefit pension scheme liabilities but the actual liabilities could be materially different. The main risks to which the Group is exposed in relation to the valuation of the defined benefit pension schemes are described in Note 20. The judgement made in relation to the application of IFRS Interpretations Committee ('IFRIC') 14 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction', is also described in Note 20.

b Accounting for business combinations
Part of the Company's strategy is to grow through acquisitions. Acquisitions are accounted for using the acquisition method as described in the Business combinations accounting policy, Note 2 a(ii), and the Goodwill accounting policy, Note 2 k(i). This includes the determination of fair values for assets and liabilities acquired, including the separate identification of intangible assets, which use assumptions and estimates and are therefore subjective. The Group has developed a process to meet the requirements of IFRS 3, including the separate identification of customer relationship intangible assets based on forecast performance and estimated customer attrition rates. External valuation specialists are used where appropriate. The process applied is described in Note 24.

c Recoverability of intangible assets
As noted above, part of the Company's strategy is to grow through acquisitions which has led to material goodwill and customer relationships intangible assets being recognised on the balance sheet. Goodwill is tested annually to determine if there is any indication of impairment. The allocation of goodwill to cash generating units ('CGUs') is a judgement made by management. Assumptions are then used to determine the recoverable amount of each CGU, principally based on the present value of estimated future cash flows. Actual performance may differ from management's expectations. The judgements made and assumptions used in performing impairment testing are described in Note 9. The useful economic lives of customer relationships intangible assets are also reviewed at least annually, with any revisions to the original estimated useful economic lives accounted for prospectively.

d Taxation
The Group operates in many countries and is therefore subject to income taxes in a number of different tax jurisdictions. The amount of tax payable or receivable on profits or losses for the period is subject to the agreement of the tax authority in each respective jurisdiction and the tax liability or asset position is open to review for several years after the accounting period ends. In determining the provisions for income taxes, management is required to make judgements and estimates based on interpretations of tax statute, case law and prior experience. The provisions are based on management's best estimate of the tax amounts expected to be paid or received. The ultimate amounts payable or receivable may differ from the amounts of any provisions recognised in the consolidated financial statements as a result of the estimates and assumptions used.

3 Segment analysis

Year ended 31 December 2015	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Corporate £m	Total £m
Revenue	**3,751.8**	**1,121.0**	**1,102.4**	**514.5**		**6,489.7**
Adjusted operating profit/(loss)	**244.0**	**104.5**	**84.9**	**42.1**	**(20.5)**	**455.0**
Intangible amortisation	**(18.3)**	**(27.9)**	**(8.0)**	**(12.6)**	**–**	**(66.8)**
Acquisition related costs	**(9.5)**	**(5.3)**	**(0.8)**	**(6.1)**	**–**	**(21.7)**
Operating profit/(loss)	**216.2**	**71.3**	**76.1**	**23.4**	**(20.5)**	**366.5**
Finance income						**4.8**
Finance cost						**(48.6)**
Profit before income tax						**322.7**
Adjusted profit before income tax						**411.2**
Income tax						**(90.0)**
Profit for the year						**232.7**
Capital expenditure	**8.9**	**6.8**	**4.3**	**4.1**	**0.7**	**24.8**
Depreciation	**8.5**	**8.3**	**4.3**	**2.9**	**0.1**	**24.1**

Year ended 31 December 2014	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Corporate £m	Total £m
Revenue	3,372.1	1,146.3	1,078.5	559.6		6,156.5
Adjusted operating profit/(loss)	211.1	103.2	80.1	55.5	(20.1)	429.8
Intangible amortisation	(13.4)	(28.4)	(7.6)	(12.5)	–	(61.9)
Acquisition related costs	(5.6)	(4.9)	(1.9)	(13.7)	–	(26.1)
Operating profit/(loss)	192.1	69.9	70.6	29.3	(20.1)	341.8
Finance income						4.0
Finance cost						(46.0)
Profit before income tax						299.8
Adjusted profit before income tax						387.8
Income tax						(89.1)
Profit for the year						210.7
Capital expenditure	8.1	7.7	5.3	3.7	0.3	25.1
Depreciation	7.5	9.4	4.0	3.3	0.2	24.4

Acquisition related costs for the year ended 31 December 2015 comprise transaction costs and expenses of £7.9m (2014: £4.1m), deferred consideration payments of £24.3m (2014: £21.0m) relating to the retention of former owners of businesses acquired and a credit of £10.5m (2014: £1.0m charge) from adjustments to previously estimated earn outs.

The Group results are reported as four business areas based on geographic regions, which are reviewed monthly by the Company's chief operating decision maker, the Board of Directors. The principal results reviewed for each business area are revenue and adjusted operating profit.

Reportable segments are determined based on quantitative thresholds in accordance with IFRS 8 'Operating Segments'. The three business areas of North America, Continental Europe and UK & Ireland are operating segments that meet the quantitative thresholds for reportable segments and are therefore disclosed separately above. The Rest of the World business area contains Latin America and Australasia which individually do not meet the quantitative thresholds for separate disclosure as reportable segments. Rest of the World is therefore an 'other' segment that is disclosed above as a reportable segment as this information is considered to be useful to users of the financial statements and it also helps to reconcile the results of the reportable segments to the Group's consolidated and business area results.

Notes continued

3 Segment analysis continued

Information related to each reportable segment is set out above. 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 foodservice, grocery, cleaning & hygiene, retail, safety and healthcare market sectors, but results are not monitored on this basis. The performance of the four business areas is assessed by reference to adjusted operating profit 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.

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

As noted above, the businesses within each operating segment operate in a number of different countries and sell products across a range of market sectors. The table below provides a breakdown of revenue by market sector. The other category covers a wide range of market sectors, none of which is sufficiently material to warrant separate disclosure.

Revenue by market sector	**2015 £m**	2014 £m
Foodservice	**1,798.6**	1,709.6
Grocery	**1,715.4**	1,610.8
Cleaning & hygiene	**808.6**	787.4
Retail	**751.2**	724.4
Safety	**684.0**	687.0
Healthcare	**442.5**	435.6
Other	**289.4**	201.7
	6,489.7	6,156.5

The table below reconciles segment assets and liabilities to the Group's total assets and total liabilities. Unallocated assets and liabilities include corporate assets and liabilities, tax assets and liabilities, cash at bank and in hand, interest bearing loans and borrowings, derivative assets and liabilities and defined benefit pension assets and liabilities.

At 31 December 2015	**North America £m**	**Continental Europe £m**	**UK & Ireland £m**	**Rest of the World £m**	**Unallocated £m**	**Total £m**
Segment assets	**1,386.9**	**972.3**	**653.7**	**479.4**		**3,492.3**
Unallocated assets					**127.1**	**127.1**
Total assets	**1,386.9**	**972.3**	**653.7**	**479.4**	**127.1**	**3,619.4**
Segment liabilities	**475.6**	**263.1**	**288.5**	**93.3**		**1,120.5**
Unallocated liabilities					**1,482.6**	**1,482.6**
Total liabilities	**475.6**	**263.1**	**288.5**	**93.3**	**1,482.6**	**2,603.1**

At 31 December 2014	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Unallocated £m	Total £m
Segment assets	1,110.9	879.9	659.6	511.6		3,162.0
Unallocated assets					127.0	127.0
Total assets	1,110.9	879.9	659.6	511.6	127.0	3,289.0
Segment liabilities	395.5	247.9	288.2	96.3		1,027.9
Unallocated liabilities					1,277.2	1,277.2
Total liabilities	395.5	247.9	288.2	96.3	1,277.2	2,305.1

4 Analysis of operating income and expenses

	2015 £m	2014 £m
Cost of goods sold	**4,927.2**	4,659.2
Employee costs (Note 21)	**613.0**	581.2
Depreciation of property, plant and equipment (Note 8)	**24.1**	24.4
Amortisation of intangible fixed assets (Note 9)	**66.8**	61.9
Acquisition related costs	**21.7**	26.1
Gain on disposal of property, plant and equipment	**(1.6)**	–
Rentals payable under operating leases and subleases	**97.2**	93.1
Lease and sublease income	**(0.5)**	(0.3)
Other operating expenses	**375.3**	369.1
Net operating expenses	**6,123.2**	5,814.7

	2015			2014		
Auditors' remuneration	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
Audit of these financial statements	**0.3**	**–**	**0.3**	0.3	–	0.3
Amounts receivable by the Company's auditors and their associates in respect of:						
audit of financial statements of subsidiaries of the Company	**0.4**	**1.5**	**1.9**	0.3	1.5	1.8
audit related assurance services	**0.1**	**–**	**0.1**	0.1	–	0.1
other tax advisory services	**–**	**0.2**	**0.2**	0.1	0.2	0.3
all other services	**0.1**	**–**	**0.1**	0.4	0.2	0.6
Total auditors' remuneration	**0.9**	**1.7**	**2.6**	1.2	1.9	3.1

Non-audit services 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. It is the Company's policy to assess the services required on a case-by-case basis to ensure that the most appropriate adviser is retained. As a result, it is sometimes appropriate for this additional work to be carried out by the Company's auditors. However other firms are also used by the Company to provide non-audit services if such other firms are thought to be best placed to undertake the work involved.

The Audit Committee, which consists entirely of independent non-executive directors, reviews and approves the level and type of non-audit work which the external auditors perform, including the fees paid for such work, to ensure that the auditors' objectivity and independence are not compromised. Further information is set out in the Audit Committee's report on pages 56 to 59.

5 Finance income/(cost)

	2015 £m	2014 £m
Interest on cash and cash equivalents	**1.9**	1.6
Interest income from foreign exchange contracts	**1.9**	1.4
Other finance income	**1.0**	1.0
Finance income	**4.8**	4.0
Interest on loans and overdrafts	**(43.3)**	(41.4)
Interest expense from foreign exchange contracts	**(1.7)**	(2.0)
Interest charge on defined benefit pension schemes	**(2.4)**	(1.6)
Fair value loss on US private placement notes in a hedge relationship	**(2.9)**	(12.1)
Fair value gain on interest rate swaps in a hedge relationship	**2.9**	12.1
Foreign exchange gain/(loss) on intercompany funding	**2.0**	(10.4)
Foreign exchange (loss)/gain on external debt not in a hedge relationship	**(3.0)**	9.8
Other finance expense	**(0.2)**	(0.4)
Finance cost	**(48.6)**	(46.0)

The foreign exchange gain or loss on intercompany funding arises as a result of the retranslation of foreign currency intercompany loans. The gain or loss on intercompany funding is substantially matched by the foreign exchange loss or gain on external debt not in a hedge relationship which minimises the foreign currency exposure in the income statement.

Notes continued

6 Income tax

	2015 £m	2014 £m
Current tax on profit		
current year	**116.2**	110.6
adjustments in respect of prior years	**(7.5)**	(5.1)
	108.7	105.5
Deferred tax on profit		
current year	**(18.1)**	(17.1)
adjustments in respect of prior years	**(0.6)**	0.7
	(18.7)	(16.4)
Income tax on profit	**90.0**	89.1

In assessing the underlying performance of the Group, management uses adjusted profit which excludes intangible amortisation and acquisition related costs. 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:

	2015 £m	2014 £m
Income tax on profit	**90.0**	89.1
Tax associated with intangible amortisation and acquisition related costs	**23.1**	17.1
Tax on adjusted profit	**113.1**	106.2
Profit before income tax	**322.7**	299.8
Intangible amortisation and acquisition related costs	**88.5**	88.0
Adjusted profit before income tax	**411.2**	387.8
Reported tax rate	**27.9%**	29.7%
Tax rate on adjusted profit	**27.5%**	27.4%

Tax on other comprehensive income and equity	Gross 2015 £m	Tax credit/ (charge) 2015 £m	Net 2015 £m	Gross 2014 £m	Tax credit/ (charge) 2014 £m	Net 2014 £m
Actuarial gain/(loss) on defined benefit pension schemes	**27.0**	**(6.7)**	**20.3**	(30.1)	8.0	(22.1)
Foreign currency translation differences for foreign operations	**(77.8)**	**–**	**(77.8)**	(26.1)	–	(26.1)
Loss taken to equity as a result of effective net investment hedges	**(13.5)**	**(0.6)**	**(14.1)**	(17.1)	1.4	(15.7)
Gain recognised in cash flow hedge reserve	**9.6**	**(1.9)**	**7.7**	3.9	(0.7)	3.2
Movement from cash flow hedge reserve to income statement	**(10.6)**	**2.1**	**(8.5)**	0.1	(0.1)	–
Other comprehensive (expense)/income	**(65.3)**	**(7.1)**	**(72.4)**	(69.3)	8.6	(60.7)
Dividends	**(116.1)**	**–**	**(116.1)**	(105.6)	–	(105.6)
Issue of share capital	**3.7**	**–**	**3.7**	7.7	–	7.7
Employee trust shares	**(30.2)**	**–**	**(30.2)**	(26.7)	–	(26.7)
Share based payments	**9.1**	**5.6**	**14.7**	7.9	10.7	18.6
Other comprehensive (expense)/income and equity	**(198.8)**	**(1.5)**	**(200.3)**	(186.0)	19.3	(166.7)

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:

	2015 £m	2014 £m
Profit before income tax	**322.7**	299.8
Tax charge at weighted average rate (2015: 31.1%; 2014: 31.5%)	**100.4**	94.5
Effects of:		
adjustments in respect of prior years	**(8.1)**	(4.4)
non-taxable and non-deductible items	**(2.0)**	(3.0)
other	**(0.3)**	2.0
Income tax on profit	**90.0**	89.1

Deferred tax in the income statement	2015 £m	2014 £m
Accelerated capital allowances	**0.1**	(0.6)
Defined benefit pension schemes	**(0.8)**	–
Intangible assets	**(15.5)**	(13.3)
Share based payments	**(0.2)**	(0.8)
Provisions	**(0.9)**	0.5
Other	**(1.4)**	(2.2)
Deferred tax on profit	**(18.7)**	(16.4)

7 Earnings per share

	2015 £m	2014 £m
Profit for the year	**232.7**	210.7
Adjusted for:		
intangible amortisation	**66.8**	61.9
acquisition related costs	**21.7**	26.1
tax credit on adjusting items	**(23.1)**	(17.1)
Adjusted profit for the year	**298.1**	281.6
Basic weighted average ordinary shares in issue (million)	**327.6**	326.6
Dilutive effect of employee share plans (million)	**4.1**	3.9
Diluted weighted average ordinary shares (million)	**331.7**	330.5
Basic earnings per share	**71.0p**	64.5p
Adjustment	**20.0p**	21.7p
Adjusted earnings per share	**91.0p**	86.2p
Diluted basic earnings per share	**70.2p**	63.7p
Adjustment	**19.7p**	21.5p
Adjusted diluted earnings per share	**89.9p**	85.2p

Notes continued

8 Property, plant and equipment

2015	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
Cost				
Beginning of year	**78.8**	**121.6**	**122.2**	**322.6**
Acquisitions	**2.2**	**3.2**	**3.3**	**8.7**
Additions	**0.9**	**11.9**	**12.0**	**24.8**
Disposals	**(1.1)**	**(5.6)**	**(3.4)**	**(10.1)**
Currency translation	**(0.1)**	**1.6**	**(2.6)**	**(1.1)**
End of year	**80.7**	**132.7**	**131.5**	**344.9**
Accumulated depreciation				
Beginning of year	**29.4**	**78.8**	**95.2**	**203.4**
Charge in year	**2.1**	**12.0**	**10.0**	**24.1**
Disposals	**(0.3)**	**(4.9)**	**(4.1)**	**(9.3)**
Currency translation	**0.2**	**1.2**	**(1.4)**	**–**
End of year	**31.4**	**87.1**	**99.7**	**218.2**
Net book value at 31 December 2015	**49.3**	**45.6**	**31.8**	**126.7**

2014	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
Cost				
Beginning of year	78.3	111.3	116.5	306.1
Acquisitions	0.2	0.7	1.0	1.9
Additions	1.5	11.9	11.7	25.1
Disposals	(0.2)	(4.1)	(4.5)	(8.8)
Currency translation	(1.0)	1.8	(2.5)	(1.7)
End of year	78.8	121.6	122.2	322.6
Accumulated depreciation				
Beginning of year	26.7	70.6	90.0	187.3
Charge in year	2.7	10.6	11.1	24.4
Disposals	(0.1)	(3.5)	(4.0)	(7.6)
Currency translation	0.1	1.1	(1.9)	(0.7)
End of year	29.4	78.8	95.2	203.4
Net book value at 31 December 2014	49.4	42.8	27.0	119.2

The net book value of property, plant and equipment includes assets held under finance leases and hire purchase contracts totalling £4.4m (2014: £4.4m). Accumulated depreciation of these assets was £2.3m (2014: £2.5m). Future capital expenditure at 31 December 2015 consisted of commitments not provided for of £0.5m (2014: £1.0m).

9 Intangible assets

Goodwill	2015 £m	2014 £m
Beginning of year	**922.3**	901.0
Acquisitions	**109.0**	36.2
Currency translation	**(32.0)**	(14.9)
End of year	**999.3**	922.3

Customer relationships	2015 £m	2014 £m
Cost		
Beginning of year	**938.9**	887.2
Acquisitions	**172.2**	76.0
Currency translation	**(41.9)**	(24.3)
End of year	**1,069.2**	938.9
Accumulated amortisation		
Beginning of year	**382.4**	331.3
Charge in year	**66.8**	61.9
Currency translation	**(12.7)**	(10.8)
End of year	**436.5**	382.4
Net book value at 31 December	**632.7**	556.5
Total net book value of intangible assets at 31 December	**1,632.0**	1,478.8

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') and is tested annually for impairment.

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 of disposal. 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 consisting of detailed cash flow forecasts for the first two years and CGU specific growth assumptions for years three, four and five. For periods after this five year period, the methodology applies a long term growth rate specific to the CGU 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 profit margins and the discount rates 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 discount rates used are determined with assistance provided by external valuation specialists.

At 31 December 2015 North America, France Hygiene, UK Hospitality and the Netherlands carried a significant amount of goodwill in comparison with the total value of the Group's goodwill. At 31 December 2015 the carrying value of goodwill in respect of North America was £295.1m (2014: £245.2m), France Hygiene was £72.5m (2014: £76.5m), UK Hospitality was £62.5m (2014: £62.5m) and the Netherlands was £62.8m (2014: £65.5m). At 31 December 2015 the aggregate amount of goodwill attributable to the Group's CGUs, excluding North America, France Hygiene, UK Hospitality and the Netherlands, was £506.4m (2014: £472.6m). The remaining goodwill relates to CGUs which are not individually significant.

For North America, France Hygiene, UK Hospitality and the Netherlands the weighted average long term growth rate used in 2015 was 2.5% (2014: 2.5%) reflecting anticipated revenue and profit growth. A discount rate of 8% (2014: 9%) 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 long term growth rates ranging from 2.5%–6.9% (2014: 2.5%–7.2%) and discount rates ranging from 8%–19% (2014: 9%–18%).

Notes continued

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

	2015 £m	2014 £m
Goods for resale	**794.2**	705.3

£5.2m was written off inventories during the year (2014: £4.7m) due to obsolescence or damage. The inventories provision at 31 December 2015 was £72.0m (2014: £63.1m).

11 Trade and other receivables

	2015 £m	2014 £m
Trade receivables	**752.1**	700.9
Prepayments and other receivables	**195.4**	168.9
	947.5	869.8

The ageing of trade receivables at 31 December was:

	Gross 2015 £m	Provision 2015 £m	Gross 2014 £m	Provision 2014 £m
Current	**606.8**	**0.9**	568.0	0.7
0–30 days overdue	**114.8**	**0.3**	103.0	0.3
31–90 days overdue	**33.2**	**1.5**	32.3	1.4
Over 90 days overdue	**16.3**	**16.3**	16.0	16.0
	771.1	**19.0**	719.3	18.4

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

	2015 £m	2014 £m
Beginning of year	**18.4**	15.9
Acquisitions	**2.1**	1.0
Charge	**1.9**	4.1
Utilised and unused	**(2.5)**	(2.0)
Currency translation	**(0.9)**	(0.6)
End of year	**19.0**	18.4

12 Trade and other payables – current

	2015 £m	2014 £m
Trade payables	**735.4**	697.2
Other tax and social security contributions	**21.8**	23.8
Other payables	**161.2**	130.8
Accruals and deferred income	**178.0**	166.6
	1,096.4	1,018.4

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 2015, the return on average operating capital employed was 55.5% (2014: 57.7%), the return on invested capital was 17.1% (2014: 17.6%), the level of total shareholders' equity at 31 December 2015 was £1,016.3m (2014: £983.9m) and the amount of dividends paid in the year ended 31 December 2015 was £116.1m (2014: £105.6m).

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 2p. The Group tests the effectiveness of hedges on a prospective and retrospective basis to ensure compliance with IAS 39.

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 and formally tested at 30 June and 31 December. The principal covenant limits are net debt, calculated at average exchange rates, to operating profit before depreciation, intangible amortisation and acquisition related costs ('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 2015 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 comprising multi-currency credit facilities from the Group's banks and US private placement notes denominated in US dollars, sterling and euros. During 2015 the Group agreed an issue of fixed interest rate US private placement notes in respect of which drawings of $225m and €67m were made during the year and the remaining notes of €133m and £97m are due to be drawn in March 2016. At 31 December 2015 the nominal total of US private placement notes outstanding was £1,001.9m (2014: £793.2m) with maturities ranging from 2016 to 2028. During the year the Group also refinanced or agreed new banking facilities totalling £133.1m. The Group's committed bank facilities mature between 2016 and 2021. At 31 December 2015 the available committed bank facilities totalled £969.0m (2014: £917.0m) of which £154.9m (2014: £136.5m) was drawn down.

Notes continued

13 Risk management and financial instruments continued

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

	2015 £m	2014 £m
Expiring within one year	**60.0**	–
Expiring after one year but within two years	**191.0**	90.0
Expiring after two years	**563.1**	690.5
	814.1	780.5

In addition the Group maintains overdraft and uncommitted facilities to provide short term flexibility. At 31 December 2015 there were no loans secured by fixed charges on property (2014: £0.8m).

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:

			Contractual cash inflows/(outflows)				
2015	**Fair value £m**	**Carrying amount £m**	**Total contractual cash flows £m**	**Within one year £m**	**After one year but within two years £m**	**After two years but within five years £m**	**After more than five years £m**
Financial assets:							
Cash at bank and in hand	**79.2**	**79.2**	**79.2**	**79.2**	**–**	**–**	**–**
Loans and receivables							
Trade receivables	**752.1**	**752.1**	**752.1**	**752.1**	**–**	**–**	**–**
Derivative financial instruments							
Interest rate swaps	**17.1**	**17.1**	**77.5**	**8.3**	**7.5**	**20.8**	**40.9**
Foreign exchange contracts for net investment hedging	**9.1**	**9.1**	**9.1**	**9.1**	**–**	**–**	**–**
Foreign exchange contracts for intercompany hedging	**5.1**	**5.1**	**5.1**	**5.1**	**–**	**–**	**–**
Foreign exchange contracts for cash flow hedging	**2.4**	**2.4**	**2.4**	**2.4**	**–**	**–**	**–**
	865.0	**865.0**	**925.4**	**856.2**	**7.5**	**20.8**	**40.9**
Financial liabilities:							
Financial liabilities at amortised cost							
Bank loans	**(160.5)**	**(160.0)**	**(166.0)**	**(6.7)**	**(2.0)**	**(157.3)**	**-**
US private placement notes	**(701.5)**	**(679.4)**	**(800.9)**	**(144.0)**	**(95.6)**	**(218.7)**	**(342.6)**
Bank overdrafts	**(28.5)**	**(28.5)**	**(28.5)**	**(28.5)**	**–**	**–**	**–**
Finance lease creditors	**(0.7)**	**(0.7)**	**(0.7)**	**(0.3)**	**(0.2)**	**(0.2)**	**–**
Trade payables	**(735.4)**	**(735.4)**	**(735.4)**	**(735.4)**	**–**	**–**	**–**
Other current payables	**(170.6)**	**(170.6)**	**(170.6)**	**(170.6)**	**–**	**–**	**–**
Non-current payables	**(14.7)**	**(14.7)**	**(14.7)**	**–**	**(14.7)**	**–**	**–**
Financial liabilities at fair value							
US private placement notes	**(333.8)**	**(339.5)**	**(471.6)**	**(13.2)**	**(13.2)**	**(39.5)**	**(405.7)**
Derivative financial instruments							
Foreign exchange contracts for net investment hedging	**(5.6)**	**(5.6)**	**(5.6)**	**(5.6)**	**–**	**–**	**–**
Foreign exchange contracts for intercompany hedging	**(4.0)**	**(4.0)**	**(4.0)**	**(4.0)**	**–**	**–**	**–**
Foreign exchange contracts for cash flow hedging	**(0.4)**	**(0.4)**	**(0.4)**	**(0.4)**	**–**	**–**	**–**
	(2,155.7)	**(2,138.8)**	**(2,398.4)**	**(1,108.7)**	**(125.7)**	**(415.7)**	**(748.3)**

13 Risk management and financial instruments continued

2014	Fair value £m	Carrying amount £m	Total contractual cash flows £m	Within one year £m	After one year but within two years £m	After two years but within five years £m	After more than five years £m
			Contractual cash inflows/(outflows)				
Financial assets:							
Cash at bank and in hand	82.4	82.4	82.4	82.4	–	–	–
Loans and receivables							
Trade receivables	700.9	700.9	700.9	700.9	–	–	–
Derivative financial instruments							
Interest rate swaps	16.3	16.3	57.1	6.9	6.1	14.9	29.2
Cross currency interest rate swaps	2.5	2.5	2.5	2.5	–	–	–
Foreign exchange contracts for net investment hedging	1.2	1.2	1.2	1.2	–	–	–
Foreign exchange contracts for intercompany hedging	5.8	5.8	5.8	5.8	–	–	–
Foreign exchange contracts for cash flow hedging	3.1	3.1	3.1	3.1	–	–	–
	812.2	812.2	853.0	802.8	6.1	14.9	29.2
Financial liabilities:							
Financial liabilities at amortised cost							
Bank loans	(138.5)	(138.5)	(141.5)	(2.9)	(88.4)	(50.2)	–
US private placement notes	(681.8)	(635.7)	(774.5)	(65.5)	(135.1)	(215.2)	(358.7)
Bank overdrafts	(28.1)	(28.1)	(28.1)	(28.1)	–	–	–
Other interest bearing loans and borrowings	(0.2)	(0.2)	(0.2)	(0.2)	–	–	–
Finance lease creditors	(1.1)	(1.1)	(1.5)	(0.4)	(0.7)	(0.4)	–
Trade payables	(697.2)	(697.2)	(697.2)	(697.2)	–	–	–
Other current payables	(143.9)	(143.9)	(143.9)	(143.9)	–	–	–
Non-current payables	(16.7)	(16.7)	(16.7)	–	(16.7)	–	–
Financial liabilities at fair value							
US private placement notes	(173.2)	(173.6)	(237.3)	(6.7)	(6.7)	(20.2)	(203.7)
Derivative financial instruments							
Cross currency interest rate swaps	(2.8)	(2.8)	(2.8)	(2.8)	–	–	–
Foreign exchange contracts for net investment hedging	(1.6)	(1.6)	(1.6)	(1.6)	–	–	–
Foreign exchange contracts for intercompany hedging	(4.0)	(4.0)	(4.0)	(4.0)	–	–	–
Foreign exchange contracts for cash flow hedging	(0.1)	(0.1)	(0.1)	(0.1)	–	–	–
	(1,889.2)	(1,843.5)	(2,049.4)	(953.4)	(247.6)	(286.0)	(562.4)

All financial assets and liabilities stated as being measured at fair value in the tables above (including all derivative financial instruments) have carrying amounts where the fair value is, and has been throughout the year, 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 fair values of financial assets and liabilities stated at fair value have been determined by discounting expected future cash flows, translated at the appropriate balance sheet date exchange rates and adjusted for counterparty or own credit risk as applicable.

For financial assets and financial liabilities not measured at fair value, including trade receivables, trade payables, other current payables and non-current payables, their carrying amount is a reasonable approximation of fair value due to their short term nature. However, within other current payables there is £3.8m (2014: £8.0m) related to earn outs on businesses acquired which are recorded at fair value. This is a level three fair value measurement based on the expected future profitability of the businesses acquired.

Notes continued

13 Risk management and financial instruments continued

Offsetting of financial assets and liabilities

The following table sets out the Group's financial assets and financial liabilities that are subject to counterparty offsetting or master netting agreements. The master netting agreements regulate settlement amounts in the event either party defaults on their obligations.

2015	Gross amounts of recognised financial assets and liabilities £m	Amounts offset in the balance sheet £m	Net amounts recognised in the balance sheet £m	Amounts not offset in balance sheet £m	Net amounts £m
Derivative assets	**36.3**	**(2.6)**	**33.7**	**–**	**33.7**
Derivative liabilities	**(12.6)**	**2.6**	**(10.0)**	**–**	**(10.0)**
Cash and cash equivalents	**281.8**	**(202.6)**	**79.2**	**–**	**79.2**
Bank overdrafts	**(231.1)**	**202.6**	**(28.5)**	**–**	**(28.5)**
2014					
Derivative assets	33.9	(5.0)	28.9	–	28.9
Derivative liabilities	(13.5)	5.0	(8.5)	–	(8.5)
Cash and cash equivalents	298.4	(216.0)	82.4	–	82.4
Bank overdrafts	(244.1)	216.0	(28.1)	–	(28.1)

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 2015 fixed rate debt of £679.4m (2014: £635.7m) related to fixed rate US private placement notes denominated in US dollars, sterling and euros was stated at amortised cost with maturities ranging from 2016 to 2024.

At 31 December 2015 floating rate debt was comprised of £160.0m floating rate bank loans (2014: £138.5m) and £339.5m of fixed rate US private placement notes with maturities ranging from 2025 to 2028 which have been swapped to floating rates using interest rate swaps (2014: £173.6m). 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 £154.9m were capped at 31 December 2015 (2014: £45.5m). 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 affected 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
2015	**0.4**	**–**	**0.4**	**–**
2014	1.4	–	1.4	–

Foreign currency risk

The majority of the Group's sales are made and income is earned in US dollars, euros and other foreign currencies. 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	
	2015	2014	2015	2014
US dollar	**1.53**	1.65	**1.47**	1.56
Euro	**1.38**	1.24	**1.36**	1.29

For the year ended 31 December 2015, a movement of one cent in the US dollar and euro average exchange rates would have changed profit before income tax by £1.1m and £0.3m respectively (2014: £0.9m and £0.4m) and adjusted profit before income tax by £1.2m and £0.5m respectively (2014: £1.0m and £0.6m).

13 Risk management and financial instruments continued

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 2015 all foreign exchange cash flow hedges were effective with a gain of £2.0m recognised in equity (2014: gain of £3.0m) which will affect the income statement during 2016.

The majority of the Group's borrowings are effectively denominated in US dollars, sterling and euros, aligning them to the respective functional currencies of the component parts of the Group's EBITDA. This currency profile is achieved using short term foreign exchange contracts and foreign currency debt. This currency composition minimises the impact of foreign exchange rates on the ratio of net debt to EBITDA.

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

	2015 £m	2014 £m
US dollar	**563.5**	398.6
Sterling	**302.3**	261.7
Euro	**190.9**	133.9
Other	**50.5**	83.2
	1,107.2	877.4

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
2015	**0.7**	**(0.9)**	**(87.1)**	**106.4**
2014	1.2	(1.4)	(86.8)	106.1

Credit risk

Credit risk is the risk of loss in relation to a financial asset due to non-payment by the relevant 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 at bank and in hand, derivative financial instruments and trade receivables which represent the Group's maximum exposure to credit risk in relation to financial assets. The maximum exposure to credit risk for cash at bank and in hand (Note 23), derivative financial instruments (see page 106) 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.

Notes continued

14 Provisions

	2015 £m	2014 £m
Current	**9.5**	10.7
Non-current	**25.3**	20.9
	34.8	31.6

	Properties 2015 £m	Claims 2015 £m	Total 2015 £m	Properties 2014 £m	Claims 2014 £m	Total 2014 £m
Beginning of year	**14.2**	**17.4**	**31.6**	16.5	19.3	35.8
Charge	**2.2**	**0.5**	**2.7**	0.8	0.5	1.3
Acquisitions	**2.4**	**7.0**	**9.4**	0.5	1.7	2.2
Utilised or released	**(1.9)**	**(4.7)**	**(6.6)**	(3.5)	(3.1)	(6.6)
Currency translation	**–**	**(2.3)**	**(2.3)**	(0.1)	(1.0)	(1.1)
End of year	**16.9**	**17.9**	**34.8**	14.2	17.4	31.6

The properties provision includes provisions for 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, which typically extend from one to 10 years, up to the earliest possible termination date.

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

The Group is a defendant in a number of legal proceedings incidental to its operations. While any litigation has an element of uncertainty, management does not expect that the actual outcome of any such proceedings, either individually or in the aggregate, will be materially different to the amounts provided.

15 Deferred tax

			2015			2014
	Asset £m	Liability £m	Net £m	Asset £m	Liability £m	Net £m
Accelerated capital allowances	**1.5**	**(12.2)**	**(10.7)**	1.7	(9.1)	(7.4)
Defined benefit pension asset or liability	**16.7**	**(1.0)**	**15.7**	22.4	–	22.4
Intangible assets	**–**	**(141.1)**	**(141.1)**	–	(148.4)	(148.4)
Share based payments	**13.9**	**–**	**13.9**	16.2	–	16.2
Provisions	**11.6**	**(1.3)**	**10.3**	12.1	(1.2)	10.9
Inventories	**10.5**	**(16.7)**	**(6.2)**	8.6	(16.7)	(8.1)
Other	**9.6**	**(4.3)**	**5.3**	7.5	(5.2)	2.3
Deferred tax asset/(liability)	**63.8**	**(176.6)**	**(112.8)**	68.5	(180.6)	(112.1)
Set-off of tax	**(63.8)**	**63.8**	**–**	(64.6)	64.6	–
Net deferred tax (liability)/asset	**–**	**(112.8)**	**(112.8)**	3.9	(116.0)	(112.1)

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. A deferred tax liability of £3.3m (2014: £3.0m) has been recognised in exceptional cases 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 £9.1m (2014: £8.6m).

No deferred tax has been recognised in respect of unutilised capital losses of £96.2m (2014: £96.2m) as it is not considered probable that there will be suitable future taxable profits against which they can be utilised.

15 Deferred tax continued

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

	2015 £m	2014 £m
Beginning of year	**112.1**	122.0
Acquisitions	**9.5**	12.6
Credit to income statement	**(18.7)**	(16.4)
Recognised in other comprehensive income and equity	**9.0**	(9.8)
Reclassification to current tax	**5.1**	4.7
Currency translation	**(4.2)**	(1.0)
End of year	**112.8**	112.1

16 Share capital and share based payments

	2015 £m	2014 £m
Issued and fully paid ordinary shares of 32$\frac{1}{7}$p each	**107.7**	107.6

	2015	2014
Number ordinary shares in issue and fully paid		
Beginning of year	**334,706,876**	333,515,233
Issued – option exercises	**483,954**	1,191,643
End of year	**335,190,830**	334,706,876

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 an HM Revenue & Customs ('HMRC') tax advantaged scheme 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 £500 per month (2014: £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 small 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 £500 per month (2014: £250 per month) (being the equivalent value 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 up to €500 per month (2014: €300 per month) over a period of three years.

Long Term Incentive Plan 2004 ('2004 LTIP')

The 2004 LTIP was approved by shareholders at the 2004 Annual General Meeting and expired in May 2014. No further share options or performance share awards have been granted under the 2004 LTIP since that date. The 2004 LTIP is divided into two parts.

Part A of the 2004 LTIP allowed the Remuneration Committee of the Board to grant market priced executive share options. In normal circumstances options granted are only exercisable if the relevant performance condition has been satisfied. Share options granted up to April 2014 have a performance condition attached based on the Company's adjusted earnings per share growth exceeding UK RPI inflation over three financial years by a specified margin.

Part B of the 2004 LTIP allowed the Remuneration Committee of the Board to grant performance share awards which are conditional rights 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 relative to a comparator group of companies over a three year period and partly subject to the Company's adjusted earnings per share growth exceeding UK RPI inflation over three years by a specified margin.

Notes continued

16 Share capital and share based payments continued

Long Term Incentive Plan 2014 ('2014 LTIP')
The 2014 LTIP was approved by shareholders at the 2014 Annual General Meeting and replaced the 2004 LTIP. The 2014 LTIP is also divided into two parts.

Part A of the 2014 LTIP allows the Remuneration Committee of the Board to grant market priced executive share options. In normal circumstances options granted are only exercisable if the relevant performance condition has been satisfied. The performance condition for the share options granted to date is based on the Company's adjusted earnings per share growth over three financial years meeting certain specified targets.

Part B of the 2014 LTIP allows the Remuneration Committee of the Board to grant performance share awards which are conditional rights 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 relative to a comparator group of companies over a three year period and partly subject to the Company's adjusted earnings per share growth over three financial years meeting certain specified targets.

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 2004 LTIP, the 2014 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 2015 the trust held 6,307,153 (2014: 6,527,329) shares, upon which dividends have been waived, with an aggregate nominal value of £2.0m (2014: £2.1m) and market value of £118.9m (2014: £115.1m).

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:

	2015	**2014**
Grant date	**26.02.15–05.10.15**	27.02.14–06.10.14
Share price at grant date (£)	**17.13–19.00**	15.69–16.46
Exercise price (£)	**nil–19.20**	nil–16.41
Options granted during the year (shares)	**3,523,358**	3,367,183
Vesting period (years)	**3–5**	3–5
Expected volatility (%)	**16–19**	16–21
Option life (years)	**3–10**	3–10
Expected life (years)	**3.0–6.1**	3.0–6.0
Risk free rate of return (%)	**0.6–1.5**	1.1–1.8
Expected dividends expressed as a dividend yield (%)	**1.9–2.1**	1.9–2.1
Fair value per option (£)	**1.76–6.02**	1.88–4.85

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 £18.64 (2014: £16.43). The total charge for the year relating to share based payments was £9.1m (2014: £7.9m). After tax the total charge was £6.9m (2014: £5.3m).

16 Share capital and share based payments continued

Details of share options and awards which have been granted and exercised, those which have lapsed during 2015 and those outstanding and available to exercise at 31 December 2015, 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, Irish Sharesave Plan, and the 2004 LTIP Part A and Part B and 2014 LTIP Part A and Part B are set out in the following table:

	Options outstanding at 01.01.15	Grants/awards 2015		Exercises 2015		Lapses* 2015	Options outstanding at 31.12.15		Options available to exercise 31.12.15
	Number	Number	Price (p)	Number	Price (p)	Number	Number	Price (p)	Number
Sharesave Scheme (2001)	64,039	–	–	34,451	542-580	1,163	28,425	580	–
Sharesave Scheme (2011)	617,258	367,753	1,536	156,696	770-1,536	73,776	754,539	770-1,536	9,726
International Sharesave Plan	233,953	132,057	1,536	63,184	770-1,253	20,101	282,725	992-1,536	–
Irish Sharesave Plan	29,961	18,522	1,536	10,752	770	5,037	32,694	992-1,536	–
LTIP Part A (2004)	9,226,430	–	–	2,727,586	564-1,566	137,300	6,361,544	564-1,597	3,668,895
LTIP Part B (2004)	1,322,585	–	–	387,884	nil	172,968	761,733	nil	18,718
LTIP Part A (2014)	2,215,100	2,516,102	1,687-1,920	7,500	1,641	161,385	4,562,317	1,638-1,920	28,500
LTIP Part B (2014)	327,200	488,924	nil	–	–	7,606	808,518	nil	–
	14,036,526	**3,523,358**		**3,388,053**		**579,336**	**13,592,495**		**3,725,839**

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

The weighted average fair value and the weighted average remaining contractual lives of share options and performance share awards are set out below:

	Weighted average fair value of options granted (£)	Weighted average remaining contractual life (years)
Sharesave Scheme (2001) and (2011)	2.73	3.59
International Sharesave Plan	1.81	3.25
Irish Sharesave Plan	1.76	3.24
2004 and 2014 LTIP Part A	2.16	3.59
2004 and 2014 LTIP Part B	5.06	3.86

The outstanding share options and performance share awards are exercisable at various dates up to September 2025.

17 Dividends

	2015 £m	2014 £m
2013 interim		32.6
2013 final		73.0
2014 interim	**36.0**	
2014 final	**80.1**	
Total	**116.1**	105.6

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

	Per share	
	2015	2014
Interim	**11.75p**	11.0p
Final	**26.25p**	24.5p
Total	**38.00p**	35.5p

The 2015 interim dividend of 11.75p per share was paid on 4 January 2016 and comprised £38.6m of cash. The 2015 final dividend of 26.25p per share will be paid on 1 July 2016 to shareholders on the register at the close of business on 20 May 2016.

Notes continued

18 Contingent liabilities

	2015 £m	2014 £m
Bank guarantees	**0.6**	0.4

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:

	2015	2014
Philip Rogerson	**10,000**	10,000
Michael Roney	**312,263**	312,263
Patrick Larmon	**124,546**	121,216
Brian May	**105,240**	105,240
David Sleath	**4,000**	4,000
Eugenia Ulasewicz	**4,000**	4,000
Jean-Charles Pauze	**2,500**	2,500
Meinie Oldersma	**2,500**	2,500
Vanda Murray	**3,000**	–
	568,049	561,719

Details of the directors' options and awards over ordinary shares made under the 2004 LTIP, 2014 LTIP, Sharesave Scheme (2001), Sharesave Scheme (2011) and DASBS are set out in the Directors' remuneration report. Since 31 December 2015 Patrick Larmon has acquired interests in 635 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 4 January 2016 and he has also acquired an interest in 308 ordinary shares pursuant to the Company's US Employee 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 2015 and 29 February 2016.

20 Retirement benefits

The Group operates a number of retirement benefit schemes in the US and in Europe, including the UK, France, the Netherlands and the Republic of Ireland, including both defined benefit and defined contribution schemes. The funds of the principal defined benefit 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. Contributions to all schemes are determined in line with actuarial advice and local conditions and practices. Scheme assets for the purpose of IAS 19 'Employee Benefits' are stated at their bid value.

Characteristics of defined benefit pension schemes

Europe

In Europe, the Group's principal defined benefit pension scheme is the UK scheme. The UK defined benefit scheme is a contributory defined benefit pension scheme providing benefits based on final pensionable pay. The scheme has been closed to new members since 2003. The valuation of the UK defined benefit pension scheme has been updated to 31 December 2015 by the Group's actuarial experts.

The UK scheme is an HMRC registered pension scheme and is subject to standard UK pensions and tax law. This means that the payment of contributions and benefits are subject to the appropriate tax treatments and restrictions and the scheme is subject to the scheme funding requirements outlined in section 224 of the Pensions Act 2004.

In accordance with UK trust and pensions law, the pension scheme has a corporate trustee. Although the Company bears the financial cost of the scheme, the responsibility for the management and governance of the scheme lies with the trustee, which has a duty to act in the best interest of members at all times. The assets of the scheme are held in trust by the trustee who consults with the Company on investment strategy decisions.

A de-risking strategy has been agreed for the scheme to reduce the mismatch between the assets and liabilities, whereby investments are switched from return seeking assets to liability matching assets as the funding improves, based on pre-agreed triggers.

The last full triennial valuation on the UK defined benefit pension scheme was carried out by a qualified actuary as at 5 April 2012 and showed that there was a deficit on the agreed funding basis. To address the deficit, the Company has agreed to contribute an additional £5.5m per year from April 2013 to March 2019. The latest triennial valuation as at April 2015 is ongoing.

20 Retirement benefits continued

US

The principal US defined benefit pension scheme is a non-contributory defined benefit pension scheme providing benefits based on final pensionable pay. The scheme has been closed to new members since 2003. The assets of the scheme are held in trust by an independent custodian.

The US scheme is a qualified pension scheme and is subject to standard regulations under the Employee Retirement Income Security Act, the Pension Protection Act 2006 and the Department of Labor and Internal Revenue reporting requirements. The scheme pays annual premiums to the Pension Benefit Guaranty Corporation to insure the benefits of the scheme.

The Company has established a Retirement Scheme Investment Committee. The members of the Committee are the scheme fiduciaries and, as such, are ultimately responsible for the management of the scheme assets. The Committee performs the oversight function and delegates the day-to-day management process to appropriate staff. A registered investment adviser advises the Committee regarding the investment of scheme assets.

A de-risking strategy has been agreed for the scheme to reduce the mismatch between the assets and liabilities, whereby investments are switched from return seeking assets to liability matching assets as the funding improves, based on pre-agreed triggers.

In 2014, a lump sum payment option was offered to deferred vested and retired participants in the scheme in satisfaction of their future entitlements under the scheme. The total payment made to the eligible participants who elected to take the lump sum payment option was £25.3m as a result of which the scheme assets and liabilities reduced by this amount. The scheme rules were changed during 2015 such that all active members will be offered a similar lump sum payment option on retirement.

Annual actuarial valuations are performed on the US defined benefit scheme. The last annual review was carried out by a qualified actuary as at 1 January 2015 and showed that there was a required annual contribution of $4.7m. The Group plans to contribute $8.0m for the 2015 plan year to cover prudently this required contribution and anticipate future funding needs. In the 2014 plan year, the Group also paid a contribution of $8.0m. The annual review as at 1 January 2016 is ongoing.

Risks

The main risks to which the Group is exposed in relation to the defined benefit pension schemes are described below:

- Inflation risk — the majority of the UK scheme's liabilities increase in line with inflation and, as a result, if inflation is greater than expected the liabilities will increase. The impact of high inflation is capped each year for the UK scheme's benefits. The US scheme's liabilities are not directly tied to inflationary increases.
- Interest rate risk — a fall in bond yields will increase the value of the schemes' liabilities. A proportion of both the UK and US schemes' assets are invested in liability matching assets to mitigate the interest rate and also the inflation risk.
- Mortality risk — the assumptions adopted by the Group make allowance for future improvements in life expectancy. However, if life expectancy improves at a faster rate than assumed, this would result in greater payments from the schemes and consequently increases in the schemes' liabilities. The mortality assumptions are reviewed on a regular basis to minimise the risk of using an inappropriate assumption.
- Investment risk — the schemes invest in a diversified range of asset classes to mitigate the risk of falls in any one area of the investments. In the UK, the trustee implements partial currency hedging on the overseas assets to mitigate currency risk.

The risks mentioned above could lead to a material change to the deficit or surplus of the pension schemes. Given the long term time horizon of the schemes' cash flows, the assumptions used can lead to volatility in the scheme valuations from year to year. The Company and the trustees seek to mitigate actively the risks associated with the schemes.

A higher defined benefit obligation could lead to additional funding requirements in future years. Any deficit measured on a funding valuation basis, which may differ from the actuarial valuation under IAS 19, will generally be financed over a period that ensures the contributions are appropriate to the Group and in line with the relevant regulations.

Financial information

The amounts included in the consolidated financial statements at 31 December were:

Amounts included in the income statement	**2015 £m**	2014 £m
Defined contribution pension schemes	**13.7**	12.3
Defined benefit pension schemes		
current service cost (net of contributions by employees)	**6.4**	5.5
past service gain	**–**	(0.1)
Total included in employee costs	**20.1**	17.7
Amounts included in finance cost		
Interest charge on defined benefit pension schemes	**2.4**	1.6
Total charge to the income statement	**22.5**	19.3

Notes continued

20 Retirement benefits continued

Amounts recognised in the statement of comprehensive income	2015 £m	2014 £m
Actual return less expected return on pension scheme assets	**(6.3)**	31.3
Experience gain on pension scheme liabilities	**6.6**	1.5
Impact of changes in financial assumptions relating to the present value of pension scheme liabilities	**24.2**	(62.9)
Impact of changes in demographic assumptions relating to the present value of pension scheme liabilities	**2.5**	–
Actuarial gain/(loss) on defined benefit pension schemes	**27.0**	(30.1)

The cumulative amount of net actuarial losses arising since 1 January 2004 recognised in the statement of comprehensive income at 31 December 2015 was £87.1m (2014: £114.1m).

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

UK	2015	2014
Longevity at age 65 for current pensioners (years)	**22.6**	22.6
Longevity at age 65 for future pensioners (years)	**24.3**	24.4
US		
Longevity at age 65 for current and future pensioners (years)	**22.3**	22.8

	UK			US		
	2015	2014	2013	2015	2014	2013
Rate of increase in salaries	**3.5%**	3.8%	4.1%	**3.0%**	3.0%	3.0%
Rate of increase in pensions	**3.0%**	3.0%	3.2%	**–**	–	–
Discount rate	**3.9%**	3.7%	4.6%	**4.3%**	4.1%	4.9%
Inflation rate	**2.1%**	2.1%	2.4%	**2.5%**	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.

The decrease/(increase) that would arise on the overall net pension deficit as at 31 December 2015 as a result of reasonably possible changes to key assumptions was:

	Impact of change in inflation rate		Impact of change in discount rate	
	+0.25% £m	−0.25% £m	+0.25% £m	−0.25% £m
UK	**(8.0)**	**5.5**	**12.1**	**(12.9)**
US	**0.1**	**(0.1)**	**3.5**	**(3.7)**

The market value of pension scheme assets and the present value of retirement benefit obligations at 31 December were:

	Europe 2015 £m	US 2015 £m	Total 2015 £m
Equities	**100.4**	**45.7**	**146.1**
Bonds	**187.6**	**32.5**	**220.1**
Other	**1.6**	**9.4**	**11.0**
Total market value of pension scheme assets	**289.6**	**87.6**	**377.2**
Present value of funded obligations	**(288.4)**	**(111.2)**	**(399.6)**
Present value of unfunded obligations	**(5.2)**	**(12.4)**	**(17.6)**
Present value of funded and unfunded obligations	**(293.6)**	**(123.6)**	**(417.2)**
Defined benefit pension schemes in surplus	**5.4**	**–**	**5.4**
Defined benefit pension schemes in deficit	**(9.4)**	**(36.0)**	**(45.4)**
Deferred tax	**1.7**	**14.0**	**15.7**
Total net deficit after tax	**(2.3)**	**(22.0)**	**(24.3)**

Included within the total net deficit after tax for Europe is a net surplus of £4.4m (£5.4m before deferred tax) on the UK scheme, which is recorded separately as a defined benefit pension asset on the balance sheet. In accordance with IFRIC 14, the surplus on the scheme is recognised as a defined benefit asset because the Group considers that it has an unconditional right to a refund of any surplus from the UK scheme.

20 Retirement benefits continued

	Europe 2014 £m	US 2014 £m	Total 2014 £m
Equities	94.5	51.4	145.9
Bonds	187.2	27.3	214.5
Other	1.7	3.4	5.1
Total market value of pension scheme assets	283.4	82.1	365.5
Present value of funded obligations	(306.0)	(111.8)	(417.8)
Present value of unfunded obligations	(5.8)	(12.2)	(18.0)
Present value of funded and unfunded obligations	(311.8)	(124.0)	(435.8)
Defined benefit pension schemes in deficit	(28.4)	(41.9)	(70.3)
Deferred tax	6.4	16.0	22.4
Total net deficit after tax	(22.0)	(25.9)	(47.9)

Movement in net deficit	**2015 £m**	2014 £m
Beginning of year	**(70.3)**	(45.0)
Current service cost	**(6.4)**	(5.5)
Past service gain	**–**	0.1
Contributions	**13.8**	13.5
Net interest	**(2.4)**	(1.6)
Actuarial gain/(loss)	**27.0**	(30.1)
Currency translation	**(1.7)**	(1.7)
End of year	**(40.0)**	(70.3)

Changes in the present value of defined benefit pension liabilities	**2015 £m**	2014 £m
Beginning of year	**435.8**	380.6
Current service cost	**6.4**	5.5
Past service gain	**–**	(0.1)
Interest costs	**16.1**	17.4
Contributions by employees	**0.7**	0.7
Settlement payments	**–**	(25.3)
Actuarial (gain)/loss	**(33.3)**	61.4
Benefits paid	**(14.6)**	(10.2)
Currency translation	**6.1**	5.8
End of year	**417.2**	435.8

Changes in the fair value of defined benefit pension scheme assets	**£m**	£m
Beginning of year	**365.5**	335.6
Interest income	**13.7**	15.8
Actuarial (loss)/gain	**(6.3)**	31.3
Contributions by employer	**13.8**	13.5
Contributions by employees	**0.7**	0.7
Settlement payments	**–**	(25.3)
Benefits paid	**(14.6)**	(10.2)
Currency translation	**4.4**	4.1
End of year	**377.2**	365.5

The actual return on pension scheme assets was £7.4m (2014: £47.1m).

Notes continued

20 Retirement benefits continued

The Group expects to pay approximately £14.1m (expected as of 2014: £14.4m) in contributions to the defined benefit pension schemes in the year ending 31 December 2016.

The weighted average duration of the defined benefit pension scheme liabilities at 31 December 2015 was approximately 18.5 years (2014: 20.8 years) for Europe and 12.5 years (2014: 15.0 years) for the US.

The total defined benefit pension scheme liabilities are divided between active members (£144.6m (2014: £172.8m)), deferred members (£126.6m (2014: £134.2m)) and pensioners (£146.0m (2014: £128.8m)).

21 Directors and employees

Average number of employees	2015	2014*
North America	**5,097**	4,636
Continental Europe	**3,762**	3,522
UK & Ireland	**3,636**	3,531
Rest of the World	**2,549**	2,368
	15,044	14,057
Corporate	**54**	52
	15,098	14,109

Employee costs	2015 £m	2014* £m
Wages and salaries	**528.9**	498.6
Social security costs	**54.9**	57.0
Other pension costs	**20.1**	17.7
Share based payments	**9.1**	7.9
	613.0	581.2

In addition to the above, acquisition related costs for the year ended 31 December 2015 include deferred consideration payments of £24.3m (2014: £21.0m) relating to the retention of former owners of businesses acquired. Temporary labour costs of £21.1m (2014: £19.9m) were also incurred during the year ended 31 December 2015.

* A new definition for determining the number of employees was adopted in 2015 whereby the number of employees includes all contracted employees on a full time equivalent basis but excludes temporary and uncontracted labour. The comparative figures for 2014 for the average number of employees and employee costs have been restated to be consistent with the 2015 definition, with all temporary labour costs now included in 'Other operating expenses' in Note 4.

Key management remuneration	2015 £m	2014 £m
Salaries and short term employee benefits	**5.7**	5.9
Share based payments	**1.5**	1.9
Retirement benefits	**0.9**	0.9
	8.1	8.7

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.

Directors' emoluments	2015 £m	2014 £m
Non-executive directors	**0.7**	0.7
Executive directors:		
remuneration excluding performance related elements	**2.5**	2.4
annual bonus	**1.4**	1.8
	4.6	4.9

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 £4.4m (2014: £5.5m). The aggregate market value of performance share awards exercised by directors under long term incentive schemes during the year was £2.5m (2014: £3.6m). The aggregate market value of shares exercised by directors under the DASBS was £2.1m (2014: £1.5m).

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:

	Land & buildings 2015 £m	Other 2015 £m	Land & buildings 2014 £m	Other 2014 £m
Within one year	**70.4**	**25.3**	62.4	22.8
Between one and five years	**168.2**	**46.9**	152.9	35.4
After five years	**58.9**	**3.2**	56.6	1.9
	297.5	**75.4**	271.9	60.1
Total of future minimum sublease income under non-cancellable subleases	**(0.1)**	**–**	(0.2)	–

23 Cash and cash equivalents and net debt

	2015 £m	2014 £m
Cash at bank and in hand	**79.2**	82.4
Bank overdrafts	**(28.5)**	(28.1)
Cash and cash equivalents	**50.7**	54.3
Interest bearing loans and borrowings – current liabilities	**(120.8)**	(35.8)
Interest bearing loans and borrowings – non-current liabilities	**(1,058.8)**	(913.3)
Derivatives managing the interest rate risk and currency profile	**21.7**	17.4
Net debt	**(1,107.2)**	(877.4)

Movement in net debt	2015 £m	2014 £m
Beginning of year	**(877.4)**	(849.5)
Net cash outflow	**(206.6)**	(19.0)
Realised gains on foreign exchange contracts	**27.5**	17.4
Currency translation	**(50.7)**	(26.3)
End of year	**(1,107.2)**	(877.4)

24 Acquisitions

Acquisitions involving the purchase of the acquiree's share capital or, as the case may be, the relevant assets of the businesses acquired, have been accounted for under the acquisition method of accounting. 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 2015 the allocation period for all acquisitions completed since 1 January 2015 remained open and accordingly the fair values presented are provisional.

Adjustments are made to the assets acquired and liabilities assumed during the allocation period to the extent that further information and knowledge come to light that more accurately reflect conditions at the acquisition date. To date the adjustments made have impacted assets acquired to reflect more accurately the estimated realisable or settlement value. Similarly, adjustments have been made to acquired liabilities to record onerous commitments or other commitments existing at the acquisition date but not recognised by the acquiree. Adjustments have also been made to reflect the associated tax effects.

The consideration paid or payable in respect of acquisitions comprises amounts paid on completion, deferred consideration and payments which are contingent on the retention of former owners of businesses acquired. IFRS 3 requires that any payments that are contingent on future employment, including payments which are contingent on the retention of former owners of businesses acquired, 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.

Notes continued

24 Acquisitions continued

2015

The acquisitions completed in the year ended 31 December 2015 were Tillman, Quirumed, Jan-Mar, Janssen Packaging, Prescott, Emballages Maska, Istanbul Ticaret, Ligne T, GF, Solmaq, Cordova Safety Products, Steiner Industries, Bidvest Hospitality Supplies, Delta Hospitality, Meier Verpackungen, Planet Clean, ICB, Cemelim, Casa do EPI, DPS, Faru, Comatec and Dental Sorria.

Tillman, the proposed acquisition of which was agreed on 30 December 2014, was acquired on 2 January 2015. The business supplies a variety of personal protection equipment, principally gloves to distributors throughout the US. Quirumed, a business principally engaged in the supply of healthcare related products and equipment to a customer base consisting of medical centres, doctors' surgeries and other end users throughout Spain and in other countries in Europe, was acquired on 30 January 2015. Jan-Mar, which is principally engaged in the sale of cleaning and hygiene supplies to distributors in Toronto, Canada, was also acquired on 30 January 2015. Janssen Packaging, a business engaged in the distribution of specialist packaging materials for the e-commerce, fashion and fulfilment sectors in the Netherlands, was acquired on 10 March 2015. Prescott, acquired on 31 March 2015, distributes cleaning and hygiene products to a variety of end users in the construction, property management and healthcare sectors, as well as to some distributors, throughout the Montreal area of Quebec, Canada. Emballages Maska, a business principally engaged in the sale of cleaning and hygiene supplies to other distributors throughout Quebec and eastern Ontario, was also acquired on 31 March 2015.

Istanbul Ticaret, a business based in Turkey and principally engaged in the sale of a variety of personal protection equipment to both end users and other distributors throughout Turkey, was acquired on 29 May 2015. Ligne T, a distributor of personal protection equipment, principally workwear, to a variety of end user customers throughout the south-west region of France, was acquired on 29 May 2015. GF, a distributor of industrial packaging, warehouse supplies and equipment to end user customers in western Canada, was acquired on 1 June 2015. Solmaq, which supplies a complete range of head-to-toe personal protection equipment and other welding and industrial consumables to distributors, retailers and end users throughout Colombia, was acquired on 30 June 2015. Cordova Safety Products, a business engaged in the sale of a variety of personal protection equipment, principally gloves, to distributors throughout the US, was also acquired on 30 June 2015.

Steiner Industries, acquired on 1 July 2015, distributes personal protection equipment, principally safety gloves and workwear, to distributors in the US. Bidvest Hospitality Supplies and Delta Hospitality, acquired on 1 July 2015 and 17 July 2015 respectively, are businesses principally engaged in the supply of catering consumables and equipment to a variety of end user customers including restaurants, bars, contract caterers, hotels and hospitals throughout Australia. Meier Verpackungen, a distributor of customer specific packaging products to food processors throughout Austria, was acquired on 1 September 2015. Planet Clean, a business principally engaged in the sale and distribution of cleaning and hygiene supplies and equipment to a variety of customer markets throughout western Canada, was acquired on 16 September 2015.

ICB, a business principally engaged in the sale of cleaning and hygiene supplies and based in Auckland, New Zealand, was acquired on 30 October 2015. Cemelim, a business based in Barcelona is also engaged in the sale of cleaning and hygiene supplies, was acquired on 2 November 2015. Casa do Epi, a business engaged in the sale of a wide range of personal protection equipment to end user customers in the mining, construction and manufacturing sectors in Brazil was acquired on 3 November 2015. DPS, which supplies catering disposables and a variety of cleaning, safety and packaging products to wholesalers and distributors as well as end users in Chile, was acquired on 30 November 2015. Faru, a business engaged in the sale of personal protection equipment to distributors throughout Spain, was also acquired on 30 November 2015. Comatec, a distributor of high-end innovative single-use tableware to restaurants and hotels throughout France which also exports products to a large number of distributors in a number of countries worldwide, was acquired on 1 December 2015. Dental Sorria, a business engaged in the distribution of dental healthcare supplies and equipment to medical centres, dental clinics and other end users in Brazil was acquired on 18 December 2015.

24 Acquisitions continued

A summary of the effect of acquisitions completed in 2015 and 2014 is detailed below:

Provisional fair value of assets acquired	2015 £m	2014 £m
Intangible assets	**172.2**	76.0
Property, plant and equipment	**8.7**	1.9
Inventories	**73.6**	13.9
Trade and other receivables	**57.2**	25.8
Trade and other payables	**(40.7)**	(15.2)
Net bank overdrafts	**(0.6)**	(8.9)
Provisions for liabilities and charges	**(9.4)**	(2.2)
Tax and deferred tax	**(17.3)**	(14.4)
	243.7	76.9
Goodwill	**109.0**	36.2
Consideration	**352.7**	113.1
Satisfied by:		
cash consideration	**311.5**	107.1
deferred consideration	**41.2**	6.0
	352.7	113.1
Contingent payments relating to retention of former owners	**36.2**	19.1
Net bank overdrafts acquired	**0.6**	8.9
Transaction costs and expenses	**7.9**	4.1
Total committed spend in respect of acquisitions completed in the current year	**397.4**	145.2
Spend on acquisition committed as at 31 December 2014 but completed in January 2015*	**(70.2)**	65.8
Total committed spend in respect of acquisitions agreed in the current year	**327.2**	211.0

* being the acquisition of Tillman. The difference between the 2015 and 2014 spend is due to exchange translation.

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

Cash consideration	**311.5**	107.1
Net bank overdrafts acquired	**0.6**	8.9
Deferred consideration in respect of prior year acquisitions	**16.4**	38.1
Net cash outflow in respect of acquisitions	**328.5**	154.1
Transaction costs and expenses	**8.5**	3.5
Payments relating to retention of former owners	**34.2**	10.5
Total cash outflow in respect of acquisitions	**371.2**	168.1

Acquisitions completed in the year ended 31 December 2015 contributed £217.1m (2014: £90.6m) to the Group's revenue and £26.9m (2014: £10.2m) to the Group's adjusted operating profit for the year ended 31 December 2015.

The estimated contributions from acquisitions completed during the year to the results of the Group for the year ended 31 December if such acquisitions had been made at the beginning of the year, are as follows:

	2015 £m	2014 £m
Revenue	**389.5**	162.7
Adjusted operating profit	**49.1**	20.6

The estimated revenue which would have been contributed by the businesses acquired during the year to the results for the year ended 31 December 2015, excluding Tillman, if such acquisitions had been made at the beginning of the year is £324.1m (2014: £223.3m, including Tillman).

Notes continued

24 Acquisitions continued

2014

The acquisitions made in the year ended 31 December 2014 were Bäumer and its related company Protemo, Oskar Plast, Lamedid, Nelson Packaging, Plast Techs, Tecno Boga, Allshoes, JPLUS, 365 Healthcare, Lee Brothers, Premiere Products, Guardsman, De Ridder, Victoria Healthcare Products, Acme Supplies and POS Direct.

Bäumer, a business principally engaged in the distribution of cleaning and hygiene and healthcare supplies to end users in various market sectors in Germany, together with its related company Protemo, a business focusing on the sale of healthcare related products to the healthcare sector, were acquired on 31 January 2014. Oskar Plast, a business selling a variety of disposable packaging products to customers throughout the Czech Republic, including retail chains, food processors and other distributors, was acquired on 20 February 2014. Lamedid, a business principally engaged in the supply and distribution throughout Brazil of medical and healthcare consumable products to hospitals, clinics and laboratories as well as to distributors, was acquired on 13 March 2014. Nelson Packaging, a business principally engaged in the distribution of packaging and cleaning and hygiene supplies to end users in the commercial and industrial market sectors in New Zealand, was acquired on 27 March 2014. Plast Techs, a business engaged in the sale of a variety of foodservice and cleaning and hygiene supplies to distributors throughout Southern California, was acquired on 31 March 2014. Tecno Boga, a leading supplier in Chile of protective footwear, principally to distributors, was acquired on 31 March 2014.

Allshoes, a distributor of both branded and own brand safety and work shoes to a variety of wholesalers as well as to retailers, principally in the Netherlands but also in Belgium, was acquired on 30 May 2014. JPLUS, a Brazilian business principally engaged in the distribution of cleaning and hygiene supplies and disposable products to a variety of end user customers, particularly in the contract cleaning and healthcare sectors, was acquired on 30 May 2014. 365 Healthcare, a UK business principally engaged in the distribution of healthcare products to distributors and hospitals, was acquired on 30 June 2014.

Lee Brothers, a business engaged in the distribution of personal protection equipment and workplace consumables to customers largely in the construction and engineering sectors in the UK, was acquired on 30 July 2014. Premiere Products, a business engaged in the distribution of cleaning and hygiene products to customers throughout the UK, particularly serving the facilities management and education sectors, was acquired on 31 July 2014. Guardsman, a company engaged in the sale of a variety of safety equipment and workwear to customers in various manufacturing industries as well as the construction and engineering sectors throughout the UK, was also acquired on 31 July 2014. De Ridder, a specialist distribution business engaged in the supply of a wide range of products principally to prisons, police stations and other detention centres and based in Amsterdam, was acquired on 30 September 2014.

Victoria Healthcare Products, a business engaged in supplying a variety of healthcare consumable products for people in the community and to residential care facilities in Australia, was acquired on 26 November 2014. Acme Supplies, a cleaning and hygiene supplies business based in Vancouver Island, Canada, was acquired on 1 December 2014. POS Direct, a UK business which manages and supplies a variety of point of sale and marketing materials, was acquired on 19 December 2014.

25 Related party disclosures

The Group has identified the directors of the Company, their close family members, the Group defined benefit 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.

Company balance sheet

at 31 December 2015

	Notes	2015 £m	2014 £m
Fixed assets			
Tangible assets	3	**1.1**	0.7
Investments	4	**673.1**	665.7
		674.2	666.4
Current assets			
Defined benefit pension asset: amounts falling due after more than one year	9	**5.4**	–
Deferred tax asset	5	**1.0**	5.0
Debtors: amounts falling due within one year	6	**218.4**	264.5
Cash at bank and in hand		**0.1**	0.1
		224.9	269.6
Current liabilities			
Creditors: amounts falling due within one year	7	**(94.6)**	(97.0)
Net current assets		**130.3**	172.6
Total assets less current liabilities		**804.5**	839.0
Non-current liabilities			
Provisions	8	**(1.7)**	(1.7)
Defined benefit pension liability	9	**–**	(17.1)
Net assets		**802.8**	820.2
Capital and reserves			
Share capital	10	**107.7**	107.6
Share premium		**163.9**	160.3
Other reserves		**5.6**	5.6
Capital redemption reserve		**16.1**	16.1
Profit and loss account		**509.5**	530.6
Total shareholders' funds		**802.8**	820.2

Approved by the Board of Directors of Bunzl plc (Company registration number 358948) on 29 February 2016 and signed on its behalf by Michael Roney, Chief Executive and Brian May, Finance Director.

The Accounting policies and Notes on pages 125 to 132 form part of these financial statements.

Company statement of changes in equity
at 31 December 2015

	Share capital £m	Share premium £m	Other reserves £m	Capital redemption reserve £m	Profit and loss account: Own shares £m	Profit and loss account: Retained earnings £m	Total shareholders' funds £m
At 1 January 2015	**107.6**	**160.3**	**5.6**	**16.1**	**(115.1)**	**645.7**	**820.2**
Profit for the year						**97.1**	**97.1**
Other comprehensive income							
Contributions by participating subsidiaries						**4.6**	**4.6**
Actuarial gain on defined benefit pension scheme						**18.5**	**18.5**
Income tax charge on other comprehensive income						**(4.4)**	**(4.4)**
Total comprehensive income						**115.8**	**115.8**
2014 interim dividend						**(36.0)**	**(36.0)**
2014 final dividend						**(80.1)**	**(80.1)**
Issue of share capital	**0.1**	**3.6**					**3.7**
Employee trust shares					**(30.2)**		**(30.2)**
Movement on own share reserves					**26.4**	**(26.4)**	**–**
Share based payments						**9.4**	**9.4**
At 31 December 2015	**107.7**	**163.9**	**5.6**	**16.1**	**(118.9)**	**628.4**	**802.8**

	Share capital £m	Share premium account £m	Other reserves £m	Capital redemption reserve £m	Profit and loss account: Own shares £m	Profit and loss account: Retained earnings £m	Total shareholders' funds £m
At 1 January 2014	107.2	153.0	5.6	16.1	(100.0)	621.2	803.1
Profit for the year						132.0	132.0
Other comprehensive income							
Contributions by participating subsidiaries						4.6	4.6
Actuarial loss on defined benefit pension scheme						(8.3)	(8.3)
Income tax credit on other comprehensive income						0.8	0.8
Total comprehensive income						129.1	129.1
2013 interim dividend						(32.6)	(32.6)
2013 final dividend						(73.0)	(73.0)
Issue of share capital	0.4	7.3					7.7
Employee trust shares					(26.7)		(26.7)
Movement on own share reserves					11.6	(11.6)	–
Share based payments						12.6	12.6
At 31 December 2014	107.6	160.3	5.6	16.1	(115.1)	645.7	820.2

Notes to the Company financial statements

1 Basis of preparation

Bunzl plc (the 'Company') is a company incorporated and domiciled in the United Kingdom. These financial statements present information about the Company as an individual undertaking and not about its Group. 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. The financial statements of the Company have been prepared on a going concern basis.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101') and the Companies Act 2006. In the transition to FRS 101 from existing UK Generally Accepted Accounting Practice ('GAAP'), the Company has applied International Financial Reporting Standard ('IFRS') 1 'First-time Adoption of International Financial Reporting Standards' while ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position and performance of the Company is provided in Note 15.

In preparing these financial statements the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a cash flow statement and related notes;
- comparative period reconciliations for share capital and tangible fixed assets;
- disclosures in respect of transactions with wholly owned subsidiaries and also in respect of capital management;
- the effects of new but not yet effective IFRSs;
- an additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy; and
- disclosures in respect of the compensation of key management personnel.

As the consolidated financial statements of Bunzl plc include the equivalent disclosures, the Company has also applied the exemptions available under FRS 101 in respect of the following disclosures:

- certain disclosures required by IFRS 2 'Share Based Payments' in respect of Group settled share based payments; and
- certain disclosures required by IFRS 13 'Fair Value Measurement' and disclosures required by IFRS 7 'Financial Instruments'.

2 Accounting policies

The accounting policies set out below have, unless otherwise stated, been applied consistently in dealing with items which are considered material to all periods presented in these financial statements and in preparing an opening FRS 101 balance sheet at 1 January 2014 for the purposes of the transition to FRS 101.

a Tangible fixed assets
All tangible fixed assets are included at historical cost less accumulated depreciation and any impairment losses. 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. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items.

Depreciation is charged to profit or loss on a straight line basis to write off cost less estimated residual value over the assets' estimated remaining useful lives. The estimated useful lives are as follows:

Short leasehold improvements	The lower of 50 years and the life of the related lease
Fixtures, fittings and equipment	3–10 years

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

b Investment in subsidiary undertakings
Investments in subsidiary undertakings are held at cost less any provision for impairment.

c Share based payments
The Company operates a number of equity settled share based payment compensation plans. Details of these plans are outlined in Note 16 to the consolidated financial statements 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 which is spread over the expected vesting period with a corresponding credit to equity.

Where the Company grants options over its own shares to the employees of its subsidiaries it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity settled share based payment charge recognised in its consolidated financial statements, with the corresponding credit being recognised directly in equity. The expense is not recharged to the relevant subsidiaries.

Notes to the Company financial statements continued

2 Accounting policies continued

d Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method providing for temporary differences arising between tax bases and carrying amounts in the 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 differences relating to investments in subsidiaries to the extent that they will probably not reverse in the forseeable future. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

e Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event that can be reliably measured and 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 risks specific to the liability.

f Retirement benefits

(i) Defined contribution pension schemes

A defined contribution pension scheme is a post-employment benefit scheme under which the Company pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Obligations for contributions to defined contribution pension schemes are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

(ii) Defined benefit pension scheme

A defined benefit pension scheme is a post-employment benefit plan other than a defined contribution pension scheme. The defined benefit pension scheme is recognised on the balance sheet as a defined benefit pension asset or defined benefit pension liability based on the difference between the fair value of pension scheme assets and the present value of pension scheme liabilities.

The present value of pension scheme liabilities are calculated by a qualified actuary using the projected unit method by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, discounted using the rate applicable to AA rated corporate bonds that have a similar maturity and currency to the pension scheme liabilities. The fair value of any pension scheme assets (at bid price) are deducted from the present value of pension scheme liabilities to determine the net deficit or surplus of the scheme. Remeasurements arising from defined benefit pension schemes comprise actuarial gains and losses of pension scheme liabilities and the actual return on pension scheme assets excluding amounts already included in net interest. The net actuarial gain or loss for the year is recorded in full in other comprehensive income.

Current service cost, past service cost or gain and gains and losses on any settlements and curtailments are credited or charged to profit for the period. Past service cost is recognised immediately to the extent benefits are already vested. Net interest on the net defined benefit pension liability or asset is calculated by applying the discount rate used to measure the defined benefit pension scheme deficit or surplus at the beginning of the year to the net defined benefit pension liability or asset at the beginning of the year. Net interest is recorded within profit or loss for the period.

When the valuation of a defined benefit pension scheme results in a surplus, the recognised defined benefit asset is limited to the present value of benefits available in the form of any future refunds from the pension scheme or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

The Company is the sponsoring company of the UK defined benefit pension scheme. As there is no contractual agreement or stated Group policy for charging the net defined benefit cost of the scheme to participating subsidiaries, the net defined benefit pension cost or benefit is recognised fully by the Company. The contributions paid by the participating subsidiaries other than the Company are credited to profit or loss of the Company where the amounts relate to service and are independent of the number of years of service, or to other comprehensive income if not linked to service.

g 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. At each reporting date the Company remeasures the value of shares held in the employee benefit trust to present them in own shares reserve at the market value of those shares at the reporting date. This is done through a reclassification from retained earnings to the own share reserve. This movement has no effect on the actual number of shares held by the employee benefit trust.

2 Accounting policies continued

h Dividends
The interim dividend is included in the 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.

i Financial guarantee contracts
Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its 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 Leases
Operating lease rentals and any incentives receivable are recognised in the profit and loss account on a straight line basis over the term of the relevant lease.

Critical accounting judgements, estimates and assumptions

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the choice and application of the Company's accounting policies and the reported amounts of assets, liabilities and profit or loss. Actual results may differ from those derived from the application of such judgements, estimates and assumptions, in particular those which involve anticipating future events. Accordingly, the judgements, estimates and assumptions are reviewed on an ongoing basis, with the impact of any revisions considered necessary being recognised prospectively thereafter.

The key assumptions and sources of estimation uncertainty at the balance sheet date that have most risk of causing material adjustment to the carrying values of assets and liabilities in the financial statements for the year ended 31 December 2015 are noted below and explained more fully in the referenced Notes. The directors believe that the judgements, estimates and assumptions applied in the preparation of these financial statements are appropriate. Where relevant and practicable, sensitivity analysis is disclosed in the relevant Notes to demonstrate the impact of changes in estimates or assumptions used.

a Recoverability of investments
The carrying amounts of the Company's non-financial assets, including investments in subsidiary undertakings, 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 are the greater of their fair value less the costs of disposal and their 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 exceeds its estimated recoverable amount with impairment losses being recognised in profit or loss.

b Defined benefit pension schemes
The measurement of the present value of defined benefit pension scheme liabilities involves the use of various actuarial assumptions, the selection of which is judgemental. The Company uses independent actuarial experts to assist with the measurement of defined benefit pension scheme liabilities but the actual liabilities could be materially different. The main risks to which the Company is exposed in relation to the valuation of the defined benefit pension schemes are described in Note 20 to the consolidated financial statements. The judgement made in relation to the application of IFRS Interpretations Committee ('IFRIC') 14 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction', is described in Note 9.

3 Tangible assets

	Short leasehold improvement £m	Fixtures, fittings and equipment £m	Total £m
Cost			
Beginning of year	**0.1**	**1.6**	**1.7**
Additions	**–**	**0.6**	**0.6**
End of year	**0.1**	**2.2**	**2.3**
Accumulated depreciation			
Beginning of year	**0.1**	**0.9**	**1.0**
Charge in year	**–**	**0.2**	**0.2**
End of year	**0.1**	**1.1**	**1.2**
Net book value at 31 December 2015	**–**	**1.1**	**1.1**
Net book value at 31 December 2014	–	0.7	0.7

Notes to the Company financial statements continued

4 Investments

Investments in subsidiary undertakings	2015 £m	2014 £m
Cost		
Beginning of year	**669.0**	700.2
Additions	**7.4**	11.1
Liquidations of dormant companies	**–**	(42.3)
End of year	**676.4**	669.0
Impairment provisions		
Beginning of year	**3.3**	45.6
Decrease during year related to liquidations of dormant companies	**–**	(42.3)
End of year	**3.3**	3.3
Net book value at 31 December	**673.1**	665.7

The subsidiary undertakings which the Company held at 31 December 2015 are disclosed in the Related undertakings note in the Shareholder information section on pages 141 to 143. Amounts related to liquidation of dormant companies have been restated to reflect historic disposals of investments which had been fully provided against, with no net impact to the net investment balance.

5 Deferred tax asset

Recognised deferred tax assets net of deferred tax liabilities are attributable to the following:

	Defined benefit pension scheme £m	Share based payments £m	Other £m	Net deferred tax asset £m
1 January 2014	**2.6**	**1.6**	**0.2**	**4.4**
Recognised in profit or loss	–	–	(0.1)	(0.1)
Recognised in other comprehensive income or directly in equity	0.8	(0.1)	–	0.7
31 December 2014/1 January 2015	**3.4**	**1.5**	**0.1**	**5.0**
Recognised in profit or loss	–	–	0.1	0.1
Recognised in other comprehensive income or directly in equity	(4.4)	0.3	–	(4.1)
31 December 2015	**(1.0)**	**1.8**	**0.2**	**1.0**

Deferred tax is calculated in full on temporary differences under the liability method. Following the enactment of legislation in the UK, the corporation tax rate will be reduced from 20% to 19% with effect from 1 April 2017 and from 19% to 18% from 1 April 2020. Accordingly, the UK tax rate used for measuring deferred tax reflects the rate expected to be applied when the temporary differences reverse. Deferred tax assets and liabilities are offset as they both relate to the same tax jurisdiction and will be settled on a net basis. It is probable that the deferred tax assets recognised will be realised. The recovery of the net deferred tax asset will be over more than one year. No deferred tax asset has been recognised in respect of unutilised capital losses of £70.6m (2014: £70.5m).

6 Debtors: amounts falling due within one year

	2015 £m	2014 £m
Amounts owed by Group undertakings	**215.2**	262.9
Prepayments and other debtors	**1.9**	1.2
Group relief receivable	**1.3**	0.4
	218.4	264.5

7 Creditors: amounts falling due within one year

	2015 £m	2014 £m
Trade creditors	**0.9**	0.5
Amounts owed to Group undertakings	**81.9**	85.8
Other tax and social security contributions	**1.2**	1.6
Accruals and deferred income	**10.6**	9.1
	94.6	97.0

8 Provisions

	2015 £m	2014 £m
Beginning of year	**1.7**	2.3
Utilised or released	**–**	(0.6)
End of year	**1.7**	1.7

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

9 Retirement benefits

The Company operates a number of retirement benefit schemes in the UK, including both a defined benefit and a defined contribution scheme. A description of the characteristics and risks to which the Company is exposed in relation to the UK defined benefit pension scheme is detailed in Note 20 to the consolidated financial statements.

Financial information

The amounts included in the financial statements related to the defined benefit pension scheme at 31 December were:

Amounts included in profit for the year	2015 £m	2014 £m
Current service cost (net of contributions by employees)	**2.5**	2.3
Net interest expense	**0.5**	0.4
Contributions paid by participating subsidiaries	**(1.3)**	(1.4)
Total charge to profit for the year	**1.7**	1.3

Amounts recognised in other comprehensive income		
Actual return less expected return on pension scheme assets	**(3.8)**	29.9
Experience gain on pension scheme liabilities	**6.3**	–
Impact of changes in assumptions relating to the present value of pension scheme liabilities	**16.0**	(38.2)
Actuarial gain/(loss) on defined benefit pension scheme	**18.5**	(8.3)
Contributions paid by participating subsidiaries not linked to service	**4.6**	4.6
Total credit/(charge) to other comprehensive income	**23.1**	(3.7)

The principal assumptions used by the independent qualified actuaries for the purposes of International Accounting Standard 19 'Employee Benefits' were:

	2015	2014
Longevity at age 65 for current pensioners (years)	**22.6**	22.6
Longevity at age 65 for future pensioners (years)	**24.3**	24.4

	2015	2014
Rate of increase in salaries	**3.5%**	3.8%
Rate of increase in pensions	**3.0%**	3.0%
Discount rate	**3.9%**	3.7%
Inflation rate	**2.1%**	2.1%

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.

The increase/(decrease) that would arise on the defined benefit pension asset as at 31 December 2015 as a result of reasonably possible changes to key assumptions was:

	Impact of change in inflation rate		Impact of change in discount rate	
	+0.25% £m	−0.25% £m	+0.25% £m	−0.25% £m
Increase/(decrease) in defined benefit pension asset	**(8.0)**	**5.5**	**12.1**	**(12.9)**

Notes to the Company financial statements continued

9 Retirement benefits continued

The market value of scheme assets and the present value of retirement benefit obligations at 31 December were:

	2015 £m	2014 £m
Equities	**94.7**	88.9
Bonds	**181.7**	181.4
Other	**0.3**	0.7
Total market value of pension scheme assets	**276.7**	271.0
Present value of funded obligations	**(271.3)**	(288.1)
Defined benefit pension scheme surplus/(deficit)	**5.4**	(17.1)
Deferred tax (liability)/asset	**(1.0)**	3.4
Total net surplus/(deficit) after tax	**4.4**	(13.7)

In accordance with IFRIC 14, the surplus on the UK defined benefit pension scheme is recognised as a defined benefit pension asset because the Company considers that it has an unconditional right to a refund of any surplus from the pension scheme.

Movement in defined benefit pension scheme surplus/(deficit)	2015 £m	2014 £m
Beginning of year	**(17.1)**	(13.2)
Current service cost	**(2.5)**	(2.3)
Contributions	**7.0**	7.1
Net interest	**(0.5)**	(0.4)
Actuarial gain/(loss)	**18.5**	(8.3)
End of year	**5.4**	(17.1)

Changes in the present value of defined benefit pension scheme liabilities	2015 £m	2014 £m
Beginning of year	**288.1**	243.0
Current service cost	**2.5**	2.3
Interest costs	**10.5**	11.0
Contributions by employees	**0.6**	0.6
Actuarial (gain)/loss	**(22.3)**	38.2
Benefits paid	**(8.1)**	(7.0)
End of year	**271.3**	288.1

Changes in the fair value of defined benefit pension scheme assets	2015 £m	2014 £m
Beginning of year	**271.0**	229.8
Interest income	**10.0**	10.6
Actuarial (loss)/gain	**(3.8)**	29.9
Contributions by the Company	**1.1**	1.1
Contributions by participating subsidiaries	**5.9**	6.0
Contributions by employees	**0.6**	0.6
Benefits paid	**(8.1)**	(7.0)
End of year	**276.7**	271.0

The actual return on pension scheme assets was £6.2m (2014: £40.5m).

The Company expects contributions of approximately £7.0m (expected as of 2014: £7.0m) to be paid into the defined benefit pension scheme in the year ending 31 December 2016.

The weighted average duration of the defined benefit pension scheme liability at 31 December 2015 was approximately 18.5 years (2014: 20.8 years).

The total defined benefit pension liability is divided between active members (£62.4m (2014: £85.2m)), deferred members (£105.4m (2014: £110.1m)) and pensioners (£103.5m (2014: £92.8m)).

10 Share capital

	2015 £m	2014 £m
Issued and fully paid ordinary shares of 32 1/7p each	**107.7**	107.6

Number of ordinary shares in issue and fully paid		
Beginning of year	**334,706,876**	333,515,233
Issued – option exercises	**483,954**	1,191,643
End of year	**335,190,830**	334,706,876

11 Reserves

Included within the own shares reserve 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 2004 LTIP, the 2014 LTIP and the Deferred Annual Share Bonus 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 are included in the financial statements. Finance costs and administration charges are included in profit or loss on an accruals basis. At 31 December 2015 the trust held 6,307,153 (2014: 6,527,329) shares, upon which dividends have been waived, with an aggregate nominal value of £2.0m (2014: £2.1m) and market value of £118.9m (2014: £115.1m).

Details of the dividends paid and declared in the current and prior period are detailed in Note 17 to the consolidated financial statements.

The capital redemption reserve as presented in the statement of changes in equity records the aggregate nominal value of treasury shares that have been cancelled. No treasury shares were cancelled during the year (2014: nil).

12 Contingent liabilities and commitments

Contingent liabilities: Borrowings by subsidiary undertakings totalling £1,173.8m (2014: 929.7m) which are included in the Group's borrowings have been guaranteed by the Company.

Commitments: Non-cancellable operating lease rentals of £4.6m (2014: £5.2m) are payable related to a lease with a duration of longer than five years.

13 Employees' and directors' remuneration

The average number of persons employed by the Company during the year and the aggregate employee costs relating to these persons are included within the disclosures provided in Note 21 to the consolidated financial statements. The remuneration of the directors of the Company is disclosed in Note 21 to the consolidated financial statements and the Directors' remuneration report.

Conditional awards of executive share options and performance shares are granted to executive directors and other senior employees of the Company. Employees of the Company can also participate in the Company's Sharesave Scheme. Further information on the Company's share plans are disclosed in Note 16 to the consolidated financial statements.

14 Related party disclosures

The Company has identified the directors of the Company, their close family members, the UK pension scheme 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 and Note 20 and Note 21 to the consolidated financial statements respectively.

Notes to the Company financial statements continued

15 Explanation of transition to FRS 101 from previously applied UK GAAP

As stated in Note 1, these are the Company's first financial statements prepared in accordance with FRS 101. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended 31 December 2015, the comparative information presented in these financial statements for the year ended 31 December 2014 and in the preparation of the opening FRS 101 balance sheet as at 1 January 2014 (the Company's date of transition).

In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in its financial statements prepared in accordance with its previous basis of accounting (UK GAAP). The table below shows the quantum of these adjustments to the previously disclosed figures for 1 January 2014 and 31 December 2014.

	1 January 2014			31 December 2014		
	UK GAAP £m	Effect of transition to FRS 101 £m	FRS 101 £m	UK GAAP £m	Effect of transition to FRS 101 £m	FRS 101 £m
Fixed assets						
Tangible assets	0.5	–	0.5	0.7	–	0.7
Investments	654.6	–	654.6	665.7	–	665.7
	655.1	–	655.1	666.4	–	666.4
Current assets						
Debtors: amounts falling due within one year	268.8	(0.2)	268.6	264.6	(0.1)	264.5
Deferred tax asset	–	4.4	4.4	–	5.0	5.0
Cash at bank and in hand	0.1	–	0.1	0.1	–	0.1
	268.9	4.2	273.1	264.7	4.9	269.6
Current liabilities						
Creditors: amounts falling due within one year	(109.6)	–	(109.6)	(97.0)	–	(97.0)
Net current assets	159.3	4.2	163.5	167.7	4.9	172.6
Total assets less current liabilities	814.4	4.2	818.6	834.1	4.9	839.0
Non-current liabilities						
Provisions	(2.3)	–	(2.3)	(1.7)	–	(1.7)
Defined benefit pension liability	–	(13.2)	(13.2)	–	(17.1)	(17.1)
Net assets	812.1	(9.0)	803.1	832.4	(12.2)	820.2
Capital and reserves						
Called up share capital	107.2	–	107.2	107.6	–	107.6
Share premium account	153.0	–	153.0	160.3	–	160.3
Other reserves	5.6	–	5.6	5.6	–	5.6
Capital redemption reserve	16.1	–	16.1	16.1	–	16.1
Profit and loss account	530.2	(9.0)	521.2	542.8	(12.2)	530.6
Total shareholders' funds	812.1	(9.0)	803.1	832.4	(12.2)	820.2
Profit for the year				132.2	(0.2)	132.0
Other comprehensive income				–	(2.9)	(2.9)
Total comprehensive income				132.2	(3.1)	129.1

Explanation of material adjustments between UK GAAP and FRS 101

The most significant adjustment relates to the recognition of the position of the Company's defined benefit pension scheme on the Company balance sheet. Previously, under UK GAAP, a multi-employer exemption was applied which meant that the deficit on the pension scheme was not recorded on the balance sheet of any of the participating employer companies. As the Company is the sponsoring company for the pension scheme and as there is no contractual agreement or stated Group policy for charging the net defined benefit pension scheme cost to participating subsidiaries, the cost or benefit of the pension scheme (and the closing deficit or surplus on the defined benefit pension scheme) is recognised fully by the Company. The accounting valuation is consistent between the Company and the Group as described in Note 20 to the consolidated financial statements. A deferred tax asset has also been recorded on the newly recognised defined benefit pension liability as well as in relation to certain share based payment arrangements for the Company's employees.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and 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 United Kingdom Accounting Standards (UK GAAP), including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) 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 United Kingdom Accounting Standards, including FRS 101 have 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 and, as regards the Group financial statements, Article 4 of the IAS Regulation. 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 strategic report, 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 Conduct 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
29 February 2016

Brian May
Finance Director

Independent auditors' report to the members of Bunzl plc

Report on the financial statements

Our opinion

In our opinion:

- Bunzl plc's Group and Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2015 and of the Group's profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom 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.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in Note 1 to the consolidated financial statements, the Group, in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board ('IASB').

In our opinion, the Group financial statements comply with IFRSs as issued by the IASB.

What we have audited

The financial statements, included within the Bunzl plc Annual Report ('the Annual Report'), comprise:

- the Consolidated and Company balance sheets as at 31 December 2015;
- the Consolidated income statement and Consolidated statement of comprehensive income for the year then ended;
- the Consolidated and Company statement of changes in equity for the year then ended;
- the Consolidated cash flow statement for the year then ended; and
- the Notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the Notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

Our audit approach

Overview

Materiality	• Overall Group materiality: £15m which represents approximately 5% of profit before taxation
Audit scope	• We performed audits of the financial information of 76 components spread across 23 different countries across North America, Continental Europe, UK & Ireland and Rest of the World • Specific audit procedures over central functions and areas of significant judgement, including taxation, pensions, acquisitions and the impairment of goodwill and intangible assets, were performed by the Group audit team centrally
Areas of focus	• Impairment of goodwill and other intangible assets • Corporate tax exposures • Suppliers' rebate accounting – purchase volume based rebates • Defined benefit pension schemes • Business combinations

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)').

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as 'areas of focus' in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Impairment of goodwill and other intangible assets Refer to page 58 (Audit Committee report), page 93 (Accounting policies) and pages 103 and 104 (Note 9).	
The Group has material goodwill balances of £999.3m (2014: £922.3m) and customer relationship intangible assets of £632.7m (2014: £556.5m) spread across multiple geographies and relating to multiple cash generating units ('CGUs'). In assessing whether the carrying amount of these assets has been impaired, management considers forecast cash flows of the individual CGUs which are identified on a market or geographical basis. We focused on the CGUs with the highest goodwill and intangible balances (the most material being North America, France Hygiene, the Netherlands and UK Hospitality) as well as the CGUs where there were smaller goodwill and intangibles balances but lower levels of headroom. Management's impairment assessment involves significant estimation, principally relating to short and long term revenue growth, future profitability and discount rates. Due to the acquisitive nature of the Group and the magnitude of the aggregated related goodwill and intangible assets, together with the subjectivity of the principal assumptions, a significant amount of audit effort was required, particularly as some of these assumptions are dependent on economic factors and trading conditions specific to overseas territories.	In our testing of management's annual goodwill and other intangible assets impairment calculations, we used valuation experts to assist our evaluation of the appropriateness of the models and the key assumptions used by management. We evaluated the reasonableness of the directors' cash flow forecasts by comparing the assumptions made to internal and external data. In particular: • we compared short term revenue growth rates to the latest strategic plans and found them to be consistent; • we determined that long term growth rates are generally consistent when compared to third party nominal GDP rates; • we found the achievability of future margins to be plausible based on past and current performance and consistent with budgets; and • we challenged the discount rate used to determine the present value by assessing the cost of capital for the Company and comparable organisations and considered them to be reasonable. Furthermore, we obtained evidence to assess adequate historical accuracy in management's forecasting process. As described in Note 9 to the consolidated financial statements, management concluded that, based on their own sensitivity calculations, no reasonable change in assumptions would lead to an impairment of goodwill or other intangible assets. Having ascertained the extent of changes in key assumptions either individually or collectively that would be required for goodwill and other intangible assets to be materially impaired, we considered such a change in those key assumptions to be unlikely.

Independent auditors' report to the members of Bunzl plc continued

Area of focus	How our audit addressed the area of focus
Corporate tax exposures Refer to page 58 (Audit Committee report), page 92 (Accounting policies) and pages 100 and 101 (Note 6).	
The Group operates in a number of international territories with complex taxation rules and regulations. The interpretation of these complex regulations and the unknown future outcome of pending judgements by the tax authorities result in the need to provide against a number of uncertain tax positions. We focused on this area because of the risk surrounding the level of estimation and judgement that is necessary in determining the provisions required.	We discussed with management their assessment of uncertain tax positions and used our taxation specialists to assist us in challenging the appropriateness of management's judgements in relation to these positions. These procedures assisted in our corroboration of management's position on the amount of significant tax exposures and the provisions and disclosures made in the financial statements. In assessing the adequacy of the tax provisions, we also considered factors such as possible penalties and interest. Furthermore, we determined that the calculations were in line with the accounting standards and that the methodology and principles had been applied consistently. We consider the current level of tax provision to be reasonable.
Supplier rebate accounting – purchase volume based rebates Refer to page 58 (Audit Committee report) and page 92 (Accounting policies).	
We focused on this area as purchase volume based rebate income from suppliers is material to the Consolidated financial statements. Given the degree of estimation involved in accounting for purchase volume based supplier rebates, we focused our audit procedures on the accuracy, occurrence and cut-off of these transactions and the valuation of amounts held on the balance sheet.	We evaluated the processes in place across the Group for the recognition of purchase volume based supplier rebates and found these to be consistently applied. We agreed the nature of rebate arrangements to contracts or other supporting agreements and agreed the rates indicated in the agreements with those used in the calculations. We also reperformed rebate calculations and assessed management's estimates of purchases. No material exceptions were noted from this testing. Where appropriate, we also agreed the post year end settlement of year end receivable amounts included in the opening and closing Consolidated balance sheets to bank receipts, with no material exceptions noted.
Defined benefit pension schemes Refer to page 58 (Audit Committee report), page 95 (Accounting policies) and pages 114 to 118 (Note 20).	
The Group has defined benefits pension schemes (with material schemes in the US and the UK) with a net deficit of £40.0m at the current year end (2014: £70.3m), which is material in the context of the Consolidated balance sheet. Management estimation is required in relation to the measurement of pension scheme obligations, and management employs independent actuarial experts to assist it in determining appropriate assumptions such as inflation levels, discount rates, salary increases and mortality rates. Movements in these assumptions can have a material impact on the determination of the liability and, therefore, the extent of any surplus or deficit.	We used our own actuarial experts to satisfy ourselves that the assumptions used in calculating the US and UK pension scheme liabilities are appropriate, including confirming that salary increases and mortality rate assumptions were consistent with relevant national and industry benchmarks. We determined that the discount and inflation rates used in the valuation of the pension scheme liabilities were consistent with our internally developed benchmarks and, where available, with those disclosed in the published financial statements of other companies as at 31 December 2015. In each case we considered the assumptions made by management to be reasonable in light of the available evidence.
Business combinations Refer to page 57 (Audit Committee report), page 91 (Accounting policies) and pages 119 to 122 (Note 24).	
Given that the Group continues to make significant investment in acquisitions, accounting for business combinations is an area of focus due to the level of judgement involved. Business combinations can involve judgements in relation to the value of assets and liabilities that are recognised on acquisition, particularly the allocation of purchase consideration to goodwill and separately identified intangible assets. Any misstatement made in the identification and/or valuation of acquired intangibles gives rise to an equal, compensating misstatement in goodwill.	Management relies on external valuation specialists to value significant intangibles acquired in business combinations. Where management has relied on such specialists, we assessed their competency and tested the results of their work and found no material issues. We used our own valuation experts to challenge the methodology and key assumptions used in determining the value of the customer relationship assets for the more significant acquisitions. We determined that the cash flows applied within the valuation models and the key assumptions such as the discount rates, growth rates, customer attrition and period for amortisation, were appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group is organised geographically into four business areas, being North America, Continental Europe, UK & Ireland and Rest of the World.

We identified one financially significant component, being North America, where a full scope audit has been performed. In addition to this, we identified eight components across Continental Europe, UK & Ireland and Rest of the World for which a full scope audit of their financial information was required. In order to satisfy the request of the Audit Committee and management, we performed full scope audits on a further 67 components. The components where we performed audit procedures covered over 95% of Group revenue, profit before taxation and total assets.

Component audits were performed to respective statutory materiality levels of the individual components. These local statutory materiality levels were set individually for each component and ranged up to £14.7m.

Where work was performed by component auditors, detailed instructions were issued by us and the Group audit team visited North America, UK, France and Brazil. Telephone discussions were also held with component auditors at these locations and with the majority of the components that the Group audit team did not visit in person. In addition, specific audit procedures over central functions and areas of significant judgement, including taxation, pensions, acquisitions and the impairment of goodwill and intangible assets, were performed by the Group audit team centrally.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	£15 million (2014: £15m)
How we determined it	Approximately 5% of profit before taxation
Rationale for benchmark applied	Given that the Group's businesses are profit orientated and the directors use profit measures to assess the performance of the business, we believe that profit before taxation provides us with a consistent year-on-year basis for determining materiality

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £750,000 (2014: £750,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 91 in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group and Company have adequate resources to remain in operation, and that the directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group and Company's ability to continue as a going concern.

Independent auditors' report to the members of Bunzl plc continued

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

• Information in the Annual Report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Company acquired in the course of performing our audit; or – otherwise misleading.	We have no exceptions to report.
• the statement given by the directors on page 53, in accordance with provision C.1.1 of the UK Corporate Governance Code (the 'Code'), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company acquired in the course of performing our audit.	We have no exceptions to report.
• the section of the Annual Report on page 57, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

• the directors' confirmation on page 36 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
• the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
• the directors' explanation on pages 54 and 55 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the directors' statement in relation to the longer term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making enquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Adequacy of accounting records and information and explanations received
Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration
Directors' remuneration report – Companies Act 2006 opinion
In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting
Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement
Under the Listing Rules we are required to review the part of the Corporate governance report relating to 10 further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors
As explained more fully in the Statement of directors' responsibilities set out on page 133, 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 ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Paul Cragg (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 February 2016

Five year review

	2015 £m	2014 £m	2013 £m	2012* £m	2011* £m
Revenue	**6,489.7**	6,156.5	6,097.7	5,359.2	5,109.5
Operating profit	**366.5**	341.8	332.1	293.8	279.3
Finance income	**4.8**	4.0	2.6	3.6	3.5
Finance cost	**(48.6)**	(46.0)	(44.8)	(37.6)	(37.0)
Disposal of business	**–**	–	–	4.0	(56.0)
Profit before income tax	**322.7**	299.8	289.9	263.8	189.8
Income tax	**(90.0)**	(89.1)	(83.1)	(72.5)	(68.8)
Profit for the year attributable to the Company's equity holders	**232.7**	210.7	206.8	191.3	121.0
Basic earnings per share	**71.0p**	64.5p	63.5p	58.7p	37.3p

	2015 £m	2014 £m	2013 £m	2012* £m	2011* £m
Non-GAAP measures†					
Adjusted operating profit	**455.0**	429.8	414.4	352.4	335.7
Adjusted profit before income tax	**411.2**	387.8	372.2	318.4	302.2
Adjusted profit for the year	**298.1**	281.6	268.2	230.2	219.9
Adjusted earnings per share	**91.0p**	86.2p	82.4p	70.6p	67.6p

* Restated on adoption of IAS 19 (revised 2011) 'Employee Benefits'.
† See Note 2w on page 95 for further details of the non-GAAP measures.

Shareholder information

Related undertakings

In accordance with Section 409 of the Companies Act 2006 a full list of Bunzl plc's subsidiary undertakings and other shares held by the Company is disclosed below. Unless otherwise stated the subsidiary undertakings listed are wholly owned and held indirectly by Bunzl plc with ordinary shares issued (or the equivalent of ordinary shares in the relevant country of incorporation). In some of the jurisdictions in which the Group operates share classes are not defined and in these instances, for the purposes of this disclosure, the shares issued have been classified as ordinary shares. Bunzl plc does not have any joint venture companies or associated undertakings.

Subsidiary undertakings	Country of incorporation
Vicsa Steelpro S.A.	Argentina
Atlas Health Care Pty Limted	Australia
Bunzl Australasia Holdings Pty Limited[iii]	Australia
Bunzl Australasia Limited	Australia
Bunzl Brands & Operations Pty Limited	Australia
Bunzl Catering Supplies Limited	Australia
Bunzl Food Processor Supplies Pty Limited	Australia
Bunzl Outsourcing Services Limited	Australia
Network Packaging Pty Limited	Australia
Protect-A-Clean-Pty-Ltd	Australia
Robertsons Lifting & Rigging Pty Limited	Australia
Sanicare Australia Pty Limited	Australia
Star Wholesale Distribution Pty Limited	Australia
Worksense Workwear and Safety Pty Limited	Australia
Bunzl Holdings Austria GmbH	Austria
Meier Verpackungen GmbH	Austria
Etablissements Glorieux SA	Belgium
King Belgium NV	Belgium
Total Safety Supply Belgium BVBA	Belgium
Varia-Pack NV	Belgium
B2B Web Distribuicao De Produtos Ltda	Brazil
Bunzl Armazenagem, Logistica E Prestacao De Servicos Administrativos Ltda	Brazil
Bunzl Higiene E Limpeza Ltda	Brazil
Casa do EPI Ltda.	Brazil
Danny Comercio, Importacao e Exportacao Ltda.	Brazil
Dental Sorria Limitada	Brazil
Labor Import Comercial Importadora Exportadora Ltda	Brazil
Lamedid Commercial E Servicos Ltda	Brazil
Prot Cap Artigos Para Protecao Industrial Ltda	Brazil
Vicsa Brasil Equipamentos De Protecao Individual Ltda.	Brazil
Bunzl Canada, INC.	Canada
Emballages Maska Inc.[iii]	Canada
Jan-Mar Sales Limited[iii]	Canada
Pennystone Inc.[ii]	Canada
Translogic Fulfillment Systems Corporation	Canada
Wesclean Equipment & Cleaning Supplies Limited[ii]	Canada
B2B Web Distribuicao de Produtos Chile SpA	Chile
Bunzl Chile Holdings SpA	Chile
DPS Chile Comercial Limitada	Chile
Tecno Boga Comercial Limitada	Chile
Vicsa Safety Comercial Limitada	Chile
Bunzl Trading (Shanghai) Limited	China
Keenpac (Shenzhen) Trading Company Limited	China
Bunzl Colombia Holdings S.A.S	Colombia
Importadores Exportadores Solmaq	Colombia
Vicsa Steelpro Colombia S.A.S.	Colombia
Bunzl CS s.r.o.	Czech Republic
Bunzl Distribution Danmark A/S	Denmark
Bunzl Holding Danmark A/S	Denmark
Bunzl Properties Danmark A/S	Denmark
Clean Care A/S	Denmark
MultiLine A/S	Denmark
Bunzl Holdings France SNC	France
Comatec SAS	France
France Securite SAS	France

Subsidiary undertakings	Country of incorporation
Groupe Pierre Le Goff – Ile De France – ODI SAS	France
Groupe Pierre Le Goff – Ile de France – Allodics SAS	France
Groupe Pierre Le Goff – Ile de France – Adage SAS	France
Groupe Pierre Le Goff Bourgogne Franche-Comte SAS	France
Groupe Pierre Le Goff Grand Ouest SAS	France
Groupe Pierre Le Goff Mediterranee SAS	France
Groupe Pierre Le Goff Nord-Est SAS	France
Groupe Pierre Le Goff Normandie SAS	France
Groupe Pierre Le Goff Rhone-Alpes Centre SAS	France
Groupe Pierre Le Goff Sud-Ouest SAS	France
Hygiadis SAS	France
Karpie SCI	France
Keenpac France SAS	France
Ligne T SAS	France
OPM France SAS	France
PLG Finances SAS	France
SCI des Saules SCI	France
Societe Civile Immobiliere Sainte Claire Deville SC	France
Trans Europe Commerce Et Participations SAS	France
Baumer Betriebshygiene Vertriebsgesellschaft mbH[iii]	Germany
Bunzl Holding GmbH[iii]	Germany
Bunzl Verpackungen GmbH	Germany
Majestic GmbH	Germany
PKA Klöcker Gmbh[iii]	Germany
Protemo GmbH	Germany
Bunzl Asia Limited[iii]	Hong Kong
Keenpac Asia Limited	Hong Kong
Bunzl Magyarorszag KFT	Hungary
Propack Kereskedelmi Korlatolt Felelossegu Tarsasag	Hungary
Tecep Management Kereskedelmi Es Szolgaltato KFT.[iii]	Hungary
Bunzl Finance Ireland[ii]	Ireland
Bunzl Ireland Limited	Ireland
Cambrex Limited	Ireland
DG Distributors and Vendors Limited	Ireland
Irish Merchants Limited	Ireland
Romneya Limited	Ireland
Thomas McLaughlin (Ireland) Limited	Ireland
Tishu MFG Limited	Ireland
Yorse Ireland	Ireland
M.S. Global Limited	Israel
Meichaley Zahav Packages Limited	Israel
Silco (Utensils) A.S. Limited[iii]	Israel
Keenpac Italia S.R.L.	Italy
Bunzl De Mexico SA de CV[ii]	Mexico
Bunzl Servicios, SA. De CV	Mexico
Cool Pak AG Packaging, S. de R. L. de C.V.	Mexico
Cool Pak Exports S. de R.L. de C.V.[iv]	Mexico
CP AG Servicios, S. de R.L. de C.V.	Mexico
Espomega S. de R.L. de C.V.[iii]	Mexico
Proepta, S.A. DE C.V.[iii]	Mexico
Steelpro S.A de C.V.[iii]	Mexico
Allshoes Benelux BV	Netherlands
Bunzl Outsourcing Services B.V.	Netherlands
Bunzl Verpakkingen Arnhem B.V.	Netherlands
Bunzl Verpakkingen B.V.	Netherlands
Bunzl Verpakkingsgroep B.V.	Netherlands

Shareholder information continued

Related undertakings continued

Subsidiary undertakings	Country of incorporation
Conpax Belfort B.V.	Netherlands
De Ridder BV	Netherlands
De Ridder Groep BV	Netherlands
De Ridder Packaging BV	Netherlands
King Benelux Holding BV	Netherlands
King Nederland BV	Netherlands
Majestic Products B.V.	Netherlands
Milites Holding B.V	Netherlands
Worldpack Trading B.V.	Netherlands
Bunzl Food Processor Supplies (NZ) Limited	New Zealand
Bunzl Outsourcing Services NZ Limited	New Zealand
Corded Strap (NZ) Limited	New Zealand
ICB Cleaning Supplies Limited	New Zealand
Nelson Packaging Supplies Limited	New Zealand
Vicsa Safety Peru S.A.C.	Peru
Melissa Sales Corp.	Puerto Rico
S.C. Bunzl Distributie S.R.L	Romania
Eurobal, spol. s.r.o.	Slovakia
Bunzl Distribution Spain, S.A.U.	Spain
Cemelim UCEPP, S.L	Spain
Faru, S.L.U.	Spain
Guantes Juba, S.A.	Spain
Juba Personal Protective Equipment, S.L.	Spain
Lovilia Spain, S.L.U.	Spain
Marca Proteccion Laboral, S.L.U.	Spain
Marvel Proteccion Laboral, S.L.U.	Spain
Portchartain Inversiones, S.L.	Spain
Quirumed, S.L	Spain
DI Holding AG[iii]	Switzerland
Distresa AG	Switzerland
Distrimondo AG	Switzerland
Folimex AG (60%)	Switzerland
Keenpac (Switzerland) SA	Switzerland
MMH Holding AG	Switzerland
Uehlinger AG	Switzerland
Weita AG	Switzerland
Weita Holding AG	Switzerland
WGS AG	Switzerland
Istanbul Ticaret Hirdavat Sanayi Anonim Şirketi	Turkey
Istanbul Ticaret İs Guvenligi Ve Endustriyel Ürunler Sanayi Anonim Şirketi	Turkey
365 Healthcare Limited	United Kingdom
A. & E. Russell Limited	United Kingdom
Advanced Medical Products (Clacton) Limited	United Kingdom
Aptfine Limited	United Kingdom
Atollbyte Limited[i]	United Kingdom
Birchfolder Limited	United Kingdom
Bradlees Limited	United Kingdom
Bunzl American Holdings (No.1) Limited	United Kingdom
Bunzl American Holdings (No.2) Limited	United Kingdom
Bunzl American Holdings (No.3) Limited	United Kingdom
Bunzl American Holdings (No. 4)	United Kingdom
Bunzl Australia Forex LLP	United Kingdom
Bunzl Australian Holdings Limited	United Kingdom
Bunzl Finance plc[i]	United Kingdom
Bunzl Group Services Limited[i]	United Kingdom
Bunzl Overseas Holdings Limited[ii]	United Kingdom
Bunzl Overseas Holdings (No.2) Limited[i]	United Kingdom
Bunzl Overseas Holdings (No.3) Limited	United Kingdom
Bunzl Pension Trustees Limited[i]	United Kingdom
Bunzl Plastics Limited[i]	United Kingdom
Bunzl Properties Limited[i]	United Kingdom
Bunzl Retail & Healthcare Supplies Limited	United Kingdom
Bunzl Retail Supplies Holdings Limited	United Kingdom
Bunzl UK Limited	United Kingdom
Buwier Limited	United Kingdom
Care Shop Limited	United Kingdom
Central Catering Supplies Limited	United Kingdom
Continental Chef Supplies Limited	United Kingdom
Dialene Limited	United Kingdom
Greenham Trading Limited[i] [ii]	United Kingdom
Guardsman Limited	United Kingdom
Henares Limited[i]	United Kingdom
Indigo Concept Packaging Limited	United Kingdom
Irish Merchants (Northern Ireland) Limited	United Kingdom
Keenpac Group Limited	United Kingdom
Keenpac Holdings Limited	United Kingdom
Keenpac Limited	United Kingdom
Lee Brothers Bilston Limited	United Kingdom
Lockhart Catering Equipment Limited	United Kingdom
London Bio Packaging Limited	United Kingdom
Michael Davies and Associates Limited	United Kingdom
P.O.S. Direct Limited	United Kingdom
Rafferty Hospitality Products Limited	United Kingdom
Selectuser Limited	United Kingdom
Southern Syringe Services Limited	United Kingdom
SPH 3102 Limited	United Kingdom
Thomas McLaughlin Limited	United Kingdom
Thompson Christmas Company Limited	United Kingdom
Thompson Medd Limited	United Kingdom
Universal Hospital Supplies Limited	United Kingdom
Walsh and Jenkins Holdings Limited	United Kingdom
Walsh and Jenkins Limited	United Kingdom
Wavelength Handling & Distribution Services Limited	United Kingdom
WOW Catering Supplies Limited	United Kingdom
Wycombe Marsh Paper Mills Limited[i]	United Kingdom
Yorse No. 3 Limited[i]	United Kingdom
Arch Logistics, LLC	USA
Bunzl Corporate Holdings, Inc.	USA
Bunzl Distribution California, LLC	USA
Bunzl Distribution Leasing, Inc.	USA
Bunzl Distribution Midatlantic, LLC	USA
Bunzl Distribution Midcentral, Inc.	USA
Bunzl Distribution Northeast, LLC	USA
Bunzl Distribution Oklahoma, Inc.	USA
Bunzl Distribution Southeast, LLC	USA
Bunzl Distribution Southwest, L.P.	USA
Bunzl Distribution USA, LLC	USA
Bunzl Finance L.L.C.[ii]	USA
Bunzl Holdings Inc.	USA
Bunzl International Services, Inc.	USA
Bunzl Mexican Holdings II, LLC	USA
Bunzl Mexican Holdings, LLC	USA
Bunzl Midatlantic, LLC	USA
Bunzl Minneapolis, LLC	USA
Bunzl North American Holdings, Inc.	USA
Bunzl Northeast, LLC	USA
Bunzl Processor Distribution, LLC	USA
Bunzl Retail, LLC	USA
Bunzl Southwest Holdings, LLC	USA
Bunzl US Holdings LLC	USA
Bunzl USA Holdings LLC	USA
Bunzl USA LLC	USA
Bunzl Utah, LLC	USA

Related undertakings continued

Subsidiary undertakings	Country of incorporation
Bunzl Western Holdings, Inc.	USA
Cool-Pak, LLC	USA
Destiny Packaging, LLC	USA
Foodhandler Inc.	USA
Green Source, LLC	USA
Hi-Valu, LLC	USA
International Sourcing Company Inc.[iii]	USA
John Tillman Company	USA
Keenpac, LLC	USA
Keepsafe, LLC	USA
Masteragents LLC	USA
Papercraft Southwest, LLC	USA
Prime Source, LLC	USA
R3 Safety, LLC	USA
R3, LLC	USA
SAS Safety Corporation	USA
Schwartz Paper Company, LLC	USA
Steiner Industries, Inc.	USA
TSN East, LLC	USA
TSN West, LLC	USA
U.S. Glove Co., Inc.	USA
Steelpro Safety S.A.	Uruguay

Other shareholdings	Country of incorporation
Viner-Pack Gyarto Kereskedelmi Es Szolgaltato Korlatolt Felelossegu Tarsasag (20%)	Hungary

Classifications key
[i] Directly owned by Bunzl plc
[ii] Holding of ordinary and preference shares
[iii] Holding of more than one class of ordinary share
[iv] Holding of preference shares

Financial calendar

	2016
Annual General Meeting	20 April
Results for the half year to 30 June 2016	30 August

	2017
Results for the year to 31 December 2016	February
Annual Report circulated	March

Dividend payments are normally made on these dates or the following working day:

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

Analysis of ordinary shareholders

At 31 December 2015 the Company had 5,225 (2014: 5,281) shareholders who held 335.2 million (2014: 334.4 million) ordinary shares between them, analysed as follows:

Size of holding	Number of shareholders	% of issued share capital
0 – 10,000	4,638	2
10,001 – 100,000	351	4
100,001 – 500,000	148	10
500,001 – 1,000,000	35	7
1,000,001 and over	53	77
	5,225	100

Registrar

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Email webcorres@computershare.co.uk
Website www.computershare.com

Investor centre

Shareholders can manage their shareholding online at 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:

- elect for electronic communications;
- 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.

Shareholder information continued

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 +44 (0) 370 889 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.

American Depositary Receipts
The Company has a sponsored Level 1 American Depositary Receipt (ADR) programme that trades on the over-the-counter (OTC) market in the US. Citibank N.A. acts as the Depositary Bank.
Telephone Citibank +1 781 575 4555
Email citibank@shareholders-online.com
Website www.citi.com/dr

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 +44 (0) 370 889 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 or by telephoning +44 (0) 370 703 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 +44 (0) 20 7930 3737 or at 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.fca.org.uk in the Consumers section. Details of any share dealing facilities that the Company endorses will be included in Company mailings.

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PricewaterhouseCoopers LLP

Stockbrokers
J.P. Morgan Cazenove
Citigroup

Company Secretary
Paul Hussey

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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.

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