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WELCOME TO THE BUNZL PLC ANNUAL REPORT 2017

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DELIVERING BUSINESS SOLUTIONS

Bunzl plc
Annual Report 2017

DELIVERING BUSINESS SOLUTIONS GLOBALLY

Bunzl plc is a focused and successful international distribution and outsourcing group. We support businesses all over the world with a variety of products and solutions that are essential for our customers in the successful operation of their businesses.

Through our strategy we have built leading positions in a number of market sectors in the Americas, Europe, Australasia and Asia.

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

FINANCIAL HIGHLIGHTS

Our long term track record of strong cash generation has enabled us to pay a growing dividend over the past 25 years and to support our growth strategy by making acquisitions and reinvesting in the underlying business.

Adjusted earnings per share*

119.4p

(2016: 106.1p)

+7% ↑

Growth at constant exchange rates

(Actual exchange rates +13%)

Cash conversion†

97%

(2016: 99%)

Dividend per share

46.0p

(2016: 42.0p)

+10% ↑

Revenue

£8,580.9m

(2016: £7,429.1m)

+10% ↑

Growth at constant exchange rates

(Actual exchange rates +16%)

Adjusted operating profit*

£589.3m

(2016: £525.0m)

+6% ↑

Growth at constant exchange rates

(Actual exchange rates +12%)

Adjusted profit before income tax*

£542.6m

(2016: £478.2m)

+7% ↑

Growth at constant exchange rates

(Actual exchange rates +13%)

Operating profit

£456.0m

(2016: £409.7m)

Actual exchange rates +11%

Profit before income tax

£409.3m

(2016: £362.9m)

Actual exchange rates +13%

Basic earnings per share

94.2p

(2016: 80.7p)

Actual exchange rates +17%

* Before customer relationships amortisation, acquisition related items and, where relevant, the associated tax (see Note 2w on page 110).

† See the key performance indicator on page 23.

Growth at constant exchange rates is calculated by comparing the 2017 results to the results for 2016 retranslated at the average exchange rates used for 2017.

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GROUP AT A GLANCE

We provide a one-stop-shop distribution and outsourcing service across 30 countries, supplying a broad range of internationally sourced non-food products to a variety of market sectors.

WHERE WE OPERATE

NORTH AMERICA

Revenue

£5,061.1m

% of 2017 revenue

59%

Adjusted operating profit*

£318.3m

- Revenue increased 10% at constant exchange rates.
- Adjusted operating profit* up 4% at constant exchange rates.
- Decrease in operating margin* from 6.6% to 6.3%.
- Return on operating capital down from 57.8% to 53.6%.

Read more about North America on page 30

CONTINENTAL EUROPE

Revenue

£1,610.4m

% of 2017 revenue

19%

Adjusted operating profit*

£151.1m

- Revenue up 12% at constant exchange rates.
- Adjusted operating profit* up 13% at constant exchange rates.
- Improvement in operating margin* from 9.3% to 9.4%.
- Return on operating capital down from 58.8% to 57.5%.

Read more about Continental Europe on page 32

UK & IRELAND

Revenue

£1,190.8m

% of 2017 revenue

14%

Adjusted operating profit*

£88.5m

- Revenue increased 9% at constant exchange rates.
- Adjusted operating profit* up 5% at constant exchange rates.
- Operating margin* down from 7.7% to 7.4%.
- Return on operating capital down from 104.9% to 90.0%.

Read more about UK & Ireland on page 34

REST OF THE WORLD

Revenue

£718.6m

% of 2017 revenue

8%

Adjusted operating profit*

£53.9m

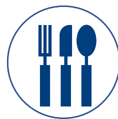
- Revenue up 5% at constant exchange rates.
- Adjusted operating profit* up 5% at constant exchange rates.
- Operating margin* unchanged at 7.5%.
- Return on operating capital up from 30.2% to 32.4%.

Read more about Rest of the World on page 36

* Before customer relationships amortisation and acquisition related items.

MARKETS SERVED

% OF 2017 REVENUE



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.

29%

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.

27%

SAFETY

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

12%

CLEANING & HYGIENE

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

12%

RETAIL

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

10%

HEALTHCARE

Healthcare consumables, including gloves, swabs, gowns, bandages and other healthcare related equipment and cleaning & hygiene products to hospitals, care homes and other facilities serving the healthcare sector.

7%

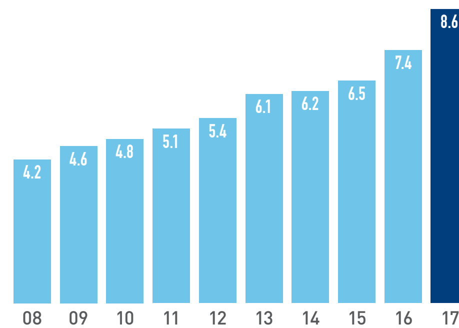
OTHER

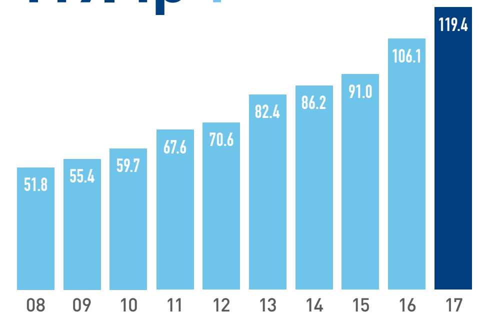
A variety of product ranges to other end user markets.

3%

CHAIRMAN'S STATEMENT

Bunzl's success is based on the strength and resilience of our business model, the execution of a consistent strategy, understanding our customers' requirements and our ability to deliver products and solutions when and where they are needed.





> Executing our consistent and proven strategy has resulted in another successful year with continued growth in earnings and dividends through a combination of organic and acquisition growth.
>
> **Philip Rogerson**
> Chairman

Results

Against the background of variable macroeconomic and market conditions across the countries and sectors in which we operate, I am pleased to report that Bunzl produced another good set of results in 2017. Overall currency translation movements due to the weakening of sterling during 2016 had a significant positive impact on the reported Group growth rates at actual exchange rates, although the impact for the year as a whole was somewhat less than that seen during the first half of the year.

Group revenue increased 16% to £8,580.9 million (2016: £7,429.1 million) and adjusted operating profit before customer relationships amortisation and acquisition related items was up 12% to £589.3 million (2016: £525.0 million). Adjusted earnings per share were 119.4p (2016: 106.1p), an increase of 13%.

At constant exchange rates, revenue increased by 10% and adjusted operating profit rose by 6% with the Group operating margin declining from 7.1% to 6.9%. Adjusted earnings per share were up 7%.

Return on average operating capital decreased from 55.9% in 2016 to 53.1% due to a lower operating margin and higher operating capital in the underlying business and the impact of a lower return on operating capital from acquisitions. Return on invested capital of 16.0% was down from 16.7% in 2016 principally due to the effect of acquisitions.

Dividend

The Board is recommending a final dividend of 32.0p. This brings the total dividend for the year to 46.0p, up 10% compared to 2016. Shareholders will again have the opportunity to participate in our dividend reinvestment plan.

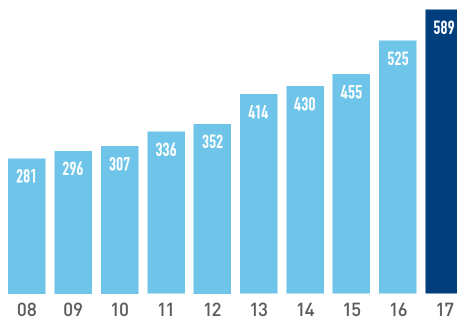
Strategy

We have continued to pursue our consistent and proven strategy of developing the business through organic growth, consolidating our markets through focused acquisitions and continuously improving the quality of our operations and making our businesses more efficient. Once again this has delivered another successful year of growth for the Group.

We seek to achieve organic growth by applying our resources and expertise to offer an efficient and cost effective one-stop-shop solution to enable our customers to reduce or eliminate the hidden costs of sourcing and distributing a broad range of goods that are essential to the successful operation of their businesses but which they do not themselves resell. By outsourcing these activities to Bunzl, 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. We are continually looking to enhance our service offering by providing a variety of value-added, innovative and customised solutions, thereby building long term relationships with our customers.

Adjusted operating profit* £m

£589m ↑



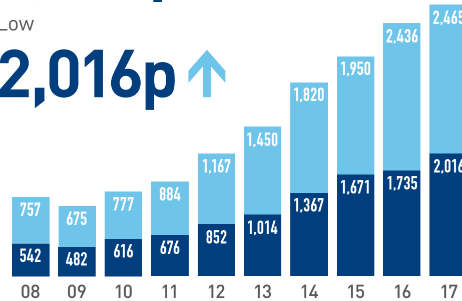
Share price range p

High

2,465p ↑

Low

2,016p ↑



* Before customer relationships amortisation, acquisition related items and, where relevant, the associated tax.

The level of organic revenue growth in 2017 was substantially higher than the previous year, principally due to additional business won in North America towards the end of 2016.

Acquisition activity accelerated in 2017 with the Group agreeing to make 15 acquisitions during the year with a total committed spend of £616 million, thereby adding annualised revenue of £621 million. This was a record level of acquisition spend for Bunzl, significantly exceeding the previous high of £327 million achieved in 2015. The businesses purchased have helped to strengthen our position in many of the markets that we serve in both new and existing geographies. In addition, the acquisition of Revco in the US was announced and completed at the beginning of 2018. In early February 2018 we also completed the sale of OPM, a non-core business that was principally involved in the sale of SodaStream products to retailers in France.

Investment

Over time we have steadily invested in the business to support our growth strategy and to expand and enhance our asset base. During the year we continued to improve our existing facilities and opened new ones, both as a result of acquisitions and by consolidating our warehouse footprint in order to make it more efficient. Our ability to serve our customers in the most effective way is critical to our success. In striving to do so, we continuously upgrade our IT systems and digital platforms as we integrate new businesses into the Group's operations and increase the functionality of our existing systems and platforms, thereby enabling us to enhance our customer offering and retain a competitive advantage.

Corporate responsibility

We have continued to make improvements in our corporate responsibility ('CR') approach by focusing on the environmental sustainability of our operations as well as our role in assisting both our customers and suppliers to improve the sustainability of their own businesses. This year saw the expansion of the remit of the quality assurance/quality control team in Shanghai not only to undertake audits of our key Asian suppliers to assist them in meeting our stringent standards but also to work with suppliers in countries such as Mexico, Brazil, Romania and Turkey to strengthen further their already robust practices. We believe that building relationships, capacity and trust with suppliers is critical. To this end, we organised a conference during the year for our Asian suppliers to showcase examples of good practice, build CR awareness and provide a helping hand in how to identify and remedy CR issues. We also adopted a specific supplier code of conduct during the year which is in the process of being rolled out across our supplier base.

As part of our policy to provide our customers with high quality and good value products, companies within the Group help their customers to achieve their sustainability goals by developing and offering environmentally friendly products and innovative solutions.

People

We recognise that the people best placed to make a decision in relation to our day-to-day operations are those who understand the local circumstances and our customers. Bunzl is therefore rightly proud of its decentralised organisation structure which allows each of our business areas to decide where they focus their efforts. At the same time, functional knowledge and expertise is shared across businesses to the benefit of all. I have been delighted once again by the contribution and commitment of all our employees. Whenever I visit our operations around the world I am reminded of the enthusiasm with which our people undertake their responsibilities and their individual accountability to improving performance which is key to the ongoing growth and success of Bunzl. On behalf of the Board, I would very much like to thank all our hardworking and loyal employees.

Board

David Sleath, who had served as a non-executive director since 2007, retired after the Company's Annual General Meeting in April 2017. During his time with us, he also served as Chairman of the Audit Committee and Senior Independent Director. His sound advice and significant contribution to our success are greatly appreciated. Lloyd Pitchford, who is currently Chief Financial Officer of Experian plc, was appointed as a non-executive director with effect from 1 March 2017 and assumed the role of Chairman of the Audit Committee upon David's retirement when Vanda Murray also became the Senior Independent Director. Stephan Nanninga, a Dutch national who has had extensive international experience across a range of businesses operating in the distribution and service sectors, joined the Board as a non-executive director on 1 May 2017.

Philip Rogerson
Chairman
26 February 2018

Read our Corporate governance report on **page 42**

CHIEF EXECUTIVE'S REVIEW

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.

> Our deep understanding and extensive knowledge of the fragmented markets in which we operate and our ability to offer total solutions that provide quantifiable benefits to our customers have once again contributed to our success.
>
> **Frank van Zanten**
> Chief Executive

HIGHLIGHTS

Acquisitions
Record level of committed acquisition spend of £616 million adds 15 businesses to the Group.

North America
Improved organic revenue growth from significant additional grocery business, albeit at lower margins.

Continental Europe
Strong increases in revenue and operating profit with operating margin up 10 basis points to 9.4%.

UK & Ireland
Return to organic revenue growth with operating margin down 30 basis points principally due to higher import prices from weaker sterling.

Rest of the World
Good growth in revenue and operating profit with margins stable.

To find out more see pages 30 to 37

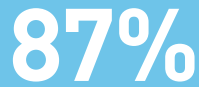
Operating performance

With 87% of the Group's revenue generated outside the UK, the weakening of sterling against most currencies in 2016 had a significant positive translation impact on the Group's reported results in 2017, increasing revenue, profits and earnings by approximately 6%. 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 2016 at the average rates used for 2017. Unless otherwise stated, all references in this review to operating profit are to adjusted operating profit (being operating profit before customer relationships amortisation and acquisition related items) while operating margin refers to adjusted operating profit as a percentage of revenue.

Revenue increased 10% (16% at actual exchange rates) to £8,580.9 million due to the positive impact of acquisitions together with an improved level of organic growth. Consistent with the trends seen during the fourth quarter of 2016, organic revenue continued to increase in 2017 and was up 4.3% compared to the prior year, mainly as a result of the additional business won in North America towards the end of 2016. Operating profit was £589.3 million, an increase of 6% (12% at actual exchange rates). The percentage growth in operating profit was lower than that of revenue principally due to the impact of the business won in North America being at an operating margin below the Group average, resulting in a decline in the Group operating margin by 20 basis points at both constant and actual exchange rates to 6.9%.

In North America, revenue rose 10% (16% at actual exchange rates) due to the impact of higher organic growth together with the effect of acquisitions, while operating profit increased 4% (10% at actual exchange rates) as the operating margin declined 30 basis points at both constant and actual exchange rates to 6.3% due to the impact of the lower margin business won. Revenue in Continental Europe rose 12% (19% at actual exchange rates) as a result of the impact of acquisitions and an improved level of organic revenue growth, with operating profit up 13% (19% at actual exchange rates) and the operating margin up 10 basis points to 9.4% at both constant and actual exchange rates. In UK & Ireland, revenue was up 9% at both constant and actual exchange rates due to the impact of acquisitions and a return to organic growth and operating profit increased 5% (6% at actual exchange rates) with the operating margin decreasing by 30 basis points at both constant and actual exchange rates to 7.4%. In Rest of the World, revenue increased 5% (15% at actual exchange rates) as a result of both acquisitions and organic growth with operating profit up 5% (16% at actual exchange rates) and the operating margin unchanged at 7.5% at both constant and actual exchange rates.

Adjusted profit before income tax (being profit before income tax, customer relationships amortisation and acquisition related items) was £542.6 million, up 7% (13% at actual exchange rates) due to the growth in adjusted operating profit and a lower net interest charge. Profit before



87%

of the Group's revenue was generated outside the UK

income tax was £409.3 million, an increase of 7% (13% at actual exchange rates). Basic earnings per share were 11% higher (17% at actual exchange rates) at 94.2p. Adjusted earnings per share, which exclude the effect of customer relationships amortisation, acquisition related items and the associated tax, were 119.4p, an increase of 7% (13% at actual exchange rates).

The operating cash flow, which is before acquisition related items, continued to be strong with cash conversion (the ratio of operating cash flow to adjusted operating profit) at 97%. The ratio of net debt to EBITDA calculated at average exchange rates increased from 2.0 times at the end of 2016 to 2.3 times, reflecting the higher level of acquisition spend during the year.

Whether they have been with us for a long time or are new to the Group, our dedicated, hardworking and loyal employees drive continuous improvement in everything they do. We in turn are committed to developing our people to enhance our capability and capacity across all our locations. Our success has been built on continued development and innovation to meet the changing needs of our customers and I strongly believe that everyone at Bunzl makes a key contribution to the successful growth of the business through their diverse skills and experiences.

Acquisitions

Acquisition activity, which is a key component of Bunzl's growth strategy, picked up significantly in 2017. During the year we agreed to purchase 15 businesses for a total committed acquisition spend of £616 million. These included two larger transactions, being DDS in the US and a group of businesses in France consisting of Hedis, Comptoir de Bretagne and Générale Collectivités (Groupe Hedis). The annual acquisition spend in 2017 was a record level for the Group.

In January 2017, in addition to completing the purchase of Sæbe Compagniet and Prorisk and GM Equipement, which we agreed to acquire in November 2016, we acquired two further businesses. Early in the month we purchased the business of Packaging Film Sales which distributes food packaging products, including flexible barrier films and speciality bags and pouches, to food processors in the US. Revenue in 2016 was £4 million. At the end of January we acquired LSH, a distributor of safety products, primarily to end users, which represents our first step into Singapore. Revenue in 2016 was £5 million.

At the end of March we completed two acquisitions, ML Kishigo and Neri. ML Kishigo, which is engaged in the sale of high visibility clothing and other safety-related workwear to distributors throughout the US, provides customised solutions for its customers and brings additional expertise and an extended product portfolio to our existing safety business in the US. Revenue in 2016 was £26 million. Neri supplies a broad range of personal protection equipment, including gloves, footwear and workwear, to both distributors and end users throughout Italy and takes us into the important safety market there for the first time. Revenue in 2016 was £41 million.

CHIEF EXECUTIVE'S REVIEW CONTINUED

We completed four transactions during May. DDS is a distributor of goods not for resale and value-added services to retailers and other general distribution customers, principally throughout North America. The business supplies a wide range of packaging, consumables and operating store supplies through a variety of distribution and outsourcing programmes and has expanded and extended our operations, particularly in relation to the retail sector. Revenue in 2016 was £242 million. Tecnopacking is engaged in the distribution of industrial and disposable packaging products to end users operating in a variety of different sectors throughout Spain as well as in Portugal. Revenue in 2016 was £33 million. This acquisition has further extended our operations in Spain which have grown significantly in recent years with total annualised revenue now approaching €200 million. We also acquired two separate businesses in Canada at the end of May. AMFAS and Western Safety are distributors of commercial and industrial first aid and safety supplies, including a full range of personal protection equipment, to end user customers throughout Western Canada. The businesses, which together had aggregated annualised revenue of £10 million in 2016, also provide safety-related services including training programmes and other workplace safety solutions.

Pixel Inspiration, a marketing services business in the UK which specialises in the digital signage sector, was purchased at the end of June. Revenue in 2016 was £7 million.

At the beginning of August we acquired HSESF and its associated companies in China. Based in Shanghai with operations in four other provinces in eastern China, the businesses are principally engaged in the sale of a variety of personal protection equipment to local distributors and end users but also export to customers overseas. The aggregate revenue of the businesses acquired was £24 million in 2016.

During October we entered into an agreement to purchase Talge, which is principally engaged in the sale of a variety of foodservice related products, mainly to redistributors in the southeast region of Brazil. Revenue in 2016 was £20 million. Completion of the acquisition took place in January 2018 following clearance of the transaction by the Brazilian competition authority. At the end of October we purchased Interpath, which is principally engaged in the distribution of a variety of laboratory and healthcare related consumable products to the pathology, medical research and life science end user markets in Australia. Revenue in the year ended June 2017 was £13 million.

We acquired a group of businesses in France at the end of November. Groupe Hedis, which trades through a number of subsidiaries, is engaged in the sale and distribution of cleaning & hygiene related products to a variety of end user customers, principally in the public, healthcare, foodservice and cleaning sectors, as well as to some redistributors. Two other businesses, Comptoir de Bretagne and Générale Collectivités, distribute light catering equipment and tableware to a similarly diverse customer base in France. In 2016 the aggregate revenue of the businesses acquired was £136 million, of which £115 million related to Hedis and £21 million related to Comptoir de Bretagne and Générale Collectivités.

We completed the purchase of Lightning Packaging in the UK in November. The business is principally engaged in the distribution of industrial packaging products to a variety of end user customers throughout the UK. Revenue in the year ended March 2017 was £14 million. In December we also entered into an agreement to acquire the business of Aggora which designs, supplies, installs and maintains commercial catering equipment for end user customers in the UK. The acquisition was completed in early January 2018. Revenue in the year ended March 2017 was £27 million.

Since the year end we have acquired one further business. In early January 2018 we purchased Revco which designs and develops workplace safety and personal protection equipment for supply to redistributors in the US. Revenue in 2017 was £29 million.

Disposal

In February 2018 we sold OPM, a distributor of SodaStream products in France, which was a non-core business that was no longer considered to be a strategic fit within the Group. Revenue in 2017 was £50 million.

Prospects

The combination of our strong competitive position, diversified and resilient businesses and ability to consolidate our fragmented markets further, should lead to continued growth and our expectations for 2018 at constant exchange rates remain unchanged. If exchange rates stay at their current levels, the recent weakening of the US dollar will have an adverse translation effect on the reported results in 2018.

At constant exchange rates, each of our business areas is expected to grow. In North America, we expect revenue to increase as last year's strong organic growth continues during the first quarter of this year before returning to more normal levels thereafter as the substantial additional grocery business is fully absorbed, together with the effect of acquisitions. We will continue to focus on mitigating the impact of higher operating costs, caused in particular by the additional business won as well as some inflationary pressures, through productivity improvements and other initiatives. In Continental Europe we expect to see a strong performance due to continued organic growth and the purchase of Groupe Hedis in France and other acquisitions, partly offset by the disposal of OPM in February 2018. Despite ongoing uncertainty in some of our markets, UK & Ireland should develop well as a result of improved organic growth from recent account wins and the impact of acquisitions. In Rest of the World, overall we expect to see progress due to both organic and acquisition growth.

As announced in January, we expect that the recent changes to tax legislation in the US will reduce the Group's effective tax rate for 2018 to approximately 24% from 27.5% in 2017.

The pipeline of potential acquisitions remains promising. Discussions are ongoing with a number of 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 well established and successful strategy to grow the business both organically and by acquisition.

Frank van Zanten
Chief Executive
26 February 2018

Q&A with the Chief Executive

Frank van Zanten discusses how the business performed in 2017 and reflects on how he sees the Group now after his first full year as the Group's Chief Executive.

Q How would you summarise 2017 for Bunzl?

"

2017 has been another good year for Bunzl with a 7% increase in adjusted earnings per share which has allowed us to continue our long term track record of dividend growth for the 25th consecutive year. Growth by acquisition is an important part of our strategy and 2017 has been a record year for acquisition spend with the Company agreeing to acquire 15 businesses with a total committed spend of £616 million.

Q What is the reasoning behind this record acquisition spend?

"

We often buy family owned businesses that require a trigger to sell such as succession issues. The timing of when that trigger will occur is difficult to predict, which means we sometimes have to wait patiently for many years until the business in question becomes available to purchase. 2017 has just been a year where several of our targets chose to sell and we have also bought two larger businesses being DDS in the US and Groupe Hedis in France.

Q What has been your personal highlight of 2017?

"

One of the things I am passionate about is the power of collaboration and the importance of sharing best practice, so my personal highlight of 2017 would have to be our global management conference that we held in May. This involved 165 of our most senior executives in the Group who came together over a period of three days. We based the conference around five key themes with cross company teams collaborating in advance in preparation for the conference. When we came together the output and discussions were incredible.

Q In your opinion what makes Bunzl unique?

"

Bunzl provides a one-stop-shop for essential products that represent a low proportion of our customers' spend delivered in one consolidated delivery, on-time and in-full. We have a market-leading position, operating on a global scale across 30 countries and six market sectors. We have a very decentralised management structure with a strong entrepreneurial culture and all of this together is what I believe makes us unique in the markets in which we compete.

Q What are the most important aspects of the service that Bunzl offers to its customers?

"

All aspects of the service we offer are important to our customers, but if I had to highlight one or two it would be our ability to provide on-time and in-full deliveries of a broad range of products and the expert knowledge of our field sales people. We are selling products that are essential to our customers' operations. Many of our customers want to spend as little time as possible thinking about these goods not for resale and therefore look to the expert knowledge of our staff to ensure they have the right products and solutions for their needs. Given the essential nature of the products we sell, on-time in-full deliveries of customers' entire orders are critical to the smooth running of their businesses – without the meat trays, the butcher counter of a grocery store closes and without personal protection equipment the construction site cannot operate safely.

Q Having completed a full year in the role as Chief Executive, have any of your initial observations changed?

"

The Group has continued to grow and develop during 2017 and I am very pleased to see this. My initial observations which I talked about last year are unchanged. Bunzl is a great business with incredibly committed and hardworking employees, many of whom I have now had the pleasure to meet in person. I will continue to execute our consistent and proven compounding strategy and believe we are well positioned for further development in the future.

INVESTMENT CASE

A consistent and proven compounding strategy with a long term track record of delivering sustainable growth.

A diversified, balanced and resilient business...

- Presence in 30 countries.
- Six customer focused market sectors.
- Fragmented markets.
- Long term relationships with customers and suppliers.

Revenue from resilient sectors
75%

with a consistent and proven compounding strategy...

- Profitable organic growth.
- Continuous operating model improvements.
- Disciplined approach to self-funded acquisitions.

ROIC*
16.0%

RAOC*
53.1%

and significant opportunities for future growth...

- Significant opportunities to grow in existing countries.
- Scope for further geographic expansion.
- Potential for expansion into new sectors.

Acquisitions since 2004
151

due to disciplined financial management...

- Consistently strong cash conversion.
- Efficient capital allocation.
- Strong balance sheet.

Average cash conversion since 2004*
97%

resulting in a long term track record of good returns for our shareholders.

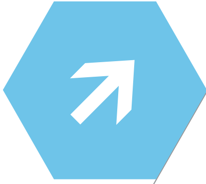
- Sustained increases in revenue, adjusted operating profit and adjusted earnings per share.
- Creation of shareholder value through long term dividend and share price growth.

25 year record of dividend growth

* See 'Key performance indicators' on pages 22 and 23.

MARKET ENVIRONMENT

No one else does what we do, on our scale, across our international markets.



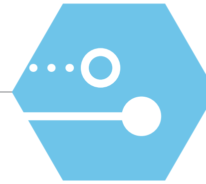
GROWTH DRIVERS

Increasing trend to outsourcing, particularly in the grocery and retail sectors.

Global health & safety legislative and compliance trends in the safety sector.

Underlying growth of 'away from home' demand in the foodservice and cleaning & hygiene sectors.

Changing demographics and ageing population increasing demand in the healthcare sector.



COMPETITIVE ADVANTAGE

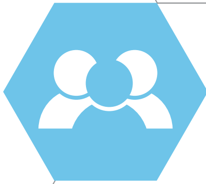
Decentralised operational structure with experienced and knowledgeable management.

Global sourcing capabilities.

Extensive distribution networks.

Ability to invest in IT systems and digital capabilities.

Expertise in making and integrating acquisitions.



CUSTOMERS

Strong national and regional customer base.

Partnering with national and international leading companies.

Aligned with customer growth.

Focus on customer service providing innovative products and solutions.

On-time and in-full deliveries.

SUPPLIERS/ PRODUCTS

Strong relationships with branded manufacturers.

Low cost own brand alternative products.

Market-leading quasi-manufacturer of own brand products.

Global sourcing function with QA/QC services.

OUR BUSINESS MODEL

We have a geographically diversified business portfolio operating across 30 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.

OUR RESOURCES

Our people

Despite our global scale, our decentralised organisation structure enables us to retain the culture of a dynamic local business, thereby creating an entrepreneurial environment in which our employees can operate.

Our product range

Our broad and extensive product range, including our own brand offering, enables us to provide our customers with comprehensive solutions to their needs.

Our service capabilities

Using a combination of our own fleet supported by third party providers, we are able to ensure our customers receive their orders whatever their requirements, including timed delivery slots, specific 'beyond the back door' delivery locations or 'cross-docked' deliveries from our truck directly to our customer's delivery vehicle on a just-in-time basis.

Our knowhow

Our deep and detailed knowledge of the comprehensive and innovative product and service solutions that we are able to provide to our customers in order to meet their specific needs has been gained over many years of experience.

WE ARE A ONE-STOP-SHOP FOR NON-FOOD CONSUMABLES

WE SOURCE

We source and procure branded, own brand and unbranded products globally, working with suppliers to give our customers access to the best and most suitable products and solutions to meet their needs, taking account of any sustainability requirements.

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 site 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.

ACROSS THESE SECTORS

Foodservice

Grocery

Safety

Cleaning & hygiene

Retail

Healthcare

Other

OUR SOURCES OF COMPETITIVE ADVANTAGE

Operational focus

With a decentralised operational structure, our enthusiastic, experienced and knowledgeable management, including many former business owners, are able to focus on our customers' needs while retaining full responsibility for the financial performance of their businesses.

Global sourcing

Our global sourcing capabilities allow us to provide a very broad range of products, including an extensive range of own brand and environmentally friendly, sustainable items.

International scale

Relationships with both multinational and local suppliers and our extensive distribution networks mean we can deliver to customers on a local, regional, national and international basis, giving them complete flexibility.

CREATING VALUE FOR STAKEHOLDERS

Digital capabilities

Our e-commerce platforms increase the efficiency of our operations while enhancing the experience for our customers. These include options such as budgetary controls, closed specific product lists and branded portals for our customers.

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'.

We are continuing to pursue our strategy in order to create value for our stakeholders by focusing on our strengths and consolidating the markets in which we compete. Through the consistent execution of our long-established and successful strategy, we have built leading positions in a number of market sectors in the Americas, Europe, Australasia and Asia.

Deepening our commitment to our customers and markets, extending our business to new geographies, investing in systems and infrastructure and expanding and coordinating our procurement and international sourcing remain important elements of our strategy.

OUR STRATEGY

The Company's strategy is based on three key areas of focus:

Read more P16

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 P18

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.

OPERATING MODEL IMPROVEMENTS

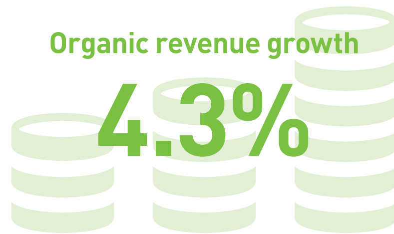
We continually strive to improve the quality of our operations and to make our businesses more efficient and environmentally friendly. We do this by investing in new IT systems, digital capabilities, warehouse facilities and routing systems as well as implementing and sharing best practice operational procedures.

Read more P20

OUR STRATEGY
CONTINUED

Organic revenue growth

4.3%



BUILDING RELATIONSHIPS WITH OUR CUSTOMERS

ORGANIC GROWTH

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

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 current and future needs over a sustained period of time and through a broad and effective product and service offering.

Winning 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 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 we supply to them, 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.

> We build strong relationships with our customers to gain a deep understanding of their needs and to identify where we can support them.

USING OUR DETAILED KNOWLEDGE AND EXPERTISE

OUR STRATEGY CONTINUED

"Our strong balance sheet and consistently high cash conversion means we have the ongoing firepower to act quickly when the opportunities arise."

New markets entered in 2017

4

A RECORD LEVEL OF ANNUAL ACQUISITION SPEND

ITALY

CHINA

ACQUISITION GROWTH

BRAZIL

Expanding and developing the Group through acquiring businesses is also a key component of our growth strategy. Historically, approximately three quarters of our year-on-year growth 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 which 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. During 2017 we entered the safety sector in Italy through the anchor acquisition of Neri and expanded our operations into the foodservice sector in Brazil through the agreement to acquire Talge which was completed in early 2018.

Growth in new countries

We are truly international, having grown from a business with operations in 12 countries in 2003 to one with a presence in 30 countries today, having entered Singapore and China during 2017 following the anchor acquisitions of LSH and HSESF respectively. However, there are a number of potentially attractive countries where we do not yet operate. In evaluating whether to enter a new country through acquisition, we consider a number of different criteria. These include 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.

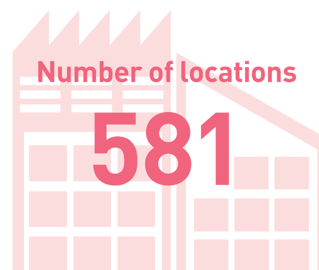
SINGAPORE

OUR STRATEGY
CONTINUED

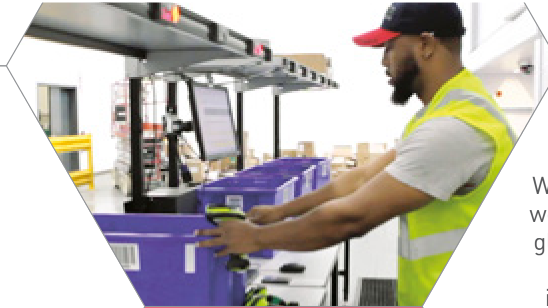
OPERATING MODEL IMPROVEMENTS

We are continually looking to refine and develop our processes and procedures to improve our operations and make our businesses 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.

"Through careful planning and by being flexible, we ensure that our customers get their orders delivered to their desired location on-time and in-full.



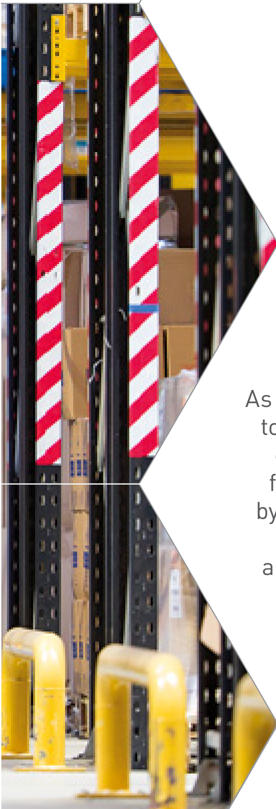
Number of locations
581



CONTINUING TO REFINE AND DEVELOP OUR PROCESSES

Global purchasing

With the annual cost of the goods we sell exceeding £6.4 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.



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.

Environment

We are able to make savings in our operating costs through the implementation of a number of environmentally friendly initiatives such as the installation of energy efficient lighting systems in our warehouses and reductions in the amount of packaging waste generated by the business.

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.

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 improve customer service.

CONSTANTLY IMPROVING THE WAY WE DO BUSINESS

Digital capabilities

The implementation of a variety of digital projects throughout the Group, such as state-of-the-art e-commerce solutions, has increased the efficiency of our operations while at the same time provided an enhanced experience for our customers when interacting with our businesses.

KEY PERFORMANCE INDICATORS

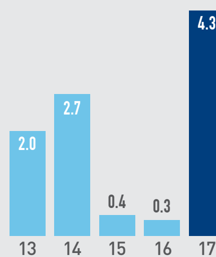
We use the following key performance indicators ('KPIs') to measure our progress in delivering the successful implementation of our strategy and to monitor and drive performance. These KPIs reflect our strategic priorities of developing the business through organic and acquisition led growth and improving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

ORGANIC GROWTH

Organic revenue growth %

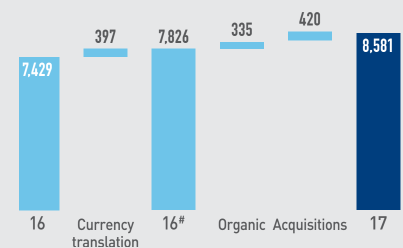
Increase in revenue for the year excluding the impact of currency translation and acquisitions during the first 12 months of ownership.

- Organic revenue growth in 2017 of 4.3% was at the highest level since 2006 principally due to additional business won in North America.



Reconciliation of revenue growth between 2016 and 2017 £m

- Revenue up 16% (10% at constant exchange rates) from organic growth of 4.3% and the impact of acquisitions made in 2016 and 2017.

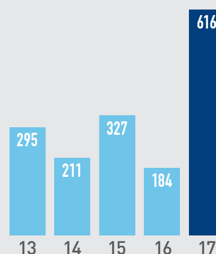


ACQUISITION GROWTH

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.

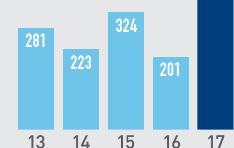
- 2017 was a record year for acquisition spend with committed spend of £616 million on 15 businesses, including two larger acquisitions in the US and France.



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 (see Note 24 on page 138).

- The 15 acquisitions in 2017 will add annualised revenue of £621 million.

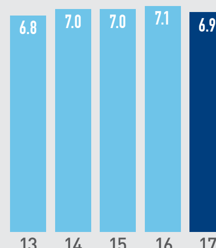


OPERATING MODEL IMPROVEMENTS

Operating margin %

Ratio of adjusted operating profit$^{\Delta}$ to revenue. Excluding the impact of acquisitions during the first 12 months of ownership, the 2017 operating margin was 6.8% compared to 7.1% in 2016 (restated at constant exchange rates).

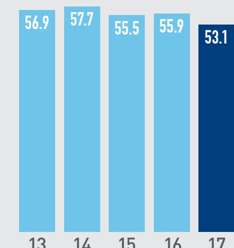
- Adjusted operating profit margin down 20bp to 6.9% principally due to the impact of the additional business won in North America.



Return on average operating capital %

Ratio of adjusted operating profit$^{\Delta}$ to the average of the month end operating capital employed (being property, plant and equipment and software, inventories and trade and other receivables less trade and other payables).

- RAOC down to 53.1% due to lower operating margin and higher operating capital in the underlying business, both partly due to the additional business won in North America, and also the mix effect of the lower return on operating capital from acquisitions, partly offset by a small favourable impact from exchange movements.



Δ Before customer relationships amortisation and acquisition related items.

At 2017 average exchange rates.

† Included in the external auditors' limited assurance scope referred to on page 48.

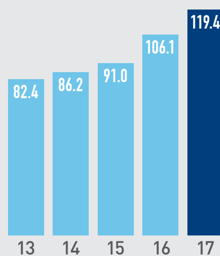
◊ The data for 2013, 2014, 2015 and 2016 was also assured as detailed in the Annual Reports from those years.

FINANCIAL

Adjusted earnings per share p

Adjusted profit for the year (being the profit for the year before customer relationships amortisation, acquisition related items and the associated tax) divided by the weighted average number of ordinary shares in issue (see Note 7 on page 116).

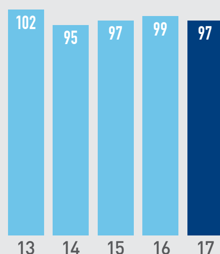
- At constant exchange rates, adjusted eps up 7% driven by a 6% increase in adjusted operating profit and a decrease in the net interest charge, partly offset by the impact of a higher effective tax rate.



Cash conversion %

Operating cash flow, being cash generated from operations before acquisition related items less net capital expenditure, as a percentage of adjusted operating profitΔ (see Consolidated cash flow statement on page 104).

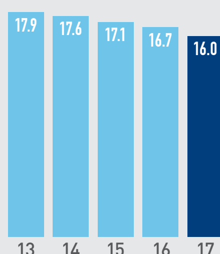
- Another strong year of cash generation with cash conversion of 97% in 2017 and an average of 97% since 2004.



Return on invested capital %

Ratio of adjusted operating profitΔ to the average of the month end invested capital (being equity after adding back net debt, defined benefit pension scheme liabilities, cumulative customer relationships amortisation, acquisition related items and amounts written off goodwill, net of the associated tax).

- ROIC down to 16.0% due to the mix effect of acquisitions and lower returns in the underlying business, partly offset by a small favourable impact from exchange movements.



NON-FINANCIAL

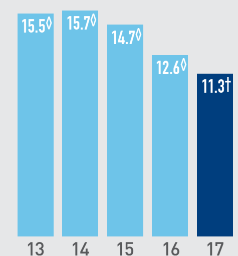
Scope 1 carbon emissions

Tonnes of CO_2e per £m revenue

Measured in accordance with the Greenhouse Gas Protocol applying 2017 Defra conversion factors.

- Scope 1 carbon emissions down 10% (1% at constant exchange rates) primarily due to fuel efficiency improvements.

12 months to 30 September



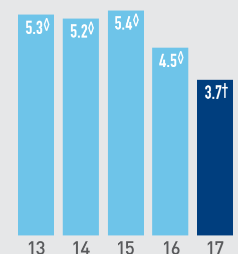
Scope 2 carbon emissions

Tonnes of CO_2e per £m revenue

Measured in accordance with the Greenhouse Gas Protocol applying 2017 Defra UK conversion factors and 2017 IEA factors for overseas electricity.

- Scope 2 carbon emissions down 18% (10% at constant exchange rates) from the continued implementation of low energy lighting and also impacted by the application of updated emission factors for electricity.

12 months to 30 September



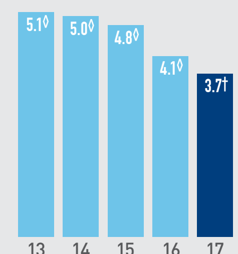
Fuel usage

Litres per £000 revenue

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

- Fuel usage down 11% (2% at constant exchange rates) driven by continued fuel efficiency improvements and an increase in the proportion of business distributed via third party carriers as opposed to our own fleets.

12 months to 30 September



FINANCIAL REVIEW

"Our long term record of strong profit growth coupled with high cash conversion has enabled us to pay dividends which have grown every year for the past 25 years and to support our growth strategy by making acquisitions and reinvesting in the underlying business.

Brian May
Finance Director

HIGHLIGHTS

Revenue
Up 10% at constant exchange rates

£8,580.9m +10%
(2016: £7,429.1m)

Adjusted operating profit*
Up 6% at constant exchange rates

£589.3m +6%
(2016: £525.0m)

Adjusted earnings per share*
Up 7% at constant exchange rates

119.4p +7%
(2016: 106.1p)

Profit for the year
Up 11% at constant exchange rates

£310.5m +11%
(2016: £265.9m)

Cash conversion
Continued strong cash conversion with operating cash flow† to adjusted operating profit*

97%
(2016: 99%)

Dividend
Long track record of dividend growth continues with an increase of 10%

46.0p +10%
(2016: 42.0p)

	2017 £m	2016 £m	Growth as reported	Growth at constant exchange
Financial results				
Revenue	**8,580.9**	7,429.1	16%	10%
Adjusted operating profit*	**589.3**	525.0	12%	6%
Adjusted profit before income tax*	**542.6**	478.2	13%	7%
Adjusted earnings per share*	**119.4p**	106.1p	13%	7%
Dividend for the year	**46.0p**	42.0p	10%	
Statutory results				
Operating profit	**456.0**	409.7	11%	6%
Profit before income tax	**409.3**	362.9	13%	7%
Basic earnings per share	**94.2p**	80.7p	17%	11%
Balance sheet and Cash flow				
Return on average operating capital %	**53.1%**	55.9%		
Return on invested capital %	**16.0%**	16.7%		
Cash conversion %	**97%**	99%		

* Before customer relationships amortisation, acquisition related items and, where relevant, the associated tax (see Note 2w on page 110).
† Before acquisition related items.

FINANCIAL REVIEW CONTINUED

Currency translation

Currency translation had a significant positive impact on the Group's reported results, increasing revenue, profits and earnings by approximately 6%. The favourable exchange rate impact was principally due to the weakening of sterling against the major currencies of the Group midway through 2016, leading to a 12% positive impact in the first half of 2017 and a broadly neutral impact in the second half of 2017.

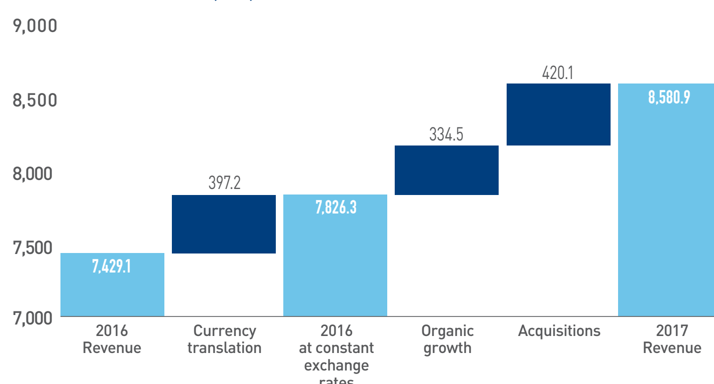
Average exchange rates	2017	2016
US$	**1.29**	1.36
Euro	**1.14**	1.22
Canadian$	**1.67**	1.80
Brazilian real	**4.11**	4.74
Australian$	**1.68**	1.82

Closing exchange rates	2017	2016
US$	**1.35**	1.24
Euro	**1.13**	1.17
Canadian$	**1.69**	1.66
Brazilian real	**4.49**	4.01
Australian$	**1.73**	1.71

Revenue

Revenue increased to £8,580.9 million (2016: £7,429.1 million), up 10% at constant exchange rates (up 16% at actual exchange rates), reflecting the benefit of acquisitions and organic growth of 4.3%.

Movement in revenue (£m)

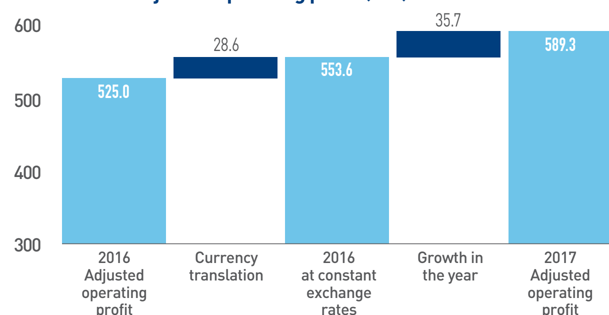


Operating profit

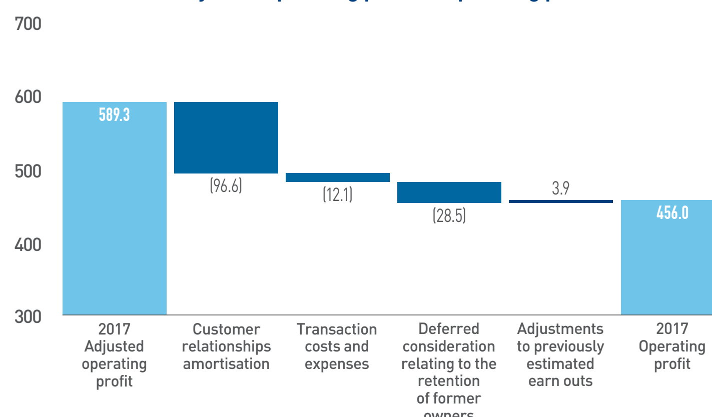
Adjusted operating profit (being operating profit before customer relationships amortisation and acquisition related items) increased to £589.3 million (2016: £525.0 million), an increase of 6% at constant exchange rates and 12% at actual exchange rates.

At both constant and actual exchange rates, the adjusted operating profit margin decreased from 7.1% to 6.9%, primarily due to the impact of lower margin business won in North America.

Movement in adjusted operating profit (£m)



Reconciliation of adjusted operating profit to operating profit (£m)



Customer relationships amortisation and acquisition related items are items which are not taken into account by management when assessing the results of the business as they are considered by management to form part of the total spend on acquisitions or are non-cash items resulting from acquisitions and therefore do not relate to the underlying operating performance and distort comparability between businesses and reporting periods. Accordingly, these items are removed in calculating the profitability measures by which management assesses the performance of the Group. Further details on this and on other alternative performance measures are set out in Note 2w to the consolidated financial statements on page 110.

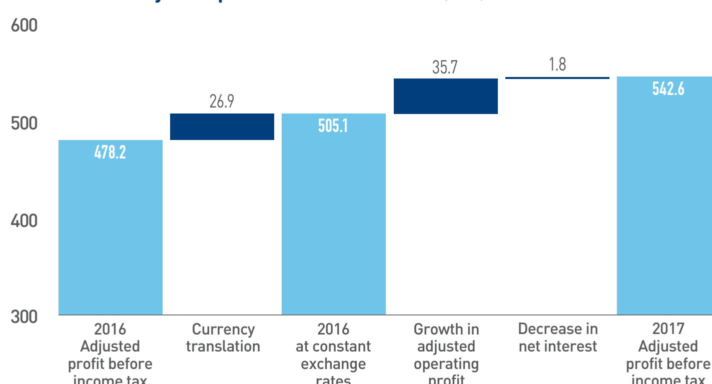
Interest

The net interest expense of £46.7 million was £0.1 million lower than in 2016 at actual exchange rates and down £1.8 million at constant exchange rates, mainly due to a lower effective interest rate on the Group's borrowings.

Profit before income tax

Adjusted profit before income tax (being profit before income tax, customer relationships amortisation and acquisition related items) was £542.6 million (2016: £478.2 million), up 7% at constant exchange rates (up 13% at actual exchange rates), due to the growth in adjusted operating profit and the decrease in net interest expense.

Movement in adjusted profit before income tax (£m)



Profit before income tax increased by £46.4 million to £409.3 million, up 13% at actual exchange rates, due to an increase of £64.4 million in adjusted profit before income tax, partly offset by an increase of £15.3 million in customer relationships amortisation and a £2.7 million increase in acquisition related items due to acquisitions in 2016 and 2017.

FINANCIAL REVIEW CONTINUED

Taxation

The Group's tax strategy is to comply with tax laws in all of the countries in which it operates and to balance its responsibilities for controlling the tax costs with its responsibilities to pay tax where it does business. Therefore management of taxes is carried out within defined parameters. The Group's tax strategy has been approved by the Board and tax risks are regularly reviewed by the Audit Committee. In accordance with UK legislation, the strategy relating to UK taxation is published on the Bunzl plc website within the Corporate governance section.

The effective tax rate (being the tax rate on adjusted profit) for the year was 27.5% (2016: 26.9%) and the reported tax rate on the statutory profit was 24.1% (2016: 26.7%). The effective tax rate has increased on the prior year principally due to changes in tax legislation that have increased the profits which are subject to tax. The reported tax rate is significantly lower than in 2016 due to the reduction in a net deferred tax liability in the US following the enactment of the Tax Cuts and Jobs Act. Other than the tax impact of this reduction on intangible assets, which is not taken into account by management when assessing the results of the business, this new legislation had no material effect on the results for 2017. However, due to the reduced rate of US federal tax that applies from 1 January 2018, the Group expects that the tax rate on adjusted profit will decrease to approximately 24% in 2018.

As explained in the Principal risks and uncertainties section on pages 51 to 55, the Group identifies tax as a principal risk, and notes that the future tax rate could be affected by changes in tax law and the resolution of uncertainties relating to prior year tax liabilities. This would include the conclusion of legal arguments between the European Commission and the UK government over whether part of the UK's tax regime is contrary to European Union State Aid provisions.

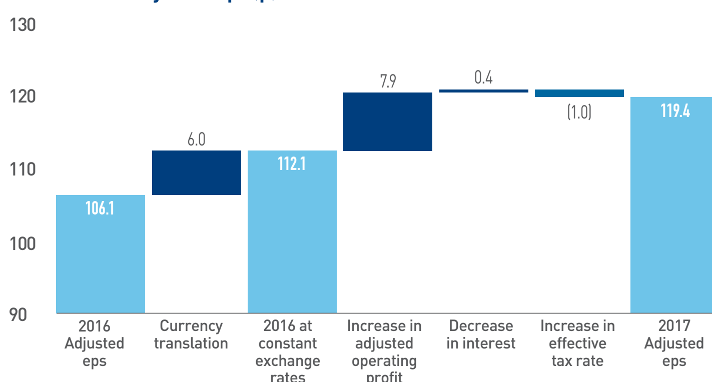
Earnings per share

Profit after tax of £310.5 million was up £44.6 million at actual exchange rates, due to a £46.4 million increase in profit before tax partly offset by a £1.8 million increase in the tax charge.

The weighted average number of shares increased from 329.4 million in 2016 to 329.5 million due to employee share option exercises, partly offset by shares being purchased from the market for the Group's employee benefit trust. Basic earnings per share were 94.2p, up 11% at constant exchange rates and 17% at actual exchange rates.

After adjusting for customer relationships amortisation, acquisition related items and the associated tax, adjusted profit after tax increased by £43.8 million from £349.6 million in 2016 to £393.4 million in 2017 and adjusted earnings per share ('adjusted eps') were 119.4p, an increase on 2016 of 7% at constant exchange rates and 13% at actual exchange rates.

Movement in adjusted eps (p)



Dividends

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

	2017	2016	Growth
Interim dividend (p)	**14.0**	13.0	8%
Final dividend (p)	**32.0**	29.0	10%
Total dividend (p)	**46.0**	42.0	10%
Dividend cover (times)*	**2.6**	2.5	

* Based on adjusted earnings per share.

The Company's practice has been to pay a progressive dividend, delivering year-on-year increases with the dividend growing at approximately the same rate as the growth in adjusted earnings per share. The 2017 dividend is 10% higher than the 2016 dividend, which compares with the adjusted earnings per share growth of 7% at constant exchange rates and 13% at actual exchange rates.

Before approving any dividends, the Board considers the level of borrowings of the Group by reference to the ratio of net debt to EBITDA (being earnings before interest, tax, depreciation, customer relationships and software amortisation and acquisition related items), 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 fund a growing dividend. After the further growth in 2017, Bunzl has sustained a growing dividend to shareholders over the past 25 years.

The risks and constraints to maintaining a growing dividend are principally those linked to the Group's trading performance and liquidity, as described in the Principal risks and uncertainties section on pages 51 to 55. 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 2017 Bunzl plc had sufficient distributable reserves to cover more than four years of dividends at the cost of the 2017 dividends, which is expected to be approximately £152 million.

Acquisitions

The Group completed 15 acquisitions and agreed to acquire two further businesses during the year ended 31 December 2017. The estimated annualised revenue and adjusted operating profit of the acquisitions completed during the year were £587.7 million and £57.0 million respectively. Excluding the two acquisitions that had been agreed at 31 December 2016 but completed during 2017, and including the two acquisitions that were agreed during 2017 but not completed by 31 December 2017, the estimated annualised revenue of the acquisitions was £620.9 million.

The acquisitions completed during the year include the acquisition of Groupe Hedis, which is considered to be individually significant due to its impact on intangible assets, adding £131.7 million to customer relationships and £119.0 million to goodwill. The committed spend on this acquisition was £237.3 million. For further details of this acquisition see Note 24 on page 139.

FINANCIAL REVIEW CONTINUED

A summary of the effect of acquisitions is as follows:

	£m
Fair value of net assets acquired	383.8
Goodwill	217.8
Consideration	601.6
Satisfied by:	
cash consideration	594.2
deferred consideration	7.4
	601.6
Contingent payments relating to the retention of former owners	23.3
Cash acquired	(29.1)
Transaction costs and expenses	12.1
Total committed spend in respect of acquisitions completed in the current year	**607.9**
Spend on acquisitions committed but not completed at the year end	32.6
Spend on acquisitions committed at prior year end but completed in the current year	(24.4)
Total committed spend in respect of acquisitions agreed in the current year	**616.1**

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

	£m
Cash consideration	594.2
Cash acquired	(29.1)
Deferred consideration in respect of prior year acquisitions	9.5
Net cash outflow in respect of acquisitions	574.6
Acquisition related items*	13.9
Total cash outflow in respect of acquisitions	**588.5**

* Acquisition related items comprise £9.2 million of transaction costs and expenses paid and £4.7 million from payments relating to the retention of former owners.

Disposal

At 31 December 2017, the Group had received a binding offer for the purchase of OPM in France, the acceptance of which was subject to completion of a consultation process with the relevant works council. The disposal was subsequently completed on 2 February 2018. Accordingly, the assets and liabilities of the business have been separately recorded on the Group balance sheet as assets and liabilities held for sale. Revenue in 2017 of the business disposed of was £50.3 million, and the net assets held for disposal at 31 December 2017 were £12.4 million.

Cash flow

A summary of the cash flow for the year is shown below:

	2017 £m	2016 £m	Movement £m
Cash generated from operations†	**602.6**	546.7	55.9
Net capital expenditure	**(32.9)**	(24.8)	(8.1)
Operating cash flow†	**569.7**	521.9	47.8
Net interest	**(44.5)**	(43.2)	(1.3)
Tax	**(113.1)**	(123.2)	10.1
Free cash flow	**412.1**	355.5	56.6
Dividends	**(138.2)**	(125.4)	(12.8)
Acquisitions◊	**(588.5)**	(176.6)	(411.9)
Employee share schemes	**(19.4)**	(37.5)	18.1
Net cash (outflow)/inflow	**(334.0)**	16.0	(350.0)

† Before acquisition related items.
◊ Including acquisition related items.

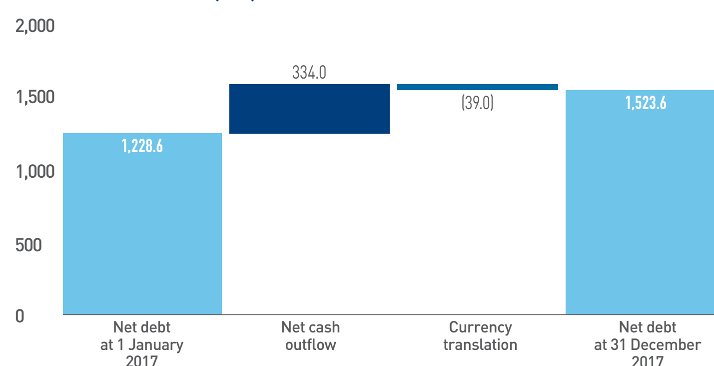
The Group's free cash flow of £412.1 million was up £56.6 million from 2016, primarily due to the increase in operating cash flow of £47.8 million in addition to a £10.1 million decrease in the cash outflow relating to tax. The Group's free cash flow was primarily used to finance dividend payments of £138.2 million in respect of 2016 (2016: £125.4 million in respect of 2015) and an acquisition cash outflow of £588.5 million (2016: £176.6 million).

Cash conversion (being the ratio of operating cash flow to adjusted operating profit) was 97% (2016: 99%). The Group has had a consistently high level of cash conversion over many years and cash conversion has averaged 97% since 2004. Further details of cash conversion are set out in the Key performance indicators section on page 23.

Net debt

Net debt increased by £295.0 million during the year to £1,523.6 million (2016: £1,228.6 million), principally due to the net cash outflow of £334.0 million.

Movement in net debt (£m)



Net debt to EBITDA calculated at average exchange rates and in accordance with our external banking covenants was 2.3 times (2016: 2.0 times).

Balance sheet

Summary balance sheet at 31 December 2017:

	2017 £m	2016 £m
Intangible assets	**2,351.7**	1,947.6
Tangible assets	**125.2**	123.3
Working capital	**871.9**	819.0
Other net liabilities	**(325.6)**	(264.7)
	3,023.2	2,625.2
Pensions deficit	**(51.0)**	(84.1)
Net debt	**(1,523.6)**	(1,228.6)
Equity	**1,448.6**	1,312.5
Return on average operating capital %	**53.1%**	55.9%
Return on invested capital %	**16.0%**	16.7%

Return on average operating capital decreased to 53.1% from 55.9% in 2016, driven by a lower operating margin and a higher average operating capital in the underlying business, both partly due to the additional business won in North America at lower than average margins, and also due to the impact of the lower return on operating capital from acquisitions, partly offset by a small favourable impact from exchange rate movements. Return on invested capital of 16.0% was down from 16.7% in 2016 due to lower returns on recent acquisitions and in the underlying business, partly offset by a small favourable impact from exchange rate movements.

FINANCIAL REVIEW CONTINUED

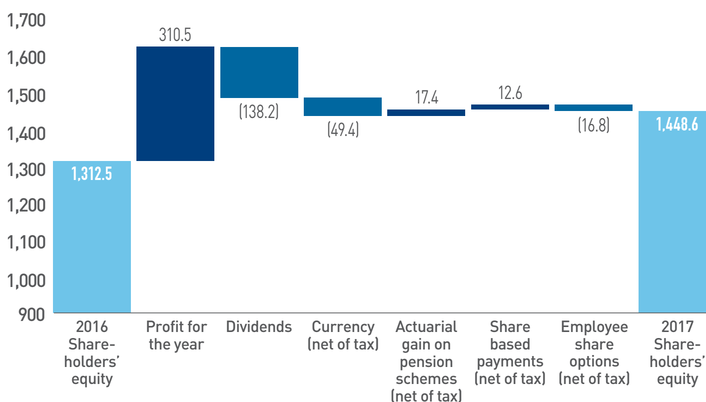
Intangible assets increased by £404.1 million to £2,351.7 million due to intangible assets arising on acquisitions in the year of £556.6 million and software additions of £7.5 million, partly offset by an amortisation charge of £104.0 million, a decrease from exchange of £51.9 million and a transfer to assets held for sale of £4.1 million.

Working capital increased by £52.9 million to £871.9 million primarily from acquisitions and a small underlying increase, partly offset by a decrease from exchange rate movements and a transfer to assets held for sale.

The Group's net pension deficit of £51.0 million at 31 December 2017 was £33.1 million lower than at 31 December 2016, largely due to an actuarial gain of £27.0 million. The actuarial gain arose as a result of the actual return on scheme assets being £31.5 million higher than expected, partly offset by an increase in the present value of scheme liabilities from changes in assumptions, principally lower discount rates.

Shareholders' equity increased by £136.1 million during the year to £1,448.6 million.

Movement in shareholders' equity (£m)



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 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 borrowings have a range of maturities, are competitively priced and meet the demands of the business over time. Following the publication of the Group's BBB+ credit rating from Standard & Poor's (stable outlook), Bunzl Finance plc successfully issued a £300 million senior unsecured bond to further diversify the funding sources of the Group. The senior bond has been listed on the London Stock Exchange. 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.

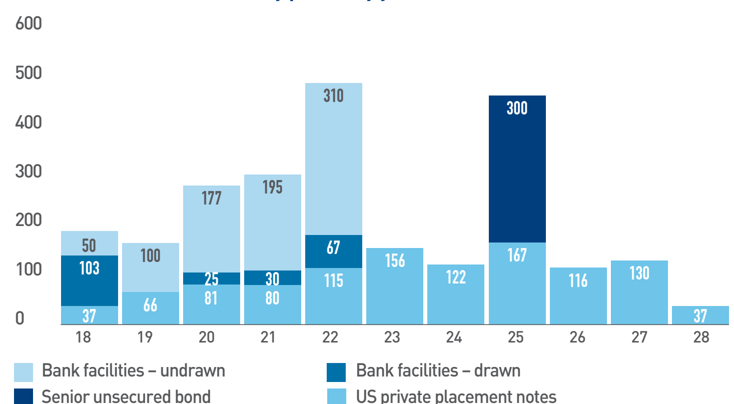
Treasury policies and controls

The Group has a centralised treasury department to control external borrowings and manage liquidity, interest rate, foreign currency and credit 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.

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 2017 all covenants were 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 funding available comprising multi-currency credit facilities from the Group's banks, US private placement notes and the senior bond issued during 2017. At 31 December 2017 the nominal value of US private placement notes outstanding was £1,107.6 million (2016: £1,251.1 million) with maturities ranging from 2018 to 2028. The £300 million senior bond matures in 2025 and the Group's committed bank facilities mature between 2018 and 2022. At 31 December 2017 the available committed bank facilities totalled £1,056.9 million (2016: £954.2million) of which £224.6 million (2016: £101.3 million) was drawn down, providing-headroom of £832.3 million (2016: £852.9 million).

Committed facilities maturity profile by year (£m)



Further details of the Group's capital management and treasury policies and controls are set out in Note 13 on pages 121 to 127.

Brian May
Finance Director
26 February 2018

OUR MANAGEMENT TEAM

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

OPERATING REVIEW

NORTH AMERICA

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 36 years the operations have grown substantially throughout the US while at the same time have expanded into Canada and Mexico to become the market-leading business that it is today with revenue of £5.1 billion.

HIGHLIGHTS

Revenue

£5,061.1m 10%† ↑

(2016: £4,362.1m)

Adjusted operating profit*

£318.3m 4%† ↑

(2016: £289.6m)

Operating margin*

6.3%

(2016: 6.6%)

- Revenue growth driven by strong organic growth and impact of acquisitions
- Substantial revenue growth in grocery although margins lower
- Significant expansion in retail supplies through acquisition of DDS
- Redistribution growth from category management programmes
- Growth in safety from improving market conditions, boosted by acquisition of ML Kishigo
- Good progress in Canada

Market sectors

Employees **Locations**

6,071 191

† At constant exchange rates.
* Before customer relationships amortisation and acquisition related items (see Note 2w on page 110).

In North America, revenue increased by 10% to £5,061.1 million, primarily due to a substantial increase in business with an existing grocery customer which helped drive organic sales growth to more than 5%, as well as the impact of recent acquisitions. The rate of organic growth was higher than in the recent past although the additional business won is at an operating margin below the average margin for the North America business area. Operating profit therefore increased by 4% to £318.3 million, with the operating margin declining to 6.3%.

Our business serving the grocery sector benefited from several new accounts although the additional business won, combined with a competitive marketplace, has led to lower margins. We are continually working to increase our efficiencies, thereby contributing to a lower cost to serve. The additional business with an existing customer referred to above has increased our capacity to handle pick and pack items which will allow us to expand our service to other customers and provide many new items and a wider range of products. This, combined with our flexible store delivery programmes, allow our customers to source large volume, low value not for resale items in an effective and efficient manner.

Our retail supplies business has benefited from the acquisition of DDS in May which has significantly increased the size of our operations in this sector. DDS's experience with speciality multi-channel retailers allows us to offer more products across our customer base and provide additional merchandising and delivery capabilities. By combining their expertise in this sector with our extensive distribution network and scale, we can deliver a more comprehensive market-leading service to all types of retailers.

Our redistribution business serving the foodservice and janitorial and sanitation ('jan-san') sectors has grown this year due to the success of our category management programme for our larger national and regional customers. As their category management partner, we help our redistribution customers to manage their own supply chain from their suppliers to their end users. We analyse how their businesses handle disposables using on-site surveys and proprietary digital tools. The resulting data helps them optimise the flow of high volume, low value products that are costly for them to handle, resulting in lower inventory, reduced operating costs and better cash flow. Additionally, our experienced national sales team helps our customers market specific products to specific customers using the expanded e-commerce and digital tool capabilities that we have available. Our increased focus on jan-san products is also driving new organic growth in this sector and across our other businesses. We have continued to expand our central warehouse system for jan-san items by opening two new locations to improve national availability across the US and take advantage of our scale. Together with our ongoing investment in marketing tools and the development of new product items, our jan-san initiative has contributed to our growth with foodservice distributor customers by allowing them to offer a wider range of products to their own customers.

Against the backdrop of improving market conditions in the oil & gas sector, our safety business saw improvements in sales and operating profit boosted by the purchase of ML Kishigo at the end of March. The acquisition has provided access to a broad, strong own label branded range of new and innovative high visibility clothing and other safety-related workwear. These items complement our existing range of safety products and are now available to all of our customers in this sector. Our other safety businesses have also continued to invest in the development of their own brands of personal protection equipment. These products contribute higher margins while at the same time allow us to offer our customers a value alternative to manufacturer branded products.

"As a focused and service-oriented organisation we have continued to demonstrate the strength and depth of our customer proposition and show our ability to develop further across the various markets we serve.

Patrick Larmon
President and CEO, North America

Although our business serving the food processor sector has experienced margin pressures due to the continuing consolidation of several large customers, we have again delivered strong sales and operating profit growth. We moved the operations from our largest facility servicing this sector into a new, modern warehouse that will drive more efficiency and provide opportunities to grow further. This facility now includes state-of-the-art automation to facilitate the handling of small, individual items. Our national accounts strategy continues to deliver new ways to expand our offering to our larger customers using additional digital and marketing tools that we have developed. Our total plant operating supplies programme offers a one-stop-shop solution encompassing jan-san and safety products as well as our own label products including vacuum pouches, shrink wrap bags and bin liners. Our national accounts sales team is continually looking to drive sales by identifying and pursuing customers who understand the benefit of a single source solution for their plant operations.

Our business that supplies the agricultural sector was negatively impacted by adverse weather conditions in California that resulted in reduced fruit and vegetable yields at harvest. Despite this, we have continued to invest in the business and have generated new business opportunities, particularly in Mexico. Having integrated our agriculture businesses onto one IT platform, we are now in the process of changing our warehouse footprint to be closer to our customers and improve efficiencies. Not only will this reduce our costs, but it will also allow us to enhance the service levels that we are able to provide.

In the convenience store sector, our business continues to generate greater revenue and operating profit by using a pull-through selling strategy with our primary wholesale customers to help them increase sales with convenience store retailers. Additionally, our ability to manage our customers' inventory enables them to have the right products at the right time with excellent fill rates and just-in-time deliveries so that they can reduce their working capital and warehouse space needs.

Finally, our business in Canada has continued to make good progress, particularly in the safety, industrial packaging and grocery sectors. We were successful in winning and implementing new business for a large grocery customer during the year. We also realised a number of operational synergies through facility consolidations, particularly in western Canada and the results were further boosted through the impact of recent acquisitions. These include the purchase of AMFAS and Western Safety during the first half of 2017. In addition to distributing commercial and industrial first aid and safety supplies, including a full range of personal protection equipment, they also provide safety-related services including training programmes and other workplace safety solutions.

OPERATING REVIEW CONTINUED

CONTINENTAL 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 15 countries across the continent.

HIGHLIGHTS

Revenue

£1,610.4m 12%† ↑

(2016: £1,355.1m)

Adjusted operating profit*

£151.1m 13%† ↑

(2016: £126.6m)

Operating margin*

9.4%

(2016: 9.3%)

- Strong increases in revenue and profit with improved operating margin
- Significant acquisition of Groupe Hedis further strengthens position in France
- Good revenue and profit growth in the Netherlands from new customer wins, particularly in healthcare and retail
- Significant growth in Spain from organic growth and acquisition of Tecnopacking
- Expansion into safety in Italy through purchase of Neri
- Strong performance in Turkey and Israel with increased levels of profitability

Market sectors

Employees

4,414

Locations

188

† At constant exchange rates.
* Before customer relationships amortisation and acquisition related items (see Note 2w on page 110).

Continental Europe has enjoyed another year of strong growth with revenue rising by 12% to £1,610.4 million and operating profit up 13% to £151.1 million. As a result, the operating margin improved to 9.4%. Organic revenue growth of 4% was higher than that achieved in 2016 and we also benefited from the full year impact of the five acquisitions made in 2016 and the part year contribution of the five acquisitions completed in 2017.

In France, sales in our cleaning & hygiene business declined as an underlying improvement in growth with regional customers, particularly in the hotel, restaurant and catering ('horeca') and food sectors, was not sufficient to offset fully the impact of the loss of two larger accounts. Cost increases were minimal but the lower sales resulted in a decrease in operating profit. Our safety business recorded strong sales growth after winning some new business, although this was at lower margins. Prorisk and GM Equipement, acquired at the end of January 2017, have been fully integrated into our main warehouse and onto our ERP system. Comatec, our foodservice business which specialises in the distribution of high-end, innovative, single-use tableware to the horeca sector, enjoyed strong sales growth after investing in additional resources to ensure its continued success. In a major development, we completed the acquisition of Groupe Hedis in November which has expanded our cleaning & hygiene activities and extended our business in France into the catering equipment sector. Integration is underway and our teams are working hard on delivering the expected synergy benefits.

In February 2018 we sold OPM, a distributor of SodaStream products in France, which was a non-core business that was no longer considered to be a strategic fit within the Group.

In the Netherlands, revenue was up significantly due to new customer wins in the healthcare and retail sectors in particular, although these gains were at lower margins. This sales growth was boosted by the continued expansion of our outsourcing programme for hospitals. Sales also increased with customers in the horeca, grocery, safety and e-fulfilment sectors, although declined in the cleaning and government sectors. Overall operating profit in the Netherlands grew well.

In Belgium, sales continued to increase in the cleaning & hygiene sector but our business serving the retail sector saw a decline in sales as its main customers sought cost reductions in the face of competition from lower cost retail chains. While gross margins improved, operating profit was impacted negatively by some one-off costs associated with an ERP implementation and warehouse relocation in the cleaning & hygiene sector. Polaris Chemicals, acquired in May 2016, has performed ahead of expectations.

In Germany, sales declined in all sectors other than the hotel sector. Although costs were lower, the sales reduction led to lower operating profit. Inkozell and Mo Ha Ge, both acquired in May 2016 and principally engaged in the distribution of incontinence products to 'at-home' end users and care homes, have integrated well into the Group.

"By listening to their needs, we have formed strong partnerships with our customers, using the expertise of our commercial teams to provide them with reliable and value-added outsourcing solutions and distribution services.

Paul Budge
Managing Director, Continental Europe

Our business in Switzerland has seen a return to revenue growth, despite continued pressure in the tourism industry due to the strong Swiss franc, as a result of good performances in the medical, retail and industrial sectors. Margins remained under pressure from lower cost suppliers in neighbouring countries but costs have been reduced. Operating profit was slightly lower than last year.

In Austria, Meier Verpackungen has enjoyed good sales growth in the fruit and vegetable and dairy sectors which, together with improved margins, resulted in higher operating profit.

In Denmark, revenue decreased due to the loss of a major public sector customer in the latter part of 2016, despite increased sales in the horeca, redistribution, food processing and safety sectors. Costs were reduced as a consequence of the customer loss but this could not prevent a decline in operating profit. The acquisition of Sæbe Compagniet was completed in early January 2017 and has further strengthened our foodservice operations.

In Spain, sales grew strongly in the cleaning & hygiene sector, as a major contract win was rolled out, and the safety sector, due to a combination of customer wins and an extension of the product range. Our healthcare business saw substantial growth from new product launches and enhanced marketing efforts. Overall, margins improved and operating profit was significantly higher. The results also benefited from the acquisition in May of Tecnopacking, which is principally engaged in the distribution of industrial, foodservice and retail packaging products to a broad range of customers.

In Italy, Neri was acquired at the end of March 2017 and has extended our safety operations into a new country. The business has traded in line with our expectations.

In Turkey, revenue at our personal protection equipment business grew strongly due to both volume increases and price rises which had to be implemented following the devaluation of the Turkish lira. Sales also increased significantly at Bursa Pazari, the distributor of packaging and other foodservice supplies and disposable gloves acquired in March 2016, due to gains in the public sector and price rises. As a result of this revenue growth, operating profit in both businesses increased substantially.

In Israel, sales increased significantly in our businesses serving the horeca and bakery sectors due to customer wins. Margins improved and operating profit was up considerably compared to the prior year.

In central Europe, revenue declined slightly as gains in the cleaning & hygiene sector in Hungary and strong growth in Romania and the Czech Republic were offset by lower sales to retailers and the agriculture sector in Hungary. Blyth, a specialist distributor of personal protection equipment which is based in the Czech Republic and was acquired in August 2016, and Silwell, which is based in Hungary and sells disposable foodservice items to the horeca sector and was acquired in September 2016, are both trading ahead of expectations.

We have continued to roll out our common e-commerce platform across the business area and a further four businesses went live on the system during 2017. This will be further rolled out in 2018, thereby helping to drive both sales growth and operating cost efficiencies going forward.

OPERATING REVIEW CONTINUED

UK & IRELAND

The acquisition of Automatic Catering Supplies in the UK 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.

HIGHLIGHTS

Revenue

£1,190.8m 9%† ↑

(2016: £1,087.8m)

Adjusted operating profit*

£88.5m 5%† ↑

(2016: £83.7m)

Operating margin*

7.4%

(2016: 7.7%)

- Strong revenue growth with operating margin impacted by higher import prices from weaker sterling
- Trading in safety impacted by sluggish markets; good performance in cleaning & hygiene
- Growth in food retail; non-food retail strengthened by acquisition of Woodway and Lightning Packaging
- Growth in hospitality from contract wins and expansion of business with existing customers
- Healthcare held back by difficult market conditions
- Good growth in Ireland across all sectors

Market sectors

Employees

3,937

Locations

100

† At constant exchange rates.
* Before customer relationships amortisation and acquisition related items (see Note 2w on page 110).

In UK & Ireland, revenue increased by 9% to £1,190.8 million, while operating profit was up 5% to £88.5 million. Although the organic sales growth of 1.5% for the year recovered from the decline seen in 2016, and the results were boosted by the impact of recent acquisitions, the UK market continues to be challenging due to political and economic uncertainty which has had an adverse impact on profitability. The operating margin was only down 30 basis points to 7.4% as we took active steps to mitigate the adverse consequences of the significant foreign exchange transaction impact from the weakening of sterling in 2016 which led to higher prices of imported products.

Both sales and operating profit in our safety business were down as investment in major construction and infrastructure projects slowed. As a result, we undertook steps to improve our operating efficiencies further, consolidating some of our warehouses and investing further in our digital channels. New customer wins within our cleaning & hygiene supplies business have, however, given rise to some good growth as we look to provide our customers with valuable data driven insights to help them operate their own businesses more efficiently and effectively in their respective marketplaces.

The food retail market in the UK continues to remain a very challenging environment which has impacted our business. Against this background, we have nevertheless successfully managed to grow with many of our customers by providing extra product ranges and services. In addition, we have secured two further notable customer wins during the year, including one customer that moved to another supplier two years ago but has recently returned to us, having recognised the importance of our 'best-in-class' value and service proposition that we are able to provide in contrast to many of our competitors. On the high street, we continue to encounter both opportunities and challenges in our retail packaging businesses as the market moves from a traditional 'bricks and mortar' operating model to an increasing online offering. We are continuing to invest in product design and service innovation to offer our customers clear differentiation in their marketplaces. The acquisition of Woodway in December 2016 has further expanded our offering in high quality packaging products with a particular focus on e-commerce packaging solutions and the purchase of Lightning Packaging in November 2017 has also strengthened our position in this market. Our point-of-sale fulfilment business continues to add new customers by providing both merchandising insight and added value services. The purchase of Pixel Inspiration at the end of June 2017 has also expanded this business into the provision of digital solutions.

The catering and hospitality market has been adversely impacted by inflation in food costs and the increase in the national living wage which together have put further pressure on our customers' operating margins, thereby causing them to look for cost savings in our product categories. The trading environment has also been more challenging due to the continuing uncertainty of the 2016 referendum vote for the UK to leave the European Union which has held back some investment decisions. Despite these difficult circumstances, we have managed to expand our business due to the roll-out of a major customer win, while enlarging our operating footprint and further improving our own brand offering and providing greater value to all our customers. Our online ordering app has also been extensively improved to accommodate more customer functionality going forward. Our catering equipment business has also continued to grow with some new customer wins in the restaurant sector, expanded product ranges and an improved online presence.

The UK government is continuing to focus on reducing costs within the NHS. As a result, we have seen margins come under pressure during the year which have been further

> As a reliable supplier of critical, everyday essential items, our customers rely on our sourcing expertise and the depth and breadth of our product offering and service solutions that we provide from our extensive network of distribution facilities.
>
> **Andrew Tedbury**
> Managing Director, UK & Ireland

exacerbated by the adverse foreign exchange transaction impact on the price of globally sourced products following the devaluation of sterling. Our healthcare businesses have however managed to grow sales by focusing on value-added products, both within the NHS and in the private sector, as well as by increasing export sales. Our nursing and care homes supplies business has also seen further growth with new customer wins and a more widely available online product portfolio.

Our overall business in Ireland has developed well throughout the year with strong increases in both revenue and operating profit. We are continuing to invest in our operations with the opening of our new purpose-built facility in Armagh for our catering and hospitality business which has generated further operational efficiencies with the capacity for additional growth. The winning in the final quarter of the year of a new large customer, to whom we will provide a full range of catering disposables, light and heavy catering equipment and kitchen design services, completed a good year for the business. A number of large public sector customer wins in our cleaning and safety business have been rolled out successfully during the year. Kingsbury Packaging, which was acquired in September 2016, has been fully integrated and has compensated for the loss of some redistribution business in our operations serving the retail sector. In addition, further improvements to our digital capabilities have in turn enhanced our customer offering and improved both the range and services available across our customer base.

OPERATING REVIEW CONTINUED

REST OF THE WORLD

The current operations in Rest of the World started in 1983 with the acquisition of United Suppliers based in Sydney, followed by the purchase of numerous businesses throughout Australia and New Zealand in subsequent years. Bunzl made its first move into Latin America 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, and has grown further into Asia with the acquisitions in Singapore and China in 2017.

HIGHLIGHTS

Revenue

£718.6m 5%† ↑

(2016: £624.1m)

Adjusted operating profit*

£53.9m 5%† ↑

(2016: £46.6m)

Operating margin*

7.5%

(2016: 7.5%)

- Latin America
  - Overall good performance, including improvement in Brazil
  - Entry into foodservice sector in Brazil with acquisition of Talge
- Australasia
  - Continued improvement in trading conditions
  - Acquisition of Interpath has enhanced healthcare presence
- Asia
  - Expansion in Asia through acquisitions in Singapore and China

Market sectors

Employees **Locations**

3,112 102

† At constant exchange rates.
* Before customer relationships amortisation and acquisition related items (see Note 2w on page 110).

In Rest of the World, revenue increased 5% to £718.6 million with operating profit up 5% to £53.9 million and the operating margin unchanged at 7.5%. Trading conditions have improved somewhat compared to the recent past and the economic environments in the countries in which we operate have stabilised, but market conditions remain variable across the business area. Of the total increase in revenue, 2% was due to the organic growth of the underlying business, with acquisitions accounting for the balance.

Brazil saw a return to modest economic growth during the year despite continued political uncertainty. We recorded organic sales growth in all our sectors for the first time in several years which, together with improved gross margins, helped operating profit to increase. Sales through our e-commerce platforms were also up in all businesses and we believe we are well positioned to benefit from Brazil's expected continued economic growth. Despite the challenging industrial environment, our safety business showed good increases in sales and operating profit driven by a strong performance in the redistribution channel and improvements in gross margins. Despite an increase in sales, our cleaning & hygiene business saw operating profit decline. In the healthcare sector in Brazil, sales continued to grow, albeit at a lower rate than in previous years due to unexpected delays in the arrival of several key imported product lines. Operating profit was impacted, however, as gross margins came under some pressure.

We entered the foodservice sector in Brazil in January 2018 with the acquisition of Talge, which is based in Santa Catarina. The business imports and distributes a broad portfolio of private label products mainly to foodservice distributors in the southeast region of Brazil and provides us with an anchor in this important new sector.

In the rest of Latin America, we experienced mixed results against a backdrop of lower economic growth rates in most countries in which we operate. In Chile, where we experienced the continued impact of a subdued mining sector, our safety business Vicsa saw lower sales and operating profit, although further improved gross margins with a better product mix. Our other safety business, Tecno Boga, experienced lower sales with operating profit flat as reduced demand for its premium footwear lines was offset by the introduction of a number of new brands and product lines. Trading conditions were more favourable in the foodservice sector, with increased sales and operating profit at our business DPS, despite the loss of a larger account.

In Colombia, economic conditions deteriorated during the year with softening demand in the construction, industrial and public sectors, such that sales and underlying operating profit fell in our safety business, Solmaq. Restructuring and operational improvement measures were implemented during the year, leading to a much improved performance in the fourth quarter and a business which is well positioned for a future upturn in demand. Sales in Vicsa Colombia were down but good margin management led to strong operating profit growth despite the weakness in the local economy.

In our Vicsa operations in Argentina and Peru, sales and operating profit grew significantly due to favourable trading conditions.

In Mexico, our safety business achieved sales growth despite the market's current uncertainty regarding the country's commercial relationship with the US. However, unfavourable currency movements have put prices and gross margins under pressure, such that operating profit fell despite good cost control. Our business is continuing to develop its e-commerce platform and is well positioned for when market conditions improve.

In Australasia, sales and operating profit increased as trading conditions continued to improve, with GDP growth being driven by increased capital spending from government investment in infrastructure. Although the Australian dollar stabilised during the year, some raw material and product shortages have increased the cost of imported goods which will present some challenges going forward.

> Our global network of businesses enables us to collaborate and share expert knowledge and best practices, from achieving purchasing synergies to operating our warehouses in the most cost-effective way, thereby creating value and efficiencies for our customers.

Jonathan Taylor
Managing Director, Latin America

> We have grown through the development of long term relationships with our customers and by identifying and successfully executing future opportunities to expand our business with them.

Kim Hetherington
Managing Director, Australasia

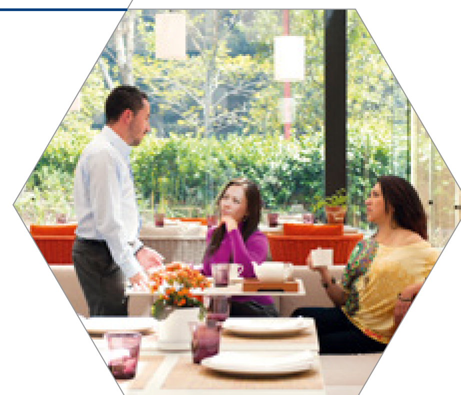
Our largest business, Bunzl Outsourcing Services, continued to develop within the healthcare, contract cleaning, catering and retail sectors with sales and operating profit both increasing. Healthcare, which is our largest sector, continues to grow, driven by the ageing population. Recent changes to government funding has increased demand by creating new growth opportunities in the community services sector. We are well positioned to capitalise on these opportunities and the requirements for specialist medical consumables and clinical support are met through our national distribution footprint. We have also invested in a new e-commerce platform which is in the process of being rolled out across the business. This will further enhance our existing trading platform which has automated the majority of our current orders.

Our food processor business continues to make progress with our strategy to diversify our presence across the wider food processor sector resulting in higher sales and operating profit. We have been successful in winning additional large food processor customer contracts across Australia and New Zealand. This is building momentum as we roll these out across both regions. The business has also developed an improved retail food packaging offering and we are already capitalising on several of these new, innovative product ranges.

While our safety business continues to have a strong presence in the resources sector, we made the strategic decision to develop our expertise in other areas to reduce an overreliance in one sector. As such, the business is capitalising on the increased government funding into infrastructure and has been successful in winning major new contracts in the construction and energy sectors and with the federal government. We have also been able to realise some key benefits from our recent ERP upgrade including improved reporting capabilities across the business. A reduction in costs through the consolidation of facilities and a reorganisation of the business to fit the current market environment has enabled us to streamline our operational platform and processes and will allow us to continue to drive productivity and enhance our competitive position.

In October, we acquired Interpath which is based in Melbourne and is a leading national distributor of laboratory and healthcare related consumables to the pathology, medical research and life science markets in Australia. This expands our reach in the healthcare sector and progresses our strategy to develop our portfolio within growing and resilient market sectors.

We made our first acquisition in Asia in January 2017 with the purchase of LSH in Singapore which was followed by the addition of HSESF in China in August. Both businesses are principally engaged in the supply of personal protection equipment and are being integrated into the Group.



We deliver creative, effective solutions for our customers through the unique skills and perspectives of our employees. The long term relationships formed by our employees with all our stakeholders shapes the reputation of Bunzl and drives our positive 'can-do' ethos. Our commitment as a responsible employer is to support and equip employees to work collaboratively and with local autonomy, within the framework of our Group strategy.

OUR PEOPLE

Our aim is to foster a culture that is inclusive, diverse and focused on continuous improvement. We encourage and reward high performance, creating a sustainable work environment where all are able to realise their individual potential. Each year we welcome new employees, many of whom join through acquisitions, and this provides new ideas and challenges to continue the development of Bunzl internationally.

A diverse and successful team

Bunzl currently operates in 30 countries worldwide. As a service provider, our business relies heavily on the skills and experience of our employees. We pride ourselves on the fact that we run our businesses locally and managers are empowered accordingly. 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 acquisitions continue 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.

An engaging place to work

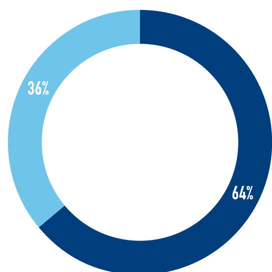
We are committed to informing and supporting our employees to grow within their roles. In our 2016 employee survey, our employee engagement score was 76%, an increase of 2% on the survey two years previously. During 2017, each senior business leader worked in partnership with the human resources ('HR') function to build business-level action plans. One area highlighted for improvement was communications and we therefore refreshed our global employee newsletter, the Source, into a magazine format and plan to launch a digital app version shortly. The information shared helps our employees understand how we are performing as a company and also includes stories from around the Group on new business deals and recent acquisitions, community projects, innovative products being brought to market and a popular 'Day in the Life' of a colleague from one of our businesses. We use a range of other channels to communicate with our employees using collaboration platforms, apps and video briefing technologies as well as regular staff meetings and briefings, all of which allows us continually to receive real-time feedback from our workforce. During the year we also brought together 165 leaders at a global conference with the theme of collaboration. Presentations from senior managers in the business covered best practice on topics such as digital opportunities, sales effectiveness, accelerating organic growth, acquisitions and how best to differentiate ourselves from our competition. We remain proud of the fact that, despite our scale, our decentralised business model encourages local accountability.

Employee Consultation and Information Forum ('ECIF') – UK & Ireland and Continental Europe

A group of elected representatives meet annually as part of the ECIF. In 2017, 10 representatives from the UK & Ireland and Continental Europe business areas met at Bunzl Cleaning and Hygiene's offices in Langley, UK with the business area Managing Directors, the Group Finance Director and the Director of Group HR to share information on issues that are important to our employees in these businesses.

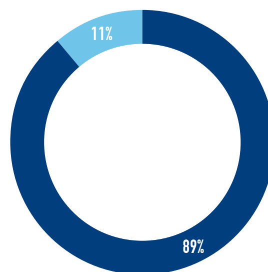
The most recent financial results of the Group were shared and discussed as well as the achievements and plans from a regional perspective. In addition, the representatives were updated on the developments in corporate responsibility ('CR') and the highlights from the global management conference were shared. The representatives raised the common questions that their colleagues wanted to be discussed and gained input from all the people present at the meeting. It was considered a successful meeting providing another opportunity to build engagement with, and two way communications between, the Group's senior management and the wider workforce.

Total workforce
Gender split at 31 December 2017



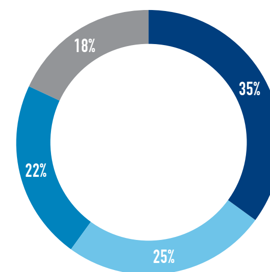
- Male **11,619**
- Female **6,535**

Senior management
Gender split at 31 December 2017



- Male **400**
- Female **50**

Average number of employees
By business area



- North America **6,071**
- Continental Europe **4,414**
- UK & Ireland **3,937**
- Rest of the World **3,112**

OUR PEOPLE CONTINUED

Rewarding for performance

In return for their commitment and hard work, we make sure that we treat our employees fairly and pay them properly for the work that they do. All our UK employees over the age of 18 who have completed their probation period are paid the National Living Wage or above and those on probation receive at least the minimum wage. Locally our sites are empowered to run a variety of recognition and incentive schemes ranging from employee of the month through to programmes based on performance and living the Bunzl values. We have good employee benefits. During 2017 a flexible benefit holiday purchase scheme was introduced in the UK & Ireland and in the US we offer a wellness programme that incentivises and rewards employees for getting annual medical screenings and for being physically active.

Employee development and retention

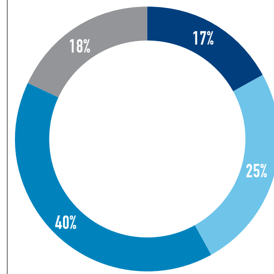
As part of our commitment to developing our people, we have continued to invest in training programmes for customer facing and operational roles through to senior management. Participants on the Bunzl Management Programme, which is aimed at employees leading a team for the first time, delivered projects introducing new ideas for the business, using learnings from the programme. We encourage employees to take charge of their development and career growth and look to appoint from within the organisation wherever we can.

Online learning platforms and succession tools were also introduced in some regions this year. It is our people who continue to deliver the Group's strategy for the individual businesses and we have strong people talent pipelines and recruitment processes that ensure we employ and retain the best talent.

Equality and diversity

Our business culture is underpinned by our CR framework which sets out the legal, ethical, social and environmental standards of behaviour we expect from our employees. All of Bunzl's policies seek to respect human rights' standards defined by both internationally agreed principles and our own cultural standards. We monitor the age of our workforce across the world to ensure compliance with these standards and identify any potential succession issues. This year we have focused on activities to increase the number of women in senior leadership roles. These include working with strategic training providers and internal mentors to coach women in middle management roles to reach their potential and we are committed to ensuring that more women come up through the organisation. We introduced an equality and diversity policy in October, setting out our specific commitments to ensure our employment policies, practices and procedures focus on maximising the potential of each individual. We believe this is best achieved by developing our employees' talents, while recognising their different cultures, perspectives and experiences.

Total workforce age profile at 31 December 2017



- Under 30 **3,145**
- 30-39 **4,560**
- 40-54 **7,162**
- Over 55 **3,287**

We are committed to monitoring and understanding any gender pay gap and as a business we value diversity and support the UK government's commitment to address the UK's overall gender pay gap. From 2018 we will publish our UK gender pay gap data in line with the guidelines. At Bunzl we are confident that men and women are paid equally for doing equivalent jobs across our businesses. Our analysis of roles held by men and women shows that we have an under-representation of women in the senior leadership team and an over-representation of men at more junior levels across the business. We believe that by becoming more diverse, through the adoption of a number of key initiatives across the business as outlined above, we will attract and retain the best talent, engage our workforce and grow our business.

Helping the local community – North America

Following the hurricanes in the US in September, colleagues pulled together to support those whose lives were devastated by the impact of the high winds and torrential rains and flooding.

We were able to deliver food, drinks and cleaning supplies to support the victims. The magnitude of these storms was unprecedented and our people performed in an outstanding manner to help meet the immediate needs of those most badly affected.

OUR PEOPLE CONTINUED

Key performance indicators

	Performance			What we said we would do in 2017	What we did	What we plan to do in 2018
	2015	2016	2017			
Employees Engaging with our employees with clear communications and the provision of training and development opportunities						
Employee turnover: Voluntary	10.3%	11.7%	13.0%	Continue to monitor turnover and take action where necessary.	From our monitoring we are seeing an increase in voluntary employee turnover in our business. The movement in the levels of voluntary employee turnover tends to reflect the economic conditions in the countries in which we operate and low unemployment levels, particularly in North America, rather than any intrinsic reasons related to the Group. Our key employee and management populations remain stable.	Continue to monitor turnover and take action where necessary.
Gender diversity: Women at senior management level	11%	10%	11%	Focus on career development and succession plans.	We continued to promote women's development and training across the Group and use case studies to highlight female role models.	Extend the training further and encourage wider participation.
Employee engagement index score	–	76%	–	Detailed action plans to be devised to address any significant issues raised.	The results of the employee survey have been absorbed and, as appropriate, working parties or local forums and listening groups set up to address the significant issues raised. The employee survey is run every two years and therefore data is available for 2016 only.	Undertake an employee survey during 2018.

Supporting community projects and employee fundraising

We believe that ensuring community support makes a meaningful difference to our colleagues. We provide resources and opportunities for Bunzl people to be good citizens and to get involved in local community projects and to contribute to social impact causes. These fundraising activities championed by our employees locally are supplemented by donations made at Group level.

Health and wellness

Bunzl encourages wellbeing and supports good physical and mental health of our workforce and an engaging workplace. We aim to support our employees to be the best they can be. This includes giving them opportunities to maintain and enhance their health so they can maximise their fitness and, at the same time, improve their capacity to work safely and effectively. This benefits both the individual and our business. We support various programmes including one on ergonomics in the workplace to protect our employees from work-related hazards to their health, including prevention of work-related illness and occupational diseases.

St John Ambulance – UK & Ireland

Bunzl has built a long term relationship with UK national charity St John Ambulance ('SJA'). Having previously supported a number of first aid initiatives, in 2015 Bunzl funded a purpose-built mobile first aid vehicle – the first in the charity's fleet. Based in south west England, the vehicle is used by volunteer first aiders at major public and sporting events and also provides a night service in city centres and can offer emergency support for disaster situations.

The vehicle provides a mobile triage clinic and can treat 'walking wounded' on site. In 2017 Bunzl Healthcare funded a second vehicle which will provide support for the London area. Bunzl are also funding 100 first aid classes provided by SJA in primary and secondary schools, aiming to create a new generation of lifesavers.

31%
Reduction in accident severity rate

BEING A RESPONSIBLE BUSINESS

We focus on maintaining high levels of corporate responsibility within our business. To this end we actively work with our suppliers to increase sustainability within our supply chain and provide products and solutions to our customers that are sourced and delivered efficiently, safely and sustainably. As a responsible employer we provide our employees with a safe working environment and promote a positive and supportive culture.

503
Asian supplier CR audits

CORPORATE RESPONSIBILITY

Business context

We are a focused and successful international distribution and outsourcing group with operations across the Americas, Europe, Australasia and Asia. 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 receive their products when and where they are needed.

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.

Sourcing

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

Consolidation

We have an extensive operations' footprint across 30 countries. Our broad range of products are therefore never far from where they need to be, allowing us to meet 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.

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.

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 again been recognised by its FTSE4Good listing and CDP (formerly Carbon Disclosure Project) 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;
- supply chain: responsible sourcing, working as partners with our suppliers to encourage high levels of CR and ethical trading initiatives;
- 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, promoting the reduction of waste and providing innovative products and services to meet our customers' needs, for example environmentally friendly packaging;
- community: providing support by encouraging employee fundraising and donating to charitable projects and good causes that benefit the communities we work in; and
- customers: offering a full product range and delivering these products to our customers efficiently, thereby enabling our customers to benefit from a lower environmental impact of doing business.

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 2017. 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 HR policies and procedures. In the reporting year 13 (2016: 16) calls/letters were received through our confidential whistleblowing process, 'Speak Up', none of which related to any issues of material concern.

All directors, managers, sales representatives and purchasing staff are required to undertake all of the CR e-learning modules which have 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. We have recently developed a training module on combatting modern slavery and are currently in the process of rolling this out.

CORPORATE RESPONSIBILITY CONTINUED

Supply chain

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. We work with our suppliers with the aim of ensuring the products we supply are manufactured from sustainably sourced raw materials. We also continue to refine our processes to ensure that imported paper and wood based products are manufactured from legally sourced timber. 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.

Auditing

To assist the business areas, we have our own quality assurance/quality control department based in Shanghai which performs regular audits of our direct suppliers in Asia to ensure that they meet international standards, as well as tests 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. We expect our suppliers to meet or exceed local legislative requirements and applicable international requirements for workers' welfare and conditions of employment, such as those set by the International Labour Organization (ILO) and the Ethical Trading Initiative (ETI). During 2017 the team in Shanghai has continued to grow and refine its CR audit programme further 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 of time 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, forced or bonded labour, illegal discrimination, wages not meeting local minimum requirements and not providing adequate days of rest and any other breach of local or applicable international requirements for workers' welfare and conditions of employment. Suppliers that are being monitored and assessed due to identification of a serious breach are periodically reported to and reviewed by the Board.

In 2016 we completed a quantitative analysis of material social risks in our worldwide supply chain. Suppliers were ranked against human and labour rights identified by internationally agreed standards and credible data taking account of geography and product. This analysis confirmed that our central CR audit process covers the geographies with high levels of social risks, which are predominantly countries in Asia.

However during 2017 we started to expand our CR audits into geographies with medium levels of social risk by carrying out audits outside of Asia, namely in Mexico, Brazil, Romania and Turkey. We will expand this process further in 2018.

Capacity building and training

We work with our suppliers to help them prevent CR issues arising and to address them if they are found. In 2017 we continued to expand our approach from audit and monitoring to collaborative solutions. We believe that building relationships, capacity and trust with suppliers is critical when it comes to preventing and identifying incidences of modern slavery. We also organised a supplier conference in Shanghai to showcase examples of good practice and build awareness of social compliance issues. This helped to develop local expertise and build the business case for suppliers to achieve better productivity, quality and worker retention. The training included increasing awareness of modern slavery issues and other social risks and how to identify and remedy them if found and enabled the sharing of good practice and learning with other suppliers. The conference was attended by 30 suppliers.

Training

We will shortly be launching a CR training module which specifically covers social risks, including modern slavery. This training module is mandatory for all of our senior management as well as senior sales representatives and procurement employees. The training will help our employees to understand and recognise social risk issues that might occur in our supply chain and to inform them of the appropriate actions that should be taken if such issues are found.

Supplier training conference – Group

A supplier conference was held in Shanghai in 2017. The key objectives of the event were to increase suppliers' awareness of modern slavery issues and other social risks and to enable sharing of good practices about how to remedy those risks if found. The event was very successful and well received by the 30 suppliers that attended.

"Attending the supplier training conference in Shanghai provided a unique opportunity to speak with Bunzl and other suppliers about social risk issues in an atmosphere of openness. Bunzl's commitment to this training programme demonstrates its willingness to develop stronger supplier partnerships. As a supplier to Bunzl, we feel privileged to be part of this."

Lu Yue-Zhong – EBIC, Asian supplier to Bunzl

CORPORATE RESPONSIBILITY CONTINUED

Communications

We continue to ensure that our CR policies, including our requirements relating to social risks, are communicated and enforced adequately in our supply chain through communication with our suppliers. In the past we have written to our top suppliers by value. In 2017 we refined this approach and started the process of writing to all suppliers in countries with medium or high social risks and to our main suppliers in other countries with relatively low direct social risks. For this purpose, we have developed a Supplier Code of Conduct that defines the principles and standards that Bunzl expects suppliers of goods and services to adhere to.

Employees/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 ILO, as well as applicable 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 and identify any potential succession issues. 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. More details about our employees can be found in the Our people section of this Annual Report on page 38.

The UK Modern Slavery Act 2015 requires certain businesses to produce an annual statement that sets out the steps these businesses have taken during the financial year to ensure that slavery and human trafficking are not taking place in their operations and supply chains. This requirement affects Bunzl plc and a number of operating companies in the UK. The current Bunzl slavery and human trafficking statement has been approved by the Bunzl plc board and is available on our website, www.bunzl.com.

Health & safety

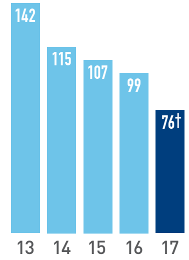
Health and safety remains a priority for Bunzl and it is our aim that no employee or other person should be injured as a result of our operations. In the 2017 reporting period there were no fatalities (2016: one).

Our incidence and severity rates have improved by 23% and 31% respectively. This improvement was particularly driven by strong performances in North America and Australia where the number of accidents decreased by 33% and 60% respectively. This has been underpinned by our safety observation programme which provides ongoing feedback to our employees on both good and poor safety performance. During 2018, it will continue to be extended across the business. In North America, warehouse managers and supervisors perform one safety observation per day. The results are reviewed monthly in a safety committee meeting. All sites in the US have introduced pre-shift stretching programmes as a way to reduce manual handling injuries. The roll-out will continue into Canada in 2018.

We continue to invest in premises and equipment to improve the safety of our employees and others. Although we aim to minimise the risks which occur, particularly relating to the operation of our warehouses and vehicles, incidents involving manual handling, falling, slipping and tripping and impact with equipment/objects remain the highest causes of accidents and days lost. Together these hazards represent 93% of incidents and 95% of days lost. All our businesses are required to comply with Group policies issued through the Corporate Responsibility and Sustainability Committee which reviews the Group's safety performance on a quarterly basis. Implementation of Group policies is audited by a team of safety professionals and safety standards are also reviewed as part of our internal audit process.

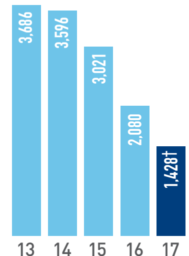
Incidence rate
Average number of incidents per month per 100,000 employees

23% ↓
Reduction in incidents



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

31% ↓
Reduction in days lost



† Included in the external auditors limited assurance scope referred to on page 48. 2016, 2015 and 2014 data was also assured as detailed in the respective Annual Reports.

12 months to 30 September.

Stretch It Out Campaign – North America

Two years ago, Bunzl North America began a programme called Stretch It Out ('SIO'), focusing on pre-shift stretching in order to address ergonomic related sprains and strains. SIO has not only helped to reduce the leading cause of injuries within our operations, but has also led to increased employee engagement and participation. The SIO programme centres around employees' involvement with their teams.

"I really enjoy leading the SIO programme in Bunzl Anaheim. SIO has helped our team focus more on safe behaviours, both inside and outside of work."

William Lemus,
Warehouse employee and Safety team member at Bunzl Anaheim

CORPORATE RESPONSIBILITY CONTINUED

Our primary method for distributing the goods that we sell is the use of delivery vehicles. Consequently, geographical regions have placed considerable emphasis on training programmes for drivers. Each of these programmes has their own specific focus but all of them are aimed at reducing accidents and injuries on the road. In 2016, telematics equipment was installed throughout France Hygiene's commercial fleet, which is our largest fleet in Continental Europe. In 2017, France Hygiene further focused on the implementation of safe driving programmes by training, coaching and engaging drivers, helping them to demonstrate best-in-class safe driving behaviours. UK & Ireland now has all commercial vehicles fitted with multiple cameras, side proximity sensors and audible left turn and reversing warnings to improve road safety both for our drivers and other road users, as well as reduce vehicle damage.

Our safety awareness programmes are management led within the business areas. France Hygiene, which has the highest incidence and severity rate in the Group, developed a programme to improve safety and strengthen the focus on their high risk groups of workers. Various initiatives were implemented across the business. Additional training programmes covering the specific risks that these groups of workers can be exposed to during their work helped employees to apply safe working methods to mitigate these risks.

The root cause of many incidents is found to be a failure to implement established safe working practices. France Sécurité started a safety observation programme in 2017. The programme included training for supervisors on how to perform behaviour observations and coaching on effective feedback conversations with employees.

During the year we improved our web-based Environmental, Health & Safety ('EHS') reporting system by enhancing the reporting functionalities. The system includes an audit system which enables progress on corrective actions to be tracked by our EHS managers.

Details of our performance from 2013 to 2017 are provided in the bar charts on page 45. The accident data provided covers more than 99% of the Group by revenue.

Environment/climate change

We seek to minimise the contribution of Bunzl's operations to climate change and to prevent other harmful effects of Bunzl's operations on the environment. Operational efficiency forms part of our long-established and successful strategy to develop the business and the reduction of energy consumption is an integral part of operational efficiency. Our facilities worldwide operate to Group standards and we promote environmental awareness throughout the business. Our policy of leasing premises provides flexibility in the configuration of our footprint to optimise the efficiency of our distribution. Bunzl had no significant environmental incidents in 2017.

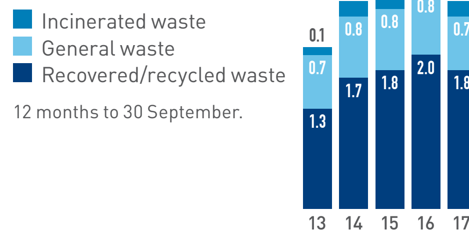
Direct water usage is not a significant environmental impact for our business as it is principally confined to staff hygiene and workplace cleaning purposes. Our estimated water usage is 140,000 m^3 of water. As we do not manufacture any of the goods we sell, water discharges, apart from internal sanitation, 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. All acquisitions made prior to the 2017 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 99% of the Group by revenue.

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.

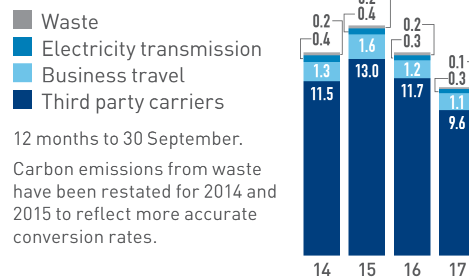
The requirements of the EU Energy Efficiency Directive have been implemented in all relevant businesses across Continental Europe and UK & Ireland. In addition, a number of locations in UK & Ireland, Australasia and Continental Europe have renewed their ISO 14001 certification. Currently, measured by revenue,

Waste
Tonnes per £m revenue



12 months to 30 September.

Scope 3 carbon emissions



12 months to 30 September.

Carbon emissions from waste have been restated for 2014 and 2015 to reflect more accurate conversion rates.

approximately 24% of the Group's operations are certified to ISO 14001. Certification is based on processes and practices which are implemented Group wide through our EHS management programme, although some parts of the business have not elected to become formally certified.
In Continental Europe, France Sécurité is MASE (Manuel d'Amélioration Sécurité des Entreprises) certified to reflect the requirements of its customer base.
This certification encompasses continuous improvement in EHS performance and is externally assessed.

Carbon emissions

Scope 1: Fuel for transportation remains our highest source of CO_2e emissions contributing c. 83% of Scope 1 and c. 63% of combined Scope 1 and 2 emissions. Of those emissions relating to transportation, more than 75% are generated by our fleet of commercial vehicles. Fuel represents a significant cost to the business and we are focused on maximising the efficiency of our fleet through regular replacement and maintenance of vehicles, route optimisation, the use of vehicle telematics and driver training programmes. In North America, where we have our largest commercial fleet, the combination of these measures provided a 2.5% improvement in fuel efficiency during the year. This has resulted in an annualised saving of approximately 400,000 litres of diesel fuel. At Group level, diesel consumed by our commercial fleet increased by 2.5% mainly due to sales growth. In Australasia, the need for greater flexibility of transport methods and efficiency in distribution has

CORPORATE RESPONSIBILITY CONTINUED

Greenhouse gas emissions

Data for the period 1 October to 30 September

	Tonnes of CO_2e		
	Base year 2010	2016	2017†
Scope 1	95,249	89,186	92,687
Scope 2	28,757	32,201	30,451
Total gross emissions	124,006	121,387	123,138
Total carbon emissions per £m revenue	26.3	17.1	15.0

† Included in the external auditors' limited assurance scope referred to on page 48. The data for 2016 was also assured as detailed in the 2016 Annual Report.

resulted in the decision to transfer a major part of our distribution to third party carriers. This transfer started in 2016 and was completed in 2017. We seek to minimise the number of miles that our vehicles travel empty on the road by backhauling, typically using empty vehicles to collect stock from suppliers. In France, the use of telematics has contributed to a 5% decrease in fuel usage by our commercial vehicles (66,000 litres of diesel).

Consumption of gas during the year increased by nearly 11% primarily due to colder weather conditions in North America, and increased presence in colder geographical areas (e.g. Canada) leading to higher building heating requirements.

Scope 2: Electricity consumption has increased by 1.0% as a result of an increase in warehouse space due to acquisitions and organic growth of the business. Per £ of revenue, our electricity consumption has decreased by 4% at constant exchange rates. Lighting is our highest category 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 improves the efficiency of such lighting. We also fit voltage optimisers where this is beneficial. During the year there have been 17 projects, predominantly in North America and UK & Ireland, to upgrade lighting, providing annualised savings of approximately 3 million kWh of electricity. These savings represent approximately 4% of our electricity consumption. Other locations are being looked at for potential LED lighting projects to determine the available incentives and anticipated payback. In addition, as energy contracts are renewed, businesses are moving to low carbon energy where this makes commercial sense and is supported by the local infrastructure. In the UK & Ireland we have moved to a central electricity supply contract with low carbon electricity. This contract covers all business units in this business area except a few recent acquisitions that are still on existing contracts.

Scope 3: We are continuing to refine the data collection for our Scope 3 carbon emissions. Our reporting comprises emissions from third party carriers, business flights, waste and electricity transmission losses. The majority of the businesses which have been acquired since 2010 do not have their own fleet and 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 on page 46 shows that third party carriers produce the largest proportion of our reported 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 are subject to authorisation by senior management. Reduction and segregation of waste continues to be an area of focus and the data provided covers approximately 94% of the Group by revenue, although accurate waste measurement remains challenging. Despite including this in our Scope 3 emissions calculation, we have for transparency continued to provide waste data separately as well.

Community

Although Bunzl's operations are international, our strength lies 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 £742,000 to charitable causes during 2017 (2016: £712,000). This does not include in-kind donations or employee fundraising. We continue to support our employees in their charitable fundraising, for example a charity run in Switzerland to raise money for Alzheimer's research, as well as supporting projects for healthcare and environmental charities, such as providing funding to the British Red Cross Solidarity Fund which was launched to support people who had been injured, bereaved or traumatised by terrorist attacks in the UK.

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

Customers

As part of our policy to provide our customers with high quality products and good value for money, businesses within the Group are constantly developing and sourcing new products. Our aim is not only to satisfy changing customer requirements but also to give ourselves a competitive advantage in the marketplace. From colour coded 'free from' labels for the hospitality sector to the use of innovative fabrics to give greater protection to workers against challenging weather conditions or where there is a risk of contamination from viruses, bacteria and fungi, Bunzl works with its customers in the development of new, redesigned or substantially improved products.

A number of Bunzl businesses adopt partnerships and source innovative products to help their customers be responsible users of disposable packaging and reduce their waste footprints. To increase our offering of environmentally friendly products which can minimise waste, North America expanded its offering through the acquisition of Earthwise Bag Company. The business specialises in the supply of reusable eco-friendly bags including multi-use totes, insulated bags, wine totes and produce bags to supermarkets and other retailers.

Bunzl Catering Supplies ('BCS') is a founding member of the Simply Cups Scheme, the UK's only dedicated collection and recycling solution for paper cups. The team at BCS has hosted a series of launch days for a number of customers, engaging with consumers and working hard to change perceptions around paper cup recycling. BCS has continued to work closely alongside the Simply Cups team and, together with environmental charity

CORPORATE RESPONSIBILITY CONTINUED

Hubbub and a number of supplier partners and retailers, joined forces to launch a high profile coffee cup recycling challenge in the City of London – the Square Mile Challenge. This was hugely successful and almost all businesses that participated in the event decided to continue with the cup collection scheme afterwards.

Bunzl's one-stop-shop service saves delivery miles. Bunzl sources and consolidates a broad range of products to offer our customers an efficient consolidated product offering, thereby minimising the number of deliveries and fleet miles required.

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 non-financial KPIs on page 23 and the data on pages 45 and 47, 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 available in the Responsibility section of our Group 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 a number of 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 UK & Ireland, 15 sites in North America and seven sites in Continental Europe 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.

Square Mile Challenge in the City of London – UK and Ireland

BCS joined with key supply chain partners to launch a paper cup recycling initiative called the Square Mile Challenge at London's Liverpool Street station. The initiative was organised in partnership with Simply Cups, of which BCS is a founding member, and aimed to recruit businesses and consumers to work together to recover and recycle half a million paper cups within one month. It was a huge success and the work has continued since then.

"While no one has the solution to this problem, collectively we can use the Square Mile Challenge as a catalyst for new thinking."

Joanna Gilroy, Head of Sustainability, Bunzl Catering & Hospitality Division and Corporate Responsibility Manager, Bunzl plc

CORPORATE RESPONSIBILITY CONTINUED

CR Risks

Corporate responsibility risks are considered to be part of the Group's risk management process, as set out on pages 51 to 55, but none are considered to represent principal risks to the Group. 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.

Principal CR risk facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated
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. This 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 often 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. 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 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 Shanghai audits key direct suppliers throughout Asia and oversees audits carried out by third parties elsewhere. All key suppliers and suppliers in countries with increased social risk are made aware of the Group's CR aspirations. We have developed a Supplier Code of Conduct that defines the principles and standards that Bunzl expect suppliers of goods and services to adhere to.

These risks are seen to be counterbalanced 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.

Key performance indicators

	Performance			What we said we would do in 2017	What we did	What we plan to do in 2018
	2015	2016	2017			

Health & safety

Improving safety in our warehouses and on our vehicles

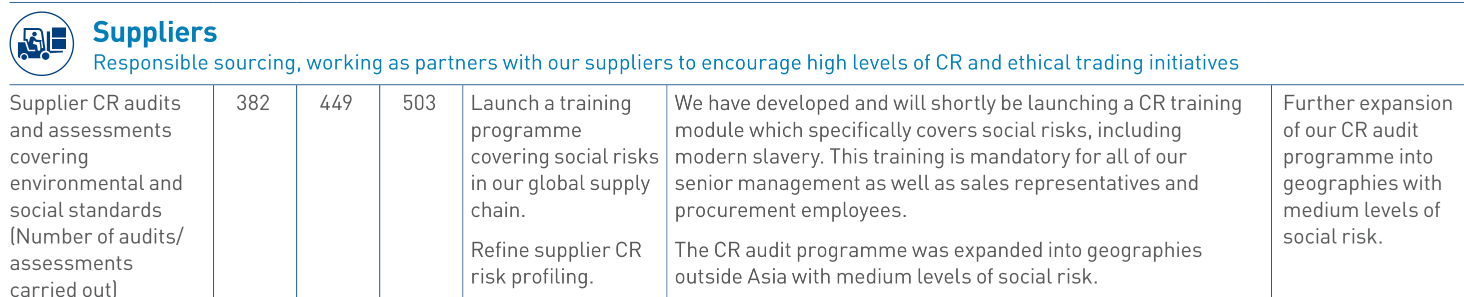
	2015	2016	2017	What we said we would do in 2017	What we did	What we plan to do in 2018
Reduction in accident incidence rate (% change year-on-year)	-7%	-7%	-23%	Reduce the Group accident incidence rate by 5% from 2016.	The accident incidence rate reduced by 23% and the accident severity rate reduced by 31%. The accident incidence rate improved in all business areas. The accident severity rate decreased in all business areas except UK & Ireland where we saw a small increase. The improvements were achieved by focusing on the implementation of our internal safe working standards that address the key hazards of our operations and improved safety observation programmes. Businesses that operate their own commercial vehicles have placed considerable emphasis on training programmes for drivers, aimed at reducing accidents and injuries on the road. We continued to enhance and extend our training and awareness programmes that aim to address the behavioural factors which cause injuries.	Reduce the Group accident incidence rate by 5% from 2017.
Reduction in accident severity rate (% change year-on-year)	-16%	-31%	-31%	Reduce the Group accident severity rate by 5% from 2016.		Reduce the Group accident severity rate by 5% from 2017.

CORPORATE RESPONSIBILITY CONTINUED

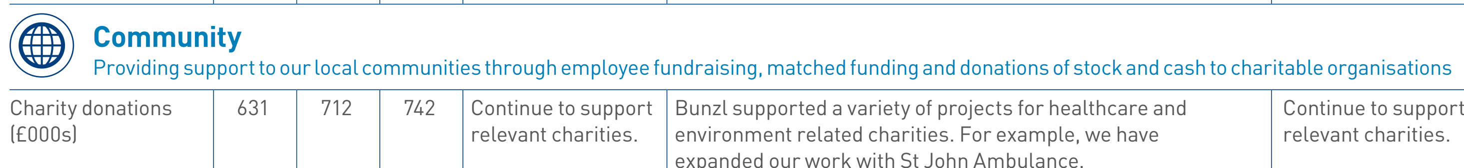
Key performance indicators continued

	Performance			What we said we would do in 2017	What we did	What we plan to do in 2018
	2015	2016	2017			
Environment/climate change – Reducing our impact on the environment by reducing carbon emissions						
Carbon emissions: Scope 1 (Tonnes of CO_2e/£m revenue)	14.7	12.6	11.3	Reduce emissions by 1% against 2016. (This reduction target excludes any foreign exchange translation effect on revenue numbers.)	The 2017 figure represents a 10% reduction in Scope 1 emissions versus 2016, including the effect of foreign exchange translation. At constant exchange rates the reduction in emissions is 1%. Fuel for transportation contributes c. 83% of Scope 1 emissions. Reduction of these emissions is primarily driven by fuel efficiency improvements (including regular replacement of vehicles, use of vehicle telematics and driver training programmes). In North America, where we have our largest commercial fleet we have improved our fuel efficiency by 2.5% during the year. At a Group level, diesel consumed by our commercial fleet per £m revenue decreased by 2.5% excluding foreign exchange translation effect. Scope 1 emissions are also impacted by weather conditions (influencing the fuel needed for heating of buildings). As a result of the relatively cold winter in North America and increased presence in colder geographical areas our Group natural gas usage increased by nearly 11%.	Reduce emissions by 1% against 2017. (This reduction target excludes any foreign exchange translation effect on revenue numbers.)
Carbon emissions: Scope 2 (Tonnes of CO_2e/£m revenue)	5.4	4.5	3.7	Reduce emissions by 2% against 2016. (This reduction target excludes any foreign exchange translation effect on revenue numbers.)	The 2017 figure represents an 18% reduction in Scope 2 emissions versus 2016, including the effect of foreign exchange translation. At constant exchange rates the reduction in emissions is 10%. The Scope 2 emissions are calculated with location based emission factors that are updated annually. The impact of the update of the conversion factors in 2017 on the Scope 2 index is a reduction of 4% versus 2016. Our Scope 2 emissions do not take into account low carbon electricity purchases (representing approximately 15% of electricity purchased). The remaining improvement in the Scope 2 index has been driven by the continued implementation of low energy lighting.	Reduce emissions by 2% against 2017. (This reduction target excludes any foreign exchange translation effect on revenue numbers.)
Total Scope 1 & 2 emissions (Tonnes of CO_2e/£m revenue)	20.1	17.1	15.0	Reduce emissions by 1% against 2016. (This reduction target excludes any foreign exchange translation effect on revenue numbers.)	The 2017 figure represents a 12% reduction in total Scope 1 and 2 emissions versus 2016, including the effect of foreign exchange translation. At constant exchange rates the reduction in emissions is 4%.	Reduce emissions by 1% against 2017. (This reduction target excludes any foreign exchange translation effect on revenue numbers.)

Our Scope 1 and 2 emissions are represented as an index against £m revenue. The foreign exchange translation effect in the 2017 reporting year, caused by the movement in the exchange rates of sterling against other currencies during the 2017 reporting year compared to the 2016 reporting year, was to increase the reported reduction in emissions by approximately 9%.



	2015	2016	2017	What we said we would do in 2017	What we did	What we plan to do in 2018
Suppliers – Responsible sourcing, working as partners with our suppliers to encourage high levels of CR and ethical trading initiatives						
Supplier CR audits and assessments covering environmental and social standards (Number of audits/assessments carried out)	382	449	503	Launch a training programme covering social risks in our global supply chain. Refine supplier CR risk profiling.	We have developed and will shortly be launching a CR training module which specifically covers social risks, including modern slavery. This training is mandatory for all of our senior management as well as sales representatives and procurement employees. The CR audit programme was expanded into geographies outside Asia with medium levels of social risk.	Further expansion of our CR audit programme into geographies with medium levels of social risk.



	2015	2016	2017	What we said we would do in 2017	What we did	What we plan to do in 2018
Community – Providing support to our local communities through employee fundraising, matched funding and donations of stock and cash to charitable organisations						
Charity donations (£000s)	631	712	742	Continue to support relevant charities.	Bunzl supported a variety of projects for healthcare and environment related charities. For example, we have expanded our work with St John Ambulance.	Continue to support relevant charities.

PRINCIPAL RISKS AND UNCERTAINTIES

Bunzl operates in six core market sectors across 30 countries which exposes it to many risks and uncertainties. The Group sees the management of risk, both positive and negative, as critical to achieving its strategic objectives.

Risk management process

To deliver the Group's strategic objectives successfully, and provide value for shareholders, customers and other stakeholders, it is critical that Bunzl maintains an effective process for the management of risk. The Company has a risk management policy which ensures a consistent process is followed by every business and business area as well as the Executive Committee and ultimately the Board, firstly to assess and then subsequently to manage both current and emerging risks. These interrelated aspects of the Group's risk management policy are explained below*. Additional detail is also provided on the key risk management activities undertaken during 2017.

RISK ASSESSMENT

Risk identification

- Every business, business area, the Executive Committee and the Board identify and document risks in a consistent way within the categories of strategic, operational and financial risks.
- This includes current risks as well as emerging risks which also need to be carefully monitored.

Inherent risk assessment

- The inherent impact and probability of risks are evaluated before considering the effect of any mitigating activities:
  - impact is assessed based on a defined range of business continuity, health & safety and the environment, regulatory, reputational and financial criteria; and
  - probability is assessed as remote, unlikely, possible or probable.

Risk response and residual risk assessment

- The relevant mitigating activities and controls are evaluated for each risk.
- The residual risk is assessed assuming that the mitigating actions and internal controls operate as intended in an effective way.
- If necessary to bring the residual risk within Bunzl's risk appetite, enhancements to risk mitigation activities and controls are considered until the residual risk is reduced to an acceptable level.

RISK MANAGEMENT

The Board

- Establishes the nature and extent of risk the Group is willing to accept (its 'risk appetite') in pursuit of Bunzl's strategic objectives.
- Performs a robust assessment of the Group's risks through a biannual review of the Group's risk register, including those risks considered to be significant by management and the Executive Committee.
- Continuously monitors and oversees the Group's risk management and internal controls processes and procedures.

Executive Committee

- Holds regular meetings with business area management to discuss strategic, operational and financial issues and ensures policies and procedures are in place to identify and manage the principal risks affecting each of the Group's businesses.
- Considers the evolving risk landscape including reviewing the results of the risk assessment process and assessing the sufficiency of risk mitigation activities for current risks and the threats and opportunities from emerging risks.

The Audit Committee

- Reviews the process for the management of risk, including the risk assessment and risk response, and its effectiveness.
- Directs and oversees internal audit's activities and reviews the results of assurance over controls and risk mitigation activities.
- In addition during 2017 the Audit Committee considered the results of an external assessment of the effectiveness of Bunzl's risk management process and procedures and discussed the recommended changes to the risk management process.

Business area and business management

- The Group's decentralised management structure allows for the establishment of clear ownership of risk identification and management at the business level within the framework of the Bunzl risk management policy.
- Businesses, with the support of business area management, implement and monitor the effectiveness of controls, policies and procedures designed to manage risk.

* The 'Risk management and internal control' section of the Corporate governance report on pages 63 and 64 includes further information on the specific procedures designed to identify, manage and mitigate risks which could have a material impact on the Group's business, financial condition or results of operations and for monitoring the Company's risk management and internal control systems.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Principal risks and uncertainties

The principal risks and uncertainties faced by the Group, being those which are material to the development, performance, position or future prospects of the Group, and the steps taken to mitigate such risks, are summarised below.

The Group operates in six core market sectors across 30 countries which exposes it to many risks and uncertainties, not all of which are necessarily within the Company's control. Therefore, 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. The risks are not presented in order of probability or impact.

During the year an analysis of the interconnectivity of the principal and non-principal risks as identified through the Group's risk assessment process was performed. This review looked at the relationships, connections and interdependencies between risks, recognising that risks do not always occur in isolation. Although this exercise did not result in identifying any additional principal risks, the review contributed to the Group's assessment of the adequacy of risk management and mitigating activities.

To improve clarity, the presentation of the Group's principal risks and uncertainties has been refreshed when compared to the 2016 Annual Report. In particular:

- the categories of risk have been reclassified to align them more closely with the Company's strategy;
- the titles of some of the risks have been amended to reflect more accurately the detailed descriptions of the relevant risks;
  - the risk headed Economic environment was considered to be too generic, especially as components of that risk are included in the Competitive pressures, Product cost deflation and inflation and Financial risks set out below;
  - the risk headed Business continuity has been refocused on the specific Cyber security element of this risk; and
- the Laws and regulations risk was reconsidered and it was determined that while exposure to potential legal and regulatory claims is always a risk, it did not represent a principal risk to the Group.

Overall, save as mentioned above in relation to Laws and regulations, the nature and type of the principal risks and uncertainties affecting the Group are considered to be unchanged from the previous year. The likelihood and impact of each of the principal risks crystallising is also considered to be materially unchanged as compared to the prior year.

The Board is continuing to monitor the potential risks associated with the UK leaving the European Union ('Brexit'). As exit negotiations are ongoing, the final outcome remains unclear and it is too early to understand fully the impact that Brexit will have on the Group's operations. The risks arising from Brexit will most likely be limited to foreign exchange volatility, a reduction in economic activity in the UK and the imposition of trade tariffs. The Group does not consider that its principal risks and uncertainties have changed as a result of these Brexit related risks.

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.

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated
Risks to the Group's organic growth		
1. Competitive pressures Revenue and profits are reduced as the Group loses a customer or lowers prices due to competitive pressure	• The Group operates in highly competitive markets and faces price competition from international, national, regional and local companies in the countries and markets in which it operates. • Unforeseen changes in the competitive landscape could also occur such as an existing competitor or new market entrant introducing disruptive technologies or changes in routes to market. • Customers, especially large or growing customers, could exert pressure on the Group's selling prices, thereby reducing its margins, could switch to a competitor or could ultimately choose to deal directly with suppliers. • Any of these competitive pressures could lead to a loss of market share, and a reduction in the Group's revenue and profits.	• The Group's geographic and market sector diversification allow it to withstand shifts in demand, while this global scale across many markets also enables the Group to provide the broadest possible range of customer specific solutions to suit their exacting needs. • The Group maintains high service levels and close contact with its customers to ensure that their needs are being met satisfactorily. This includes continuing to invest in e-commerce and digital platforms to further enhance its service offering to customers. • The Group maintains 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, in a consolidated one-stop-shop offering at competitive prices.
2. Product cost deflation Revenue and profits are reduced due to the Group's need to pass on cost price reductions	• A reduction in the cost of products bought by the Group, due to suppliers passing on lower commodity prices (such as plastic or paper) and/or foreign currency fluctuations, coupled with actions of competitors, may require the Group to pass on such cost reductions to customers, especially those on indexed or cost-plus pricing arrangements, resulting in a reduction in the Group's revenue and profits. • Operating profit margins may also be lower due to the above factors if operating costs are not reduced commensurate with the reduction in product costs.	• The Group uses its considerable experience in sourcing and selling products to manage prices during periods of deflation in order to minimise the impact on profits. • Focus on the Group's own brand products, together with the reinforcement of the Group's service and product offering to customers, helps to minimise the impact of price deflation. • The Group continually looks at ways to improve productivity and implement other efficiency measures to manage and, where possible, reduce its operating costs.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated
3. Product cost inflation Profits are reduced from the Group's inability to pass on product cost increases	• Significant or unexpected cost increases by suppliers, due to the pass through of higher commodity prices (such as plastic or paper) and/or foreign currency fluctuations, could adversely impact profits if the Group is unable to pass on such product cost increases to customers.	• The Group sources its products from a number of different suppliers so that it is not dependent on any one source of supply for any particular product and can purchase products at the most competitive prices. • The majority of the Group's transactions are carried out in the functional currency of the Group's operations, but for foreign currency transactions some forward purchasing of foreign currencies is used to reduce the impact of short term currency volatility. • If necessary, the Group will, where possible, pass on price increases from its suppliers to its customers.
Risks to the Group's acquisition growth		
4. Unavailability of acquisitions Profit growth is reduced from the Group's inability to acquire new companies	• Acquisitions are a key component of the Group's growth strategy and one of the key sources of the Group's competitive advantage, having made more than 150 acquisitions since 2004. • Insufficient acquisition opportunities, through a lack of availability of suitable companies to acquire or an unwillingness of business owners to sell their companies to Bunzl, could adversely impact future profit growth.	• The Group maintains a large acquisition pipeline which continues to grow with targets identified by managers of our current businesses, research undertaken by the Group's dedicated and experienced in-house corporate development team and leads received from banking and corporate finance contacts. • The Group has a strong track record of successfully making acquisitions. At the same time the Group maintains a decentralised management structure which facilitates a strong entrepreneurial culture and encourages former owners to remain within the Group after acquisition, which in turn encourages other companies to consider selling to Bunzl.
5. Unsuccessful acquisition Profits are reduced, including by an impairment charge, due to an unsuccessful acquisition or acquisition integration	• Inadequate pre-acquisition due diligence related to a target company and its market, or an economic decline shortly after an acquisition, could lead to the Group paying more for a company than its fair value. • Furthermore, the loss of key people or customers, exaggerated by inadequate post-acquisition integration of the business, could in turn result in underperformance of the acquired company compared to pre-acquisition expectations which could lead to lower profits as well as a need to record an impairment loss against any associated intangible assets.	• The Group has established processes and procedures for detailed pre-acquisition due diligence related to acquisition targets and the post-acquisition integration thereof. • 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 endeavours to maximise the performance of its acquisitions 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.
Risks to the Group's operations		
6. Cyber security Bunzl's ability to operate and service its customers' needs are impacted by a cyber-attack	• The frequency, sophistication and impact of cyber-attacks on businesses are rising at the same time as Bunzl is increasing its digital footprint through acquisition and investment in e-commerce platforms and efficiency enhancing IT systems. • Weak cyber defences, both now and in the future, through a failure to keep up with increasing cyber risks and insufficient IT disaster recovery planning and testing, could increase the likelihood and severity of a cyber-attack leading to business disruption, reputational damage and loss of customers.	• Concurrent with the Group's IT investments, the Group is continuing to improve information security policies and controls to improve its ability to monitor, prevent, detect and respond to cyber threats. • Cyber security awareness campaigns across all regions have been or will be deployed to enhance the knowledge of Bunzl personnel including their resilience to phishing attacks. • IT disaster recovery and incident management plans, which would be implemented in the event of any such failure, are in place and periodically tested. • A Group CIO and Group Head of Information Security has been recruited to coordinate activity in this area.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated
Financial risks		
7. Availability of funding Insufficient liquidity leading to insolvency	• Insufficient liquidity in financial markets could lead to banks and institutions being unwilling to lend to the Group, resulting in the Group being unable to obtain necessary funds when required to repay maturing borrowings, thereby reducing the cash available to meet its trading obligations, make acquisitions and pay dividends.	• 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.
8. Currency translation Significant change in foreign exchange rates leading to a reduction in reported results and/or a breach of banking covenants	• The majority of the Group's revenue and profits are earned in currencies other than sterling, the Group's functional currency. • As a result, a significant strengthening of sterling against the US dollar and the euro in particular could have a material translation impact on the Group's reported results and/or lead to a breach of net debt to EBITDA banking covenants.	• The Group does not hedge the impact of exchange rate movements arising on translation of earnings into sterling at average exchange rates. The Board believes that the benefits of its geographical spread outweigh the risks. Results are reported at constant exchange rates so that investors can observe the underlying performance of the Group excluding the translation impact on the Group's reported results. • The Group's borrowings are denominated in US dollars, sterling and euros in similar proportions to the relative profit contribution of each of these currencies to the Group's EBITDA. This minimises the risk that movements in foreign exchange rates will have a material impact on the ratio of net debt to EBITDA, and therefore minimises the risk of a breach of banking covenants caused by foreign currency fluctuations.
9. Taxation Increase in Group tax rate and/or cash tax	• Changes to tax law have recently been enacted in several countries, in particular in the US, and overall these are expected to lead to a decrease in the Group's effective tax rate. • However, the future tax expense and cash tax obligations could be affected by the resolution of uncertain prior year issues and by further changes in tax law. • For instance, changes could result from the legal arguments between the European Commission and the UK government over whether part of the UK's tax regime is contrary to European Union State Aid provisions. • The resolution of prior year issues or legislative changes could cause a higher tax expense and higher cash tax payments, thereby adversely affecting the Group's future cash flows.	• Oversight of the Group's tax strategy is within the remit of the Board and tax risks are assessed by the Audit Committee. • 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.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Assessment of the prospects of the Company and its viability statement

In accordance with provision C.2.2 of the Corporate Governance 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 30 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 cash conversion.

With regard 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 2020.

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 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, US private placement notes and a senior unsecured bond, 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 stress tests included the following:

- the impact of the crystallisation of the principal risks to the Group's organic growth and a significant increase in working capital;
- the impact of the crystallisation of the principal risks to the Groups's organic and acquisition growth and significant increases in both working capital and the effective tax rate, 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.

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, US private placement notes and senior unsecured bond as and when they mature. In the first two stress tests it was found that the Group was resilient and in particular it remained in compliance with the relevant financial covenants. The conditions required to create the reverse stress test scenario, the third stress test, were so severe that it was considered to be implausible.

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

In accordance with the provisions of the Corporate Governance Code, the directors have taken account of the Group's current position and principal risks and uncertainties referred to above in assessing the prospects of the Company and they 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 2020.

BOARD OF DIRECTORS

The Board has continued to focus on creating shareholder value by successfully developing the business through a combination of organic growth and further consolidating the fragmented markets in which Bunzl competes.

Philip Rogerson
Chairman

Frank van Zanten
Chief Executive

Patrick Larmon
Executive director

Brian May
Finance Director

Vanda Murray
Non-executive director

Lloyd Pitchford
Non-executive director

Eugenia Ulasewicz
Non-executive director

Jean-Charles Pauze
Non-executive director

Stephan Nanninga
Non-executive director

> Effective leadership through a strong, independent Board is essential to the long term sustainability and success of the Group."
>
> **Philip Rogerson**
> Chairman

Philip Rogerson # (Age 73)
Chairman

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 been both a non-executive director and Chairman of a number of companies and is currently Chairman of De La Rue plc and a non-executive director of Blancco Technology Group plc.

Frank van Zanten # (Age 51)
Chief Executive

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 he 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 the Managing Director of the Continental Europe business area. He is a non-executive director of Grafton Group plc.

Patrick Larmon (Age 65)
Executive director

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. and Bodycote plc.

Brian May (Age 53)
Finance Director

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.

Vanda Murray OBE *†#• (Age 57)
Non-executive director

Non-executive director since 2015, Senior Independent Director 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 Chairman of Fenner PLC and a non-executive director of Redrow plc.

Lloyd Pitchford *†#• (Age 46)
Non-executive director

Non-executive director since March 2017 and Chairman of the Audit Committee. Having previously held a number of senior finance positions with BG Group plc, including five years as Group Financial Controller, he subsequently joined Intertek Group plc where he was Chief Financial Officer from 2010 to 2014. He is currently Chief Financial Officer of Experian plc.

Eugenia Ulasewicz *†#• (Age 64)
Non-executive director

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, Vince Holding Corp. and Hudson Ltd.

Jean-Charles Pauze *†#• (Age 70)
Non-executive director

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 currently a member of the Supervisory Board of IMCD N.V.

Stephan Nanninga *†#• (Age 60)
Non-executive director

Appointed as a non-executive director with effect from 1 May 2017. After holding a number of positions with Sonepar and Royal Dutch Shell, he subsequently became Managing Director, Distribution Europe of CRH plc in 1999. He then joined SHV Holdings NV in 2007, where he was initially responsible for the Makro and Dyas businesses, before becoming Chief Executive in 2014, a position he held until 2016. He is an executive director of Dutch Star Companies ONE N.V.

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

CORPORATE GOVERNANCE REPORT

"Good governance is key to the successful delivery of our strategy to grow the Group with the Board continuing to provide independent scrutiny and challenge, while maintaining its focus on creating shareholder value.

Philip Rogerson
Chairman

INTRODUCTION FROM PHILIP ROGERSON

Chairman of the Board

At Bunzl we believe that establishing and maintaining the highest standards of corporate governance is vitally important to the long term success and sustainability of the business. The Board recognises that good governance is about more than just compliance with rules and regulations; it is about culture, behaviours and how we do business and the Board is therefore committed to ensuring that the Group's values and high standards are set from the top and embedded throughout the Group. Integrity and accountability are at the heart of everything that we do and I believe that this, together with our robust governance framework, allows the Board to lead the Company in the right direction as we develop and pursue our future strategy, while ensuring that good governance principles and practices are adhered to.

As detailed on page 62, an externally facilitated evaluation of the Board and its Committees was once again undertaken during 2017 and I am pleased to report that as a result of the evaluation, the Board concluded that both it and its Committees continue to operate effectively. The Board continues to work closely with the executive management team and offers support and robust challenge as appropriate.

Last year we revised our remuneration policy to drive performance for the Company's next stage of development and to bring it in line with current best practice. We consulted extensively with our largest shareholders and their representative bodies and this resulted in our revised remuneration policy being approved by an overwhelming majority at the Annual General Meeting ('AGM') held in April 2017. Details of the new policy are set out in the Remuneration report on pages 71 to 95.

The Company is subject to the Financial Reporting Council's ('FRC') UK Corporate Governance Code (the 'Code'), which was last updated in April 2016. The Code contains broad principles together with more specific provisions which set out standards of good practice in relation to Board leadership and effectiveness, accountability, remuneration and relations with shareholders.

The reports that follow provide an overview of the work undertaken by the Board and its Committees in fulfilling our governance responsibilities and describe how the principles and provisions of the Code have been applied by the Company during the year ended 31 December 2017. A copy of the 2016 version of the Code is available at www.frc.org.uk.

Philip Rogerson
Chairman
26 February 2018

Compliance statement

It is the Board's view that, for the year ended 31 December 2017, the Company has been fully compliant with all of the relevant principles and provisions set out in the 2016 version of the Code. 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 Financial Conduct Authority's Listing Rules and to report if it does not reflect such compliance. No such report has been made.

Board composition

As at 31 December 2017, the Board was made up of nine members comprising a Chairman, a Chief Executive, two other executive directors and five non-executive directors. David Sleath, our former Senior Independent Director, retired from the Board following the conclusion of the Company's AGM on 19 April 2017 having served as a non-executive director from September 2007. Vanda Murray, an independent non-executive director and Chair of the Remuneration Committee, assumed the role of Senior Independent Director upon David Sleath's retirement. Lloyd Pitchford was appointed to the Board on 1 March 2017 and Stephan Nanninga joined the Board on 1 May 2017. Brief biographical details of the directors are given on page 57. 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 will be subject to re-election at the forthcoming AGM.

CORPORATE GOVERNANCE REPORT CONTINUED

GOVERNANCE STRUCTURE

The Board has ultimate responsibility for the overall leadership of the Group. 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. Further details of the matters reserved for the Board can be found below.

The Board has established three 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. Further information relating to the Board Committees is set out below and in the Committee reports which follow this Governance report.

BOARD

AUDIT COMMITTEE

Chairman
Lloyd Pitchford

Members
Vanda Murray
Eugenia Ulasewicz
Jean-Charles Pauze
Stephan Nanninga

Key responsibilities
Reviews and monitors the integrity of the Company's financial reports, risk processes and internal controls and the effectiveness of the internal audit function and external auditors.

For more information see pages 67 to 70

REMUNERATION COMMITTEE

Chairman
Vanda Murray

Members
Eugenia Ulasewicz
Jean-Charles Pauze
Lloyd Pitchford
Stephan Nanninga

Key responsibilities
Sets the remuneration policy for the Chairman and executive directors and monitors the policies and practices applied to senior management remuneration.

For more information see pages 71 to 95

NOMINATION COMMITTEE

Chairman
Philip Rogerson

Members
Frank van Zanten
Vanda Murray
Eugenia Ulasewicz
Jean-Charles Pauze
Lloyd Pitchford
Stephan Nanninga

Key responsibilities
Reviews the structure, size and composition of the Board with regard to diversity and to ensuring a balance of skills, knowledge and experience.

For more information see pages 65 and 66

MATTERS RESERVED FOR THE BOARD

The table below summarises some of the matters which are required to be brought to the Board for decision:

SHAREHOLDERS

- Matters requiring shareholder approval.
- Circulars and significant shareholder communications.

CAPITAL ALLOCATION AND STRUCTURE

- Significant capital expenditure/disposals.
- Significant business acquisitions/disposals.
- Material changes to the Group's capital structure.
- Major property leases.
- Material increases in borrowing and loan facilities.

POLICIES AND STATEMENTS

- Material Group policies and statements and major changes thereto, for example:
  - Tax strategy;
  - Treasury policy;
  - Modern slavery statement;
  - Equality and diversity policy; and
  - Risk appetite.

PEOPLE AND LEADERSHIP

- Appointment/removal of directors and Company secretary.
- Non-executive directors' remuneration.
- Board Committee constitution and terms of reference.

STRATEGY AND MANAGEMENT

- The Group's strategic aims and objectives.
- Annual budget and strategic plan.

FINANCIAL REPORTING, RISK AND CONTROLS

- Financial results and announcements relating thereto.
- Final and interim dividends.
- Auditor appointment/removal.
- Risk management and internal controls.

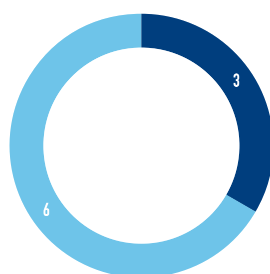
CORPORATE GOVERNANCE REPORT CONTINUED

BOARD ROLES AND RESPONSIBILITIES

The following table summarises the role and responsibilities of the different members of the Board:

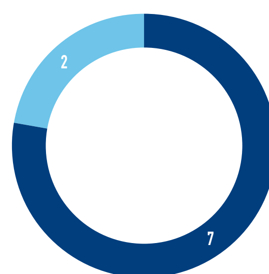
Role	Responsibilities	
Chairman	The primary job of the Chairman is to be responsible for the leadership of the Board and ensuring its effectiveness in all aspects of its role. The Chairman: • takes overall responsibility for the composition and capability of the Board and its Committees; • consults regularly 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 Chairman is also viewed by investors as the ultimate steward of the business and the guardian of the interests of all the shareholders.	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.
Chief Executive	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 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. 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.	
Other executive directors	The Finance Director supports the Chief Executive and is responsible for managing the Group's funding strategy, financial reporting, risk management and internal controls, investor relations programme and the leadership of the finance function. The President and CEO, North America has a specific responsibility for managing the North America business area which represents 59% of the Group's total revenue.	
Senior Independent Director	A key role of the Senior Independent Director is to be available to shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive or Finance Director has failed to resolve or for which such contact is inappropriate. The Senior Independent Director 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.	
Independent non-executive directors	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 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.	

Executive and non-executive directors



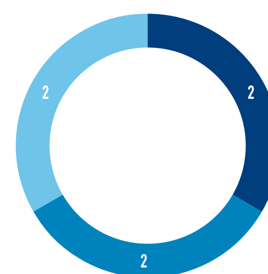
■ Executive
■ Non-executive (includes Chairman)

Board gender



■ Male
■ Female

Non-executive director tenure



■ 0 – 3 years
■ 3 – 6 years
■ 6+ years

Board activity in 2017

The Board meets formally at least seven times a year and normally at least two of these meetings 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. 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, the Finance Director and the heads of the business areas together with the Director of Corporate Development.

During 2017, 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, tax risks, cyber security risks and controls, supplier audits carried out and health and safety performance metrics.

The Board also reviewed and formally approved the Group's equality and diversity policy, further details of which are set out in the Our people section of this Annual Report on pages 38 to 41.

The Board calendar is planned to ensure that the directors discuss a wide range of topics throughout the year and the Board has formally adopted a schedule of matters which are required to be referred to it for decision. A non-exhaustive list of such matters can be found on page 59.

Meetings

The Board met on seven occasions during 2017. Directors' attendance at those meetings is set out below:

	Meetings attended
Philip Rogerson	7
Frank van Zanten	7
Patrick Larmon	7
Brian May	7
David Sleath[1]	3
Eugenia Ulasewicz	7
Jean-Charles Pauze	6
Vanda Murray	7
Lloyd Pitchford[2]	5
Stephan Nanninga[3]	4

Notes:

1 David Sleath retired as a director on 19 April 2017 having attended all of the Board meetings held between 1 January 2017 and that date.

2 Lloyd Pitchford was appointed as a director on 1 March 2017 and attended all of the Board meetings held between that date and the end of the year.

3 Stephan Nanninga was appointed as a director on 1 May 2017 and attended all of the Board meetings held between that date and the end of the year.

Board in action – Board and strategy meetings in Atlanta, US

The June 2017 Board and Committee meetings and the annual strategy meeting were held in Atlanta, US and the directors used the opportunity to enhance further their understanding of the Group's operations in North America by visiting the Bunzl Atlanta site.

The Bunzl Atlanta site is part of the Group's North American business area. During their visit, the directors were taken on a comprehensive site tour and were given presentations by regional and divisional managers. The presentations gave an overview of the different businesses in the southeast region, including the Bunzl Atlanta site, and covered topics such as key financial metrics and information related to employees, customers, suppliers and the markets served. The directors were also informed of the challenges and opportunities faced by the businesses during 2017 and the efforts and initiatives undertaken to overcome these challenges. The Board believes that site visits play an important role in directors' development by giving them better insight into the Group's businesses and the environments in which they operate as well as providing an opportunity to meet local management.

Governance in action – acquisition process

Expanding the Group through acquisition is an important part of Bunzl's strategy to grow and develop. Our markets are very fragmented which results in numerous opportunities to expand through purchasing businesses in both existing and new markets and countries.

The Board plays a critical role in ensuring that a robust and rigorous process is followed in respect of the more material acquisitions and those involving the entry into new countries or market sectors to ensure that the proposals are carefully considered and challenged before being taken forward. This process is summarised below and details of the acquisitions made by the Group during 2017 can be found on pages 138 to 140.

1

Presentation made to the Board by management regarding the relevant potential acquisition, due to its material size or because it represents the Group's first step into a new country or market sector.

2

The Board considers the acquisition proposal, including the financial performance of the target company, the projected synergies, the regulatory, political and competitor landscapes, the Company's existing operations and market presence in the relevant country, employee matters and any potential risks and management's proposals for mitigating these.

3

The Board agrees whether to proceed with the proposed acquisition and sets any relevant parameters concerning the transaction, including in relation to the purchase price and any specific due diligence requirements.

4

The Board undertakes a post-acquisition review approximately two years after completion of the transaction to evaluate whether all desired objectives and benefits have been realised, measured against the relevant investment case at the time the acquisition was approved.

CORPORATE GOVERNANCE REPORT CONTINUED

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, the Board identifies a number of key priorities in order to improve the Board's performance.

Key priorities identified in 2016

1. Continuing to keep the key strategic issues facing the Group under review both as part of the Board's annual strategy meeting and at other times of the year as appropriate.
2. Providing ongoing support to the new Chief Executive as appropriate.
3. 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.
4. The successful recruitment and subsequent appointment of an additional non-executive director and overseeing the induction and integration of such director.

The Board is satisfied that the priorities identified following the evaluation carried out in 2016 have been adequately addressed during 2017.

Key priorities identified in 2017

1. Continuing to keep the key strategic issues facing the Group under review both as part of the Board's annual strategy meeting and at other times of the year as appropriate.
2. Developing a greater understanding of the relevant digital and technological developments affecting the Group's businesses.
3. Focusing on the operational initiatives required in order to maintain or improve the Group's operating margins.
4. 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.

As a result of the performance evaluation process carried out in 2017, the Board concluded that both it and its Committees are operating effectively.

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.

Induction, training and 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 plc'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.

CORPORATE GOVERNANCE REPORT CONTINUED

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.

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 148 and the auditors' report on pages 149 to 154 includes a statement by the external auditors about their reporting responsibilities. As set out on page 105, 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.

The Board considered whether the 2017 Annual Report, taken as a whole, was fair, balanced and understandable and provided sufficient information to enable the reader to assess the Group's position and performance, business model and strategy. In carrying out its review, the Board considered 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 also took account of the preparation and verification processes that had been undertaken, including the review that had been carried out by one of the Company's senior executives who had not been involved in the Annual Report's preparation. As a result of its deliberations the Board concluded that, taken as a whole, the 2017 Annual Report is fair, balanced and understandable.

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 (its 'risk appetite'). The directors confirm that such procedures have been in place for the year ended 31 December 2017 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.

Further information about the Group's approach to risk management and the principal risks and uncertainties facing the Group can be found on pages 51 to 54. A summary of the principal control processes and procedures in place to manage such risks is set out below.

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 whistleblowing 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;

CORPORATE GOVERNANCE REPORT CONTINUED

- 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 67 to 70;
- regular meetings are held with insurance and risk advisers to assess the risks throughout the Group;
- a management committee, known as the Corporate Responsibility and Sustainability Committee, which oversees issues relating principally to environment, health & safety and business continuity planning matters, sets relevant policies and practices and monitors their implementation;
- health & safety 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 2017.

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, details of how the directors have assessed the prospects of the Company, over what period the prospects have been assessed and the Company's formal viability statement are included in the Strategic report on page 55.

On behalf of the Board

Paul Hussey
Secretary
26 February 2018

Relations with shareholders

As required by the relevant laws 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, during the year, the Company has published, on a voluntary basis, two quarterly trading statements and two other trading statements prior to entering its close periods at the end of June and the end of December 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 AGM is sent to shareholders at least 20 working days before the meeting. All shareholders are encouraged to participate in the AGM, 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 AGM each of the resolutions put to the meeting will be taken on a poll rather than on a show of hands as the 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 AGM.

During the year, the Company hosted a Capital Markets event which was attended by more than 70 representatives from shareholders and analysts. Presentations were given by the heads of the Company's businesses in North America, Continental Europe, UK & Ireland and Latin America on a diverse range of topics relating to the Company's strategy and service offering and included a number of testimonials from customers about the Company's value proposition. A webcast of the event and copies of the presentations made are available on the Company's website, www.bunzl.com.

NOMINATION COMMITTEE REPORT

> "The Committee is committed to ensuring that the skills, knowledge and expertise at Board level meet the changing demands of the business and take account of the existing and future challenges and opportunities facing the Company.
>
> **Philip Rogerson**
> Chairman and Chairman of the Nomination Committee

PRINCIPAL RESPONSIBILITIES OF THE COMMITTEE

Composition

- Reviewing the structure, size and composition of the Board with regard to maintaining a balance of skills, experience, knowledge and diversity.

Succession

- Considering succession planning, taking into account the challenges and opportunities facing the Company and the skills and expertise required by the Board in the future.
- Reviewing annually a succession planning presentation in relation to the Company's key management.

Appointments

- Identifying and nominating appropriate individuals to fill Board vacancies as they arise.
- Approving the appointment of any senior executive who is to report directly to the Chief Executive.
- Making recommendations to the Board as to the continuation in office and/or re-appointment of directors.

Evaluation

- Considering the commitment required of non-executive directors and reviewing their performance.

Meetings

The Committee met on four occasions during 2017. Members' attendance at those meetings is set out below:

	Meetings attended
Philip Rogerson	4
Frank van Zanten	4
David Sleath[1]	3
Eugenia Ulasewicz	4
Jean-Charles Pauze	4
Vanda Murray	4
Lloyd Pitchford[2]	1
Stephan Nanninga[3]	1

1 David Sleath retired as a director on 19 April 2017 having attended all of the Committee meetings held between 1 January 2017 and that date.

2 Lloyd Pitchford was appointed as a director on 1 March 2017 and became Audit Committee Chairman on 19 April 2017. He attended all of the Committee meetings held between 1 March 2017 and the end of the year.

3 Stephan Nanninga was appointed as a director on 1 May 2017 and attended all of the Committee meetings held between that date and the end of the year.

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 independent non-executive directors. In accordance with the provisions of the UK Corporate Governance Code, the majority of the members are independent non-executive directors. The Secretary to the Committee is the 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 meets as necessary throughout the year to discharge its responsibilities. The Committee's terms of reference, which were reviewed by both the Committee and the Board in 2017, are available on the Company's website, www.bunzl.com.

Activities

One of the Committee's main responsibilities during the year related to the process of identifying and selecting two new non-executive directors. 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 non-executive directors in the future, the Committee prepared and agreed detailed specifications for the roles and appointed external search consultancies,

NOMINATION COMMITTEE REPORT CONTINUED

The Zygos Partnership and Korn Ferry, to assist them in the recruitment processes. The consultancies used do not provide any other services to, or have any connection with, the Company.

The Committee agreed that the search criteria for candidates should include, in particular, successful senior business executives with extensive international management experience across a range of businesses operating in the distribution or service sectors and, in the case of the successor to David Sleath, someone who had recent and relevant financial experience as the appointee was expected to become Chair of the Audit Committee. It was important that the chosen candidates were able to play a supportive role to the executive management team, while at the same time provide the strategic input into the Company's direction and development. It was also a requirement that the prospective directors could provide wise counsel and independence of mind and to challenge management constructively by offering impartial, independent and objective advice.

The Committee carried out an extensive search and selection process, overseen by a sub-committee of the Committee, and a number of candidates were considered. All members of the Committee had the opportunity to meet the shortlisted candidates following which recommendations were made to the Board, which were subsequently unanimously approved, that Lloyd Pitchford be appointed as a non-executive director with effect from 1 March 2017 and that Stephan Nanninga be appointed as a non-executive director with effect from 1 May 2017. The Board also accepted the Committee's recommendation that they both be appointed to each of the three Board Committees and that Lloyd Pitchford should assume the role of Chairman of the Audit Committee upon David Sleath's retirement in April 2017.

Succession planning

The Committee recognises that having the right directors and senior management is crucial for the Group's success and a key task of the Committee is to ensure that there is a robust and rigorous succession planning process, over both the medium to long term, to ensure that there is the right mix of skills and experience as the Company evolves.

During the year the Chief Executive presented his annual management succession plan to the Committee for its consideration. In addition, the Committee 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 performance evaluation process which was carried out when considering and recommending the nomination of directors for re-election at the 2017 AGM.

Diversity policy

Within our business, the Board is committed to greater diversity, in its broadest sense, whether in terms of ideas, skills, knowledge, experience, education, ethnicity, gender, or any other relevant measure.

When considering Board appointments, one of our objectives is to maintain a diverse Board. While we will continue to follow a policy of ensuring that the best people are appointed for the relevant roles, based on merit by assessing candidates against objective criteria, we recognise the benefits of greater diversity and will take account of this when considering any particular appointment. However, our primary responsibility when making new appointments is to ensure the strength of the Board's composition. The overriding aim is to select and recommend the best candidate for the position, having regard to all of the different stakeholders that Bunzl has as a global organisation, while ensuring that the Board members are able to provide a range of perspectives, insights and challenge required to support effective decision making.

Looking beyond the Board to the Group's wider workforce, Bunzl is committed to treating people fairly and equally and by accepting and embracing their diversity, and ensuring there is an inclusive and positive working environment for all employees. For a number of years in the annual succession planning reviews there has been a particular focus on diversity within the business areas and one of the key objectives is to ensure there are no barriers preventing talented people from succeeding. There is also a range of initiatives within the Group to help provide learning and development opportunities for female executives and to ensure unbiased career progression opportunities. The Board has formally approved an equality and diversity policy, which applies to the wider workforce of the Group, further details of which are included in the Our people section on page 40.

Monitoring and reporting

The Nomination Committee is responsible for regularly reviewing the structure, size and composition of the Board, including the skills, knowledge, experience and diversity of the directors. It is also responsible for identifying and nominating appropriate individuals to fill Board vacancies as they arise. The Committee will report annually, in the Company's Annual Report, on the process followed in relation to any Board appointments made during the relevant period. The Board is responsible for keeping its diversity policy under review and making changes thereto when appropriate to do so.

Philip Rogerson
Chairman
26 February 2018

Further information about the Company's workforce diversity is set out on **pages 38 to 41**

AUDIT COMMITTEE REPORT

> During 2017, the Committee focused on the integrity of the Group's financial reporting and financial control, while ensuring that an appropriate level of challenge was applied to the Group's risk management and compliance processes.
>
> **Lloyd Pitchford**
> Chairman of the Audit Committee

PRINCIPAL RESPONSIBILITIES OF THE COMMITTEE

Reporting

- Monitoring and reviewing the integrity of the Group's financial results and the significant judgements contained therein.

Risk management and internal control

- Reviewing:
  - the Group's risk management processes, procedures and controls;
  - the effectiveness of the Company's internal financial controls; and
  - the Group's whistleblowing arrangements.

Internal audit

- Overseeing the Company's internal audit activities.
- Monitoring and reviewing the effectiveness of the internal audit function.

External audit

- Making recommendations to the Board in relation to the appointment/re-appointment/removal of the external auditors.
- Reviewing the Company's relationship with the external auditors and monitoring their independence and objectivity.
- Agreeing the scope, terms of engagement and fees for the statutory audit.
- Initiating and supervising a competitive tender process for the external audit as required from time to time.
- Developing and implementing a policy on the engagement of the external auditors to supply non-audit services.

Meetings

The Committee met on four occasions during 2017. Members' attendance at those meetings is set out below:

	Meetings attended
Lloyd Pitchford[1]	3
David Sleath[2]	1
Eugenia Ulasewicz	4
Jean-Charles Pauze	4
Vanda Murray	4
Stephan Nanninga[3]	3

1 Lloyd Pitchford was appointed as a director on 1 March 2017 and became Audit Committee Chairman on 19 April 2017. He attended all of the Committee meetings held between 1 March 2017 and the end of the year.

2 David Sleath retired as a director on 19 April 2017 having attended all of the Committee meetings held between 1 January 2017 and that date.

3 Stephan Nanninga was appointed as a director on 1 May 2017 and attended all of the Committee meetings held between that date and the end of the year.

INTRODUCTION FROM LLOYD PITCHFORD

Chairman of the Audit Committee

I am pleased to present the Audit Committee's report for the year ended 31 December 2017. This is my first report as Committee Chairman, having succeeded David Sleath who retired from the Board in April 2017. I also wish to welcome Stephan Nanninga, who joined the Board as a non-executive director on 1 May 2017, as a member of the Committee.

The purpose of this report is to give shareholders an overview of the role of the Committee, to provide a meaningful insight into our activities during the past year and to demonstrate how the Committee has discharged its responsibilities effectively.

This report reflects the requirements placed on committees by the UK Corporate Governance Code (the 'Code') and applicable guidance, laws and regulations. The Code 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 2016 edition of the Code which applied to the financial year ended 31 December 2017. In carrying out its duties, the Committee also operated in accordance with the recommendations set out in the FRC's Guidance on Audit Committees, which was published in April 2016.

The principal responsibilities of the Committee include monitoring and reviewing the integrity of the Company's financial reporting, together with the related internal controls, and ensuring that the assumptions and judgements made by management in preparing the financial results are challenged as appropriate. The significant accounting matters considered by the Committee in relation to the 2017 financial statements were the accounting for business combinations, the carrying value of goodwill and customer relationships intangible assets, defined benefit pension schemes and taxation. 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. The Committee will continue to review its activities in the light of regulatory and best practice developments to ensure that we are able to maintain high standards of financial governance going forward.

The information on the following pages sets out in detail the activities of the Committee during the year. I hope that you will find this report useful in understanding the work that we have undertaken.

Lloyd Pitchford
Chairman of the Audit Committee
26 February 2018

AUDIT COMMITTEE REPORT CONTINUED

Composition

The Committee members are all of the independent non-executive directors who were appointed to the Committee by the Board following recommendations by the Nomination Committee. While the other directors, being the Chairman of the Company and the executive 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 the Company Secretary.

The Committee members bring an appropriate balance of financial and commercial experience in multinational organisations, combined with a good understanding of the Company's business and are therefore considered by the Board to be collectively competent in the sector in which the Company operates. As the serving Chief Financial Officer of Experian plc, I am considered by the Board to have recent and relevant financial experience. I consider independent thinking to be crucial in assessing the work of management and the assurance provided by the internal and external audit functions and believe that each of the Committee members brings an appropriate mind-set to their role.

Role

Audit committees have a clearly defined role in the corporate governance framework of listed companies. We, as the Audit Committee, act independently of management to ensure that the interests of our stakeholders are properly protected through the Committee's oversight, review and challenge of the Company's financial management and its reporting processes and procedures. There are a number of key aspects to this, including the use of appropriate accounting policies and practices and 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.

The Committee ensures 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 and business risk management and related compliance activities. The Committee's terms of reference, which were reviewed by both the Committee and the Board in 2017, are 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. I also liaise with the Finance Director as necessary to ensure robust oversight and challenge in relation to financial control and risk management.

The Committee's performance and effectiveness is reviewed annually by both the Committee and as part of the Board performance evaluation. I also meet with each Committee member independently to ensure that their individual views about the operation of the Committee are taken into account.

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 meetings. In addition, separate discussions are held during Committee meetings between the Committee and the Head of Internal Audit and the external auditors without management present. In 2017, David Sleath attended the AGM and going forward I will attend to respond to any shareholder questions that might be raised on the Committee's activities. The Committee's activities in 2017 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, where appropriate, challenging 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;
- reviewing the effectiveness of the risk management process;
- receiving and considering a report from a professional services firm relating to their assessment of the Company's risk management processes and procedures;
- 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 coming year;
- considering the extent to which the recommendations previously made by the Chartered Institute of Internal Auditors ('IIA') in 2016 regarding the effectiveness of the internal audit function had been addressed;
- 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 the effectiveness of the Company's internal financial controls and the assurance procedures relating to risk management systems;
- reviewing the Company's annual controls self-assessment process and making recommendations in relation to the improvement thereof;
- 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 policy for the provision of non-audit services by the external auditors;
- 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; and
- reviewing the Company's internal audit charter.

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.

An area of particular focus during the year included the Company's risk management processes and procedures, which had been reviewed by a professional services firm against industry peers and best practice. The Committee considered the results of the review, which concluded that there is a good understanding of the risk management process within the Group, with established routines for risk reporting at both the business area and Group levels, and a commitment to risk management within the Company's management and the Board.

AUDIT COMMITTEE REPORT CONTINUED

While the findings in the report were positive, the Committee has continued to oversee the enhancement of the Company's approach to risk management. This has been achieved by monitoring the implementation of their suggested improvements, all of which have been satisfactorily implemented, and which included the development of a risk management policy, the identification and assessment of emerging risks and an analysis of risk interconnectivity, together with oversight of a formalised risk appetite statement that was approved by the Board in January 2018.

The Committee also considered the preparations being made by management for the future implementation of new accounting standards IFRS 9 (Financial Instruments), IFRS 15 (Revenue from Contracts with Customers) and IFRS 16 (Leases) and the potential impact on the Group.

As a Committee we will continue to keep our activities under review and focused on the audit, assurance and risk processes within the business. By doing so, we will ensure that in the future we are able to maintain high standards of financial governance in line with the regulatory framework as well as market practice for audit committees.

Financial statements and significant accounting matters

During the year and prior to the publication of the Group's results for 2017, the Committee reviewed the 2017 half yearly financial report and related news release, the 2017 Annual Report (including the financial statements), the 2017 annual results news release and the reports from the external auditors on the outcomes of their half year review and their audit relating to 2017.

As part of its work, the Committee considered the following significant accounting matters in relation to the Company's financial statements and challenged the judgements being made in relation thereto.

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 2017. 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. Details of the Company's approach to accounting for acquisitions are set out in Note 24 to the consolidated financial statements.

The carrying value of goodwill and other customer relationships intangible assets

Goodwill is allocated to cash generating units ('CGUs') and is tested annually for impairment. During the year the Committee critically reviewed and discussed management's report on the impairment testing of the carrying value of goodwill and customer relationships intangible assets of each of the CGUs (including the sensitivity of the outcome of impairment testing to the use of different assumptions) 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 customer relationships intangible assets. Details of the key assumptions and judgements used are set out in Note 9 to the consolidated financial statements.

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.

Taxation

The Committee reviewed a report and received a presentation from the Head of Tax highlighting the principal tax risks that the Group faces 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. Having done so, the Committee was satisfied with the key judgements and proposed disclosures related to tax made by management.

The Committee is satisfied that each of the above mentioned significant accounting matters have been properly recorded in the Company's books and records and accounted for appropriately, including relevant disclosure in the Annual Report.

In previous years, in addition to those matters referred to above, supplier rebates have also been considered to be a significant accounting matter which have accordingly been reviewed by the Committee. However, having reviewed the matter again in 2017, the Committee is satisfied that substantially all of the Group's supplier rebate income is unconditional and non-judgemental. As a result, supplier rebates are no longer considered by the Committee to be a significant accounting matter.

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, in addition to considering the results of the external assessment referred to above, 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 nine in-house auditors, including the Head of Internal Audit

AUDIT COMMITTEE REPORT CONTINUED

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. These reports 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. Overall 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.

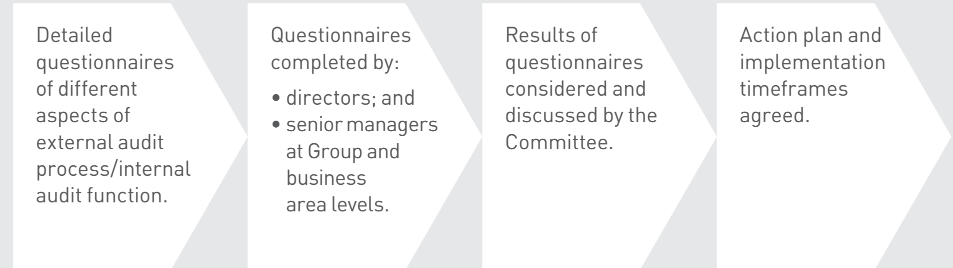
External auditors' independence

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 Company has a detailed policy relating to the provision of non-audit services by the external auditors which is overseen by the Committee. As reported last year, this policy was updated in 2016 following the implementation of the EU Audit Directive and Regulation which changed the rules relating to the provision of non-audit services by the external auditors. Under the revised policy the only non-audit services that have been pre-approved by the Committee are those which are not prohibited or otherwise restricted and which are considered to be trivial due to the value of the services. Apart from such pre-approved services, a permitted service requires specific authorisation from the Committee or myself as the Committee Chairman. It is the Company's policy to assess the non-audit services to be performed by the Company's auditors on a case-by-case basis to ensure adherence to the prevailing ethical standards and regulations. In the main, other firms are used by the Company to provide non-audit services. However, if the provision of a service by the Company's auditors is not prohibited and adequate safeguards are in place, it is sometimes appropriate for this additional work to be carried out by the Company's auditors. Details of the fees paid to the external auditors in 2017 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 2017 was 9%.

Auditors' effectiveness reviews

During 2017 the Committee undertook reviews of the effectiveness of both the Company's external audit process for the 2016 financial statements and the Company's internal audit function. Each of the reviews followed a broadly similar process, as summarised below:



Internal audit function

The questionnaire covered a total of 35 different aspects of the internal audit function including: purpose, authority and responsibility; independence and objectivity; quality assurance processes; adequacy of resources; auditors' skills and capabilities; and the quality of reporting.

The Committee also considered the extent to which the recommendations from the IIA's assessment of the effectiveness of the internal audit function in 2016 had been addressed.

External audit process

The questionnaire covered a total of 24 different aspects of the external 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.

Following these assessments, the Committee concluded that it was satisfied with the effectiveness of the external audit process relating to the 2016 financial statements and that the internal audit function continued to be effective, efficient and appropriately resourced.

The Committee will carry out similar effectiveness reviews in 2018 in respect of the audit of the 2017 financial statements and the internal audit function.

External 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 previously reported, following a detailed tender process, PricewaterhouseCoopers LLP ('PwC') were first appointed as the Company's external auditors in 2014. While the Company has no current retendering plans, in accordance with The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 ('CMA Order') the Company will be required to put the external audit contract out to tender by 2024. In addition, PwC will be required to rotate the audit partner responsible for the Company's audit, who is currently Paul Cragg, every five years. Accordingly, the Company confirms that it has complied with the provisions of the CMA Order for the 2017 financial year.

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 2018 be put to shareholders at the forthcoming AGM.

DIRECTORS' REMUNERATION REPORT

"The remuneration policy and practices are aligned with the long term performance of our business and have been a crucial element in retaining and attracting key talent and in driving behaviours to build a culture where reward is clearly linked to sustainable performance."

Vanda Murray OBE
Chairman of the Remuneration Committee

PRINCIPAL RESPONSIBILITIES OF THE COMMITTEE

Remuneration

- Setting and reviewing directors' remuneration and benefits including base salary, bonus, long term incentive plans and retirement benefits.
- Ensuring that all remuneration paid to the directors is in accordance with the Company's previously approved remuneration policy.
- Ensuring all contractual terms on termination, and any payments made, are fair to the individual and the Company.
- Monitoring the policies and practices applied in respect of the remuneration of senior executives directly below Board level and making recommendations as appropriate.

Long term incentive plans

- Overseeing the Company's long term incentive plans for all employees.

Governance and compliance

- Ensuring that provisions relating to disclosure of remuneration as set out in the relevant legislation, the UK Listing Rules and the Corporate Governance Code are fulfilled.

Composition

The Committee comprises all of the independent non-executive directors of the Company. 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 Julie Welch, Director of Group Human Resources.

Meetings

The Committee met on four occasions during 2017. Members' attendance at those meetings is set out below:

	Meetings attended
Vanda Murray	4
David Sleath[1]	1
Eugenia Ulasewicz	4
Jean-Charles Pauze	4
Lloyd Pitchford[2]	3
Stephan Nanninga[3]	3

1 David Sleath retired as a director on 19 April 2017 having attended all of the Committee meetings held between 1 January 2017 and that date.

2 Lloyd Pitchford was appointed as a director on 1 March 2017 and attended all of the Committee meetings held between that date and the end of the year.

3 Stephan Nanninga was appointed as a director on 1 May 2017 and attended all of the Committee meetings held between that date and the end of the year.

Role

The primary role of the Committee is to determine the framework or broad policy for the remuneration of the Chairman and the executive directors of the Board. The Committee's terms of reference, which were reviewed by both the Committee and the Board in 2017, are available on the Company's website, www.bunzl.com.

Activities

The Committee proposes the directors' remuneration policy for shareholder approval. It also governs the implementation of the policy, ensuring that the remuneration for our executive directors and senior management supports the sustainable performance of the business and that it is aligned with the Company's shareholders' interests. The Committee considers market practice and shareholders' views when setting the Group's performance-related incentives and ensures compliance with UK corporate governance good practice.

INTRODUCTION FROM VANDA MURRAY

Chairman of the Remuneration Committee

I am pleased to present the Directors' remuneration report for the period ended 31 December 2017 which has been prepared by the Remuneration Committee and approved by the Board.

Remuneration policy and shareholder engagement

Our remuneration framework is a crucial element in enabling us to compete for key talent internationally and in continuing to drive our high performance culture which focuses on delivering shareholder value. The Committee believes that the remuneration policy has contributed to our success by creating a culture where reward is aligned to sustainable performance.

At last year's AGM, following consultation with our largest shareholders and their representative bodies on the proposed remuneration structure, we received overwhelming support for the remuneration policy, which was approved with a 92% vote in favour, and 98% support for our remuneration report. I would like to thank our investors for their constructive input and voting support. We have continued to consult with shareholders in 2017 as part of our ongoing commitment to open dialogue to ensure our policy takes into account institutional investors best practice expectations.

The changes made to the remuneration policy in 2017 were designed to drive performance for the Company's next stage of development and to bring the policy in line with current best practice.

DIRECTORS' REMUNERATION REPORT CONTINUED

The policy changes in summary:

- policy maximum for annual bonus of 180% of base salary (the 2017 FTSE 100 market median) but reduction in the target and threshold bonus (as a percentage of the maximum);
- improved disclosure in the remuneration report for the relevant year to include threshold, target and stretch performance metrics;
- maintained bonus deferral of 50% of award into shares for three years;
- strengthened malus and clawback provisions including for the cash element of bonus;
- shareholding requirement increased to 250% for the Chief Executive and maintained at 200% for other executive directors;
- reduction in pension contribution or cash allowance for new executive directors (capped at 25% of base salary);
- time proration for performance shares in the event of an executive director retirement; and
- introduction of a two year post-vesting holding requirement for LTIP awards from the 2017 AGM onwards.

As the AGM and the approval of the directors' remuneration policy occurred part way through 2017, no subsequent changes were made to the executive directors' bonus performance measures for 2017. They have now been reviewed and are being changed for 2018.

The annual bonus opportunity in the policy had remained unchanged for eight years. However, we adopted a prudent, phased approach limiting the increase in bonus to 150% of base salary for the Chief Executive for 2017, 30 percentage points lower than the maximum policy amount. As referred to above, we increased the shareholding requirement for our Chief Executive to 250% of base salary and strengthened the malus and clawback provisions for the annual bonus plan and the Company's Long Term Incentive Plan ('LTIP').

We recognise that investors are keen to understand the degree of stretch in our annual bonus plan. Being mindful of the competitive sensitivity of such disclosure, we have disclosed the performance ranges that apply to our annual bonus plan on a retrospective basis since 2016. We will continue to do so going forward.

The changes we have made to the policy are working well and support the Company's focus on building and strengthening its strategic position for the long term. Looking forward, the Committee will continue to drive and reward performance and maintain alignment with shareholders' interests.

Performance and reward for 2017

The business strategy has remained constant during 2017 with the Group continuing to grow both organically and by acquisition, extending our geographic footprint across 30 countries while continuously improving the quality of our operating model.

This year Group revenue is up 10% and adjusted operating profit is up 6% at constant exchange rates against the background of variable macroeconomic and market conditions.

Annual bonus

In setting our incentive targets, we have regard to the performance potential of the different parts of the business and of the whole Group. The on-target performance level for the bonus is set at, or close to, the budgeted level of performance. The Committee sets a range around the target both to incentivise delivery of a stretching performance and to allow for limited underperformance.

Following the 2017 AGM, the Committee, in determining the implementation of the approved policy for 2017, decided to retain the existing overall structure for the annual bonus with the key performance metrics being the Group's adjusted earnings per share ('eps') and return on average operating capital ('RAOC') and, for Patrick Larmon, two additional measures related to the operating profit and return on average operating capital of the business area for which he has responsibility (North America). We carefully reviewed the financial performance targets for the annual bonus plan and after due consideration the Committee decided to increase the on-target eps bonus award level for the executive directors to slightly above the 2017 budgeted level. In doing so, we ensured that the performance targets became more challenging as the quantum in bonus levels increased, balanced against the fact that we were already part way through the year. Performance against these metrics has resulted in an annual bonus for Frank van Zanten of 73% of the maximum opportunity, which equates to 109% of his annual salary for 2017.

The annual bonuses for Brian May and Patrick Larmon are 95% and 84% of their annual salaries respectively. In line with the remuneration policy, 50% of the annual bonuses will be delivered in shares, subject to a three year deferral.

LTIP grants

The remuneration policy allows annual grants under the LTIP up to 200% of base salary for share options and 150% for performance shares. However, for 2017 we took a prudent approach and award levels were maintained at the same levels as 2016, with share options at up to 200% of base salary and performance shares being held at 112.5% of base salary.

LTIP vesting

The Committee assessed the performance for 2015-2017 based on the metrics set for the LTIP options and performance shares. The strong eps growth was reflected in 100% of executive share options vesting during 2017. In addition, 82% and 56% of performance shares vested for performance periods that ended in March and September 2017 respectively.

Remuneration arrangements for the 2018 financial year

Base salary

Executive directors' base salaries have been increased by between 2.0% and 2.5% effective from 1 January 2018 which is in line with that of the US and UK workforce average respectively.

Annual bonus

The directors' remuneration policy sets the annual bonus maximum level around the FTSE 100 market median. For the 2018 financial year, the Chief Executive's maximum annual bonus opportunity will be 180% of base salary. For the other executive directors, the maximum annual bonus will be 150% of base salary. The on-target bonus is 50% of the maximum, namely 90% of base salary for the Chief Executive and 75% of base salary for the other executive directors.

The annual bonus has previously measured performance with a one-dimensional focus against a single financial measure of eps growth, subject to a RAOC percentage modifier (with only a minor impact on the bonus). Following recent shareholder consultation the Committee has concluded that it is an appropriate time to introduce a balanced scorecard of performance measures for the 2018 bonus award to provide greater alignment to the strategic KPIs and a more rounded view on

DIRECTORS' REMUNERATION REPORT CONTINUED

performance. To this end, for 2018 the bonus award will be based on eps, RAOC, operating cash flow and personal performance linked to certain specified strategic non-financial goals. These metrics are all key to the future business strategy.

The performance measures for the balanced scorecard and their respective weightings are summarised in the table below:

2017	Weighting	2018	Weighting
Eps growth*	100%	Eps growth*	50%
		RAOC%*	15%
		Operating cash flow £m*	15%
		Strategic non-financial goals	20%
	100%		100%
Subject to a RAOC modifier		Subject to an eps underpin – eps to be at least at the threshold level for any bonus to be paid	

* Calculated at constant exchange rates

Threshold, target and stretch levels for all financial measures will be disclosed in the relevant year's remuneration report. The specific performance levels are not disclosed while still commercially sensitive.

When setting the target levels, the Committee conducts an analysis of the challenges and growth opportunities across the Group and sets targets that are stretching without encouraging inappropriate levels of risk. The range itself varies each year taking into account the risks and opportunities facing the business and the principle that target setting year by year results in stretching ambition while ensuring that the scale of reward on offer is proportionate and always linked to performance. For 2018 the level of outperformance required for a maximum bonus on the eps element will be increased further to 112% of target, while maintaining the existing asymmetric range by setting the threshold at 93% of target. To ensure that strong financial performance underpins bonus payouts, the Committee has introduced an eps underpin. If eps performance falls below the threshold level, no bonus will be payable.

LTIP

The normal annual award limits for share options can be up to 200% of base salary and 150% of base salary for the performance share element of the LTIP although award levels for 2018 will once again be held at the same levels as 2016 and 2017, with share options at up to 200% of base salary and performance shares being held at 112.5% of base salary. The resulting LTIP award levels for 2018 are materially lower than the FTSE 100 mid market levels and below the maximum levels permitted by the remuneration policy.

We will continue to set robust and challenging performance conditions for the LTIP awards. These awards are subject to eps growth targets and, in addition, in the case of the performance shares, a relative total shareholder return ('TSR') condition. LTIP awards are subject to a post-vesting holding period which was introduced last year for the executive directors. The holding period continues to apply to any awards retained where an executive director leaves employment.

We will continue to review the LTIP periodically. The opportunity, measures and targets may be considered in the future within the parameters permitted in the remuneration policy.

Conclusions

2017 was a successful year, supported by the Company's remuneration policy, and the level of payout for the annual bonus and vesting of the LTIP awards reflects this. In the following pages you will find details of:

- our current directors' remuneration policy (as approved in April 2017); and
- the annual report on remuneration for 2017.

I hope that you will find this report to be clear and helpful in understanding our remuneration policy and practices.

Vanda Murray OBE
Chairman of the Remuneration Committee
26 February 2018

- 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's Listing Rules and takes into account the accompanying Directors' Remuneration Reporting Guidance and the relevant policies of shareholder representative bodies.
- The directors' remuneration policy was approved by shareholders in a binding vote at the 2017 AGM on 19 April 2017 and is not being submitted to a shareholder vote at the 2018 AGM.

In accordance with the Regulations, at the 2018 AGM we will be asking shareholders to vote on an advisory vote on the annual report on remuneration as set out on pages 84 to 95 which provides details of the remuneration earned by directors for performance in the year ended 31 December 2017.

DIRECTORS' REMUNERATION REPORT CONTINUED

DIRECTORS' REMUNERATION POLICY

We continue to pursue our well defined strategy of developing the business through organic growth, consolidating our position in the markets in which we compete through focused acquisitions in both existing and new geographies and continuously improving our operating model. 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 adjusted earnings per share ('eps') and total shareholder return ('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.

In the application of the remuneration policy, the metrics and targets for the annual bonus plan remained the same for 2017 with eps growth and return on average operating capital ('RAOC') performance measures. For the 2018 financial year and going forward, in addition to eps and RAOC, we have added operating cash flow and personal objectives as performance measures. The weighting is 50% eps growth, 15% RAOC, 15% operating cash flow and 20% strategic personal objectives (non-financial metrics). The eps metric has an underpin attached which must be achieved before any of the other metrics can lead to any bonus being paid.

The directors' remuneration policy was approved by shareholders at the 2017 AGM and is not subject to a vote at the 2018 AGM.

Objectives of the policy

The current directors' remuneration policy, effective from the date of the 2017 AGM, with the exception of the annual bonus where the policy applied for the full financial year in 2017, has been designed to meet the following objectives:

- to support the next phase of the Group's growth and development;
- to bring the policy in line with current best practice principles;
- to provide flexibility to take better account of market remuneration levels;
- to ensure remuneration reflects the performance of the Group in the relevant year and the longer term;
- to ensure that the targets set each year result in stretching ambitions and that the scale of the reward is proportionate; and
- to align pay with the strategic objectives of the Company and the interests of its shareholders.

In setting the remuneration policy for the executive directors, the Committee also takes into consideration a number of different factors:

- the Committee applies the principles set out in the UK Corporate Governance Code and also takes into account best practice guidance issued by the major UK institutional investor bodies, the Financial Conduct Authority (including the provisions of any applicable remuneration codes) and other relevant organisations;
- the Committee has overall responsibility for the remuneration policies and structures for employees of the Group as a whole and it reviews remuneration policy on a Group wide basis. When the Committee determines and reviews the remuneration policy for the executive directors it considers and compares it against the pay, policy and employment conditions of the rest of the Group to ensure that there is alignment between the two; and
- the Committee considers the external market in which the Group operates and uses comparator remuneration data from time to time to inform its decisions. However, the Committee recognises that such data should be used as a guide only (recognising that data can be volatile and may not be directly relevant) and that there is often a need to phase-in changes over a period of time.

The Committee's overall policy, having had due regard to the factors above, continues to be for a substantial proportion of total remuneration to be based on variable pay. This is achieved by setting base pay and benefits up to mid-market levels, with annual bonus and long term incentive opportunities linked to the achievement of demanding performance targets which will be disclosed in the relevant year's remuneration report. In this way the Committee facilitates alignment between the interests of shareholders and the total remuneration paid to the executive directors.

DIRECTORS' REMUNERATION REPORT CONTINUED

Engagement with shareholders

The Committee engages with, and seeks the views of, its major investors and investor representative bodies on any significant changes to the Company's remuneration policy. The Committee also engages from time to time with shareholders when considering important questions about the implementation of the policy. Views expressed by shareholders are considered by the Committee as part of any review of remuneration policy or sooner if appropriate.

Remuneration policy for executive directors

The following table summarises each element of the remuneration policy for the executive directors, explaining how each element operates and links to the corporate strategy.

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 2017 and 2018 are set out on pages 85 and 92 respectively
Performance metrics	• while there are no performance conditions attached to the payment of base salary, 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 Deferred Annual Share Bonus Scheme ('DASBS') • malus and clawback provisions apply under DASBS to allow the recoupment of bonus for three years from the end of the relevant performance year in the event of material misstatement of performance, a significant failure of risk control or serious misconduct. Malus and clawback also apply to the cash element of the bonus award • non-pensionable
Maximum potential value	• the annual bonus policy maximum is 180% of base salary • the annual target bonus opportunity is capped at 50% of the maximum, where the maximum exceeds 140% of base salary • for the 2018 performance year for Frank van Zanten the maximum annual bonus will be 180% of base salary with the on-target award at 50% of the maximum, equating to an on-target bonus of 90% of base salary • for the 2018 performance year for Brian May and Patrick Larmon the maximum annual bonus will be 150% of base salary with the on-target award at 50% of the maximum, equating to an on-target bonus of 75% of base salary • the current threshold levels of bonus are 49% of base salary for Frank van Zanten and Brian May and 31% of base salary for Patrick Larmon

DIRECTORS' REMUNERATION REPORT CONTINUED

Annual bonus continued

Performance metrics	• metrics will be set each year by the Committee aligned to the Company's key strategic objectives For the 2018 performance year, the principal metrics are as follows: • growth at constant exchange rates in the Company's eps against a relevant target • the Company's RAOC performance • the Company's operating cash flow, being cash generated from operations before acquisition related items less net capital expenditure • personal objectives linked to certain specified strategic goals • the use of eps, RAOC and operating cash flow measures are seen as appropriate as they are, or form part of, three of the Company's financial Key Performance Indicators ('KPIs'). The use of eps growth aligns the executive directors' interests with those of the shareholders, RAOC ensures the continued focus on the management of capital employed together with profitability and cash flow ensures the focus on cash generation • 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, tax, customer relationships amortisation and acquisition related items ('PBITA') and RAOC of the business area for which he has direct responsibility (North America) and both are measured on a constant exchange rate basis. The additional measures relating to PBITA and RAOC 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 team 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 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 For the 2018 performance year, the weighting of these metrics will be as follows: • eps – 50% • RAOC – 15% • operating cash flow – 15%, and • strategic non-financial goals – 20% There will be an eps underpin, such that if eps is below threshold there is no bonus payout.

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 • a malus and clawback facility is in operation under which part or the full amount of a vested award may be recovered, by a 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, for a period of three years from the relevant performance year, 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 performance or there has been a significant failure of risk control or serious misconduct • two year post-vesting holding requirement for shares that vest, net of sales to settle tax or other withholding due on vesting or exercise of awards • all awards are subject to the discretions contained in the relevant plan rules

DIRECTORS' REMUNERATION REPORT CONTINUED

Long term incentives continued

Maximum potential value

Executive share options

- maximum annual award of 250% of base salary
- normal annual grant levels for executive directors are expected to be between 167% and 200% of base salary and the Committee would not normally grant above 200% of salary to incumbent executive directors without further consultation with shareholders

Performance shares

- maximum annual award of 150% of base salary
- normal annual grant levels for executive directors are expected to be between 94% and 150% of base salary
- for the 2018 grants, awards will not exceed 112.5% of base salary

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 (which expired in 2014) are shown on page 66 of the 2014 Annual Report. The targets set for the 2014 LTIP are shown on page 87.

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 (which expired in 2014) are shown on page 66 of the 2014 Annual Report. The targets set for the 2014 LTIP are shown on page 88.

DIRECTORS' REMUNERATION REPORT CONTINUED

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 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

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 25% of base salary for new executive directors and 30% of base salary under legacy arrangements • benefits under the legacy UK defined benefit pension plan accrue at a rate of 2.4% per annum on salary up to the notional pensionable salary cap (from 6 April 2018 £160,800 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 accommodation, 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

DIRECTORS' REMUNERATION REPORT CONTINUED

Shareholding requirement

Purpose	• strengthen the alignment between the interests of the executive directors and those of shareholders
Operation	• executives will normally be expected to retain shares, net of sales to settle tax, 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	• the Chief Executive's shareholding requirement is 250% of base salary. The requirement for other executive directors is 200% of base 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 a subset of the Company's KPIs. For 2017, eps modified by RAOC was used for the annual bonus and eps and relative TSR for the 2014 LTIP. Other metrics based on the Company's KPIs may be used in the future where it is considered that they provide clear alignment with the evolving strategy of the Group.

- Eps is one of the Company'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 PBITA and RAOC which are relevant as these are two of the KPIs of the business area he is responsible for managing.
- RAOC is another of the Company's KPIs. The RAOC modifier ensures continued focus on management of capital employed 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 employed at the end of the year.
- 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 a 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.

As outlined on pages 72 and 73 earlier in this report, in addition to the measures referred to above, the Committee is introducing a balanced scorecard of performance measures which will include both operating cash flow and non-financial personal objective measures for the annual bonus plan for the executive directors in 2018 in addition to the existing eps and RAOC measures. This is intended to provide greater alignment to the strategic KPIs and a more rounded assessment of performance. For 2018, the bonus award will be based on the growth in eps, RAOC, operating cash flow and personal performance linked to certain strategic goals.

- Operating cash flow is a measure that forms part of the Company's cash conversion KPI. The use of operating cash flow ensures the focus on cash generation enabling the Group to pay dividends and to support the growth strategy by making acquisitions and reinvesting in the underlying business.
- Personal objectives reward individual contribution to the success of the Company linked to certain specified strategic goals.

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, with payment made after the year end following the Committee's assessment of performance relative to the targets.

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 30 people) are granted both executive share option and performance share awards. Approximately 450 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 may be offered. Currently plans are offered to all employees based in Australia, Canada, Germany, Ireland, the Netherlands, the US and the 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 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 options and performance share awards.

In 2018 the majority of employees across the Group have received average salary increases ranging from 2.0%–3.25%, dependent on geographical location with the principal exception being those employees based in Brazil, Latin America and China where, due to inflation, current market salary increases are 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 Committee considers the general basic salary increase within the geographical regions for the broader employee population when determining the annual salary increases for the executive directors and is cognisant of the Group's overall employment arrangements when reviewing and implementing the executive directors' remuneration policy. Although the Committee did not consult with employees with regard to the remuneration policy of the executive directors, the Company does monitor employees' views through regular employee surveys.

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, any variable pay awards for new executive director appointments will not exceed the maximum limits set out in the policy table above. However, in addition, for an external appointment the Committee may consider offering additional cash and/or share based elements to replace deferred awards forfeited by the individual on leaving their existing employment 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 would take account of the nature, time horizons and performance requirements attaching to the awards forfeited. 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

Frank van Zanten's service contract provides for an equal notice period from the Company and the executive of a maximum 12 months' notice and any contracts for newly appointed executive directors will provide for equal notice in the future. The other executive directors are employed on contracts that provide for 12 months' notice from the Company and six months' notice from the executive. For Brian May there is no predetermined compensation for termination of his contract. 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
Frank van Zanten	13 January 2016
Brian May	9 December 2005
Patrick Larmon	1 January 2005

DIRECTORS' REMUNERATION REPORT CONTINUED

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. However in the case of retirement of an executive director unvested performance shares will normally be subject to time proration based on the proportion of the performance period that has expired
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 to which the unvested options may be exercised 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 but may be subject to time proration. However in the case of the death of an executive, the Committee will determine the extent to which the unvested performance shares may be exercised 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	

Note
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.

DIRECTORS' REMUNERATION REPORT CONTINUED

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:

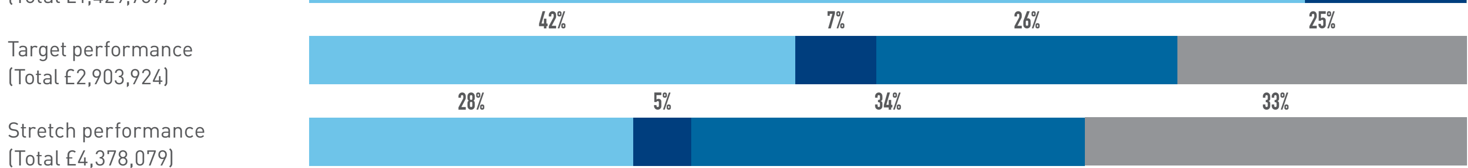
- selecting the participants in the plans;
- determining the timing of grants and/or payments;
- determining the quantum of grants and/or payments (within the limits set out in the policy table above);
- adjusting the constituents of the TSR comparator group;
- determining the extent of vesting based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

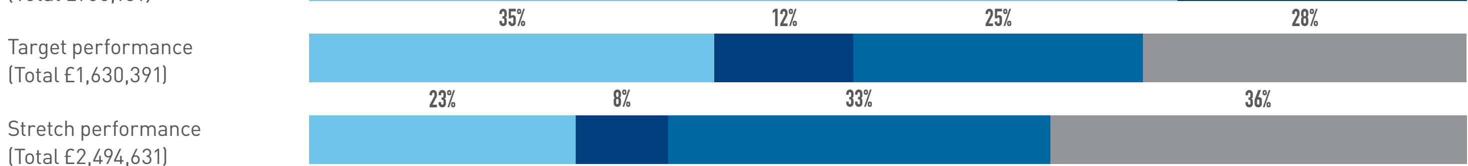
2018 Remuneration overview

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 for 2018, in line with the remuneration policy, is illustrated in the bar charts below.

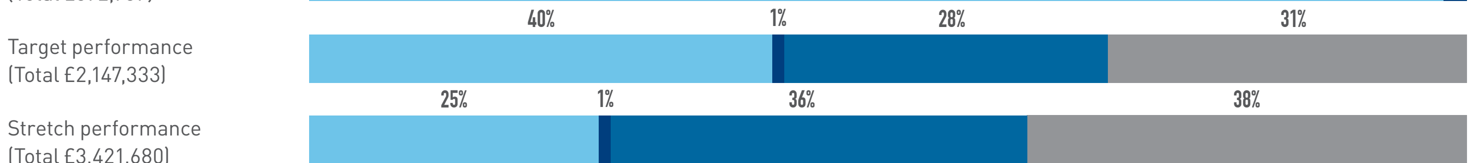
Frank van Zanten



Brian May



Patrick Larmon



Salary and benefits | Pension | Bonus (Cash/DASBS) | LTIP

Notes

a) Salary represents annual salary for 2018. Benefits such as a car or car allowance and private medical insurance have been included based on 2017 figures. In the case of Frank van Zanten, benefits also include the international relocation package including accommodation, which are gross amounts before taxes, referred to on page 85. Patrick Larmon's salary is paid in US dollars and has been translated at the 2017 year end closing exchange rate of £1: US$1.35.

b) Pension represents the cost of pension accrued in 2017 in the Defined Benefit Section of the Bunzl Pension Plan for Brian May, the value of the annual pension allowance for Frank van Zanten and Brian May and the total of the Company's contributions to Patrick Larmon's 401K Plan and Retirement Savings Benefit (the 'RSB'). No further contributions were made for Patrick Larmon through the Defined Contribution Senior Executive Retirement Agreement ('SERA'), further details of which are shown on page 88.

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

DIRECTORS' REMUNERATION REPORT CONTINUED

d) Target performance comprises annual bonus awarded at target level (i.e. for 2018 an on-target bonus of 90% of base salary for Frank van Zanten and 75% of base salary for Brian May and Patrick Larmon comprised of half cash and half 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 for 2018, the maximum annual bonus will be 180% of base salary for Frank van Zanten and 150% of base salary for Brian May and Patrick Larmon comprised of half cash and half 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 and deliver 30% of their face value in gain to the executives.

Legacy arrangements

The directors' remuneration policy approved by shareholders at the 2017 AGM gave authority 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 2018 AGM
Philip Rogerson	1 January 2010	19 April 2017	8 years 3 months
David Sleath*	1 September 2007	n/a	n/a
Eugenia Ulasewicz	1 April 2011	19 April 2017	7 years
Jean-Charles Pauze	1 January 2013	19 April 2017	5 years 3 months
Vanda Murray	1 February 2015	19 April 2017	3 years 2 months
Lloyd Pitchford	1 March 2017	19 April 2017	1 year 1 month
Stephan Nanninga**	1 May 2017	n/a	11 months

* David Sleath retired from the Board at the conclusion of the 2017 AGM held on 19 April 2017 and Lloyd Pitchford was appointed to the Board as a non-executive director with effect from 1 March 2017 and assumed the role of Chairman of the Audit Committee upon David Sleath's retirement. At the same time Vanda Murray assumed the role of Senior Independent Director.

** Stephan Nanninga was appointed to the Board as a non-executive director with effect from 1 May 2017.

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 latest review being with effect from January 2018 • 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

DIRECTORS' REMUNERATION REPORT CONTINUED

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. The Committee consulted with major shareholders and proxy voting groups on the remuneration policy that was approved at the 2017 AGM and the performance measures for the annual bonus plan for executive directors in 2018.

ANNUAL REPORT ON REMUNERATION FOR 2017

Committee remit and membership

The following independent non-executive directors were members of the Committee during 2017:

	Date of appointment to the Committee	Meetings eligible to attend	Meetings attendance
David Sleath	5 December 2007	1	1
Eugenia Ulasewicz	20 April 2011	4	4
Jean-Charles Pauze	1 January 2013	4	4
Vanda Murray	1 February 2015	4	4
Lloyd Pitchford	1 March 2017	3	3
Stephan Nanninga	1 May 2017	3	3

Notes

a) David Sleath retired from the Board on 19 April 2017.

b) Lloyd Pitchford was appointed as a non-executive director of the Company and as a member of the Committee with effect from 1 March 2017.

c) Stephan Nanninga was appointed as a non-executive director of the Company and as a member of the Committee with effect from 1 May 2017.

The Secretary to the Committee is Julie Welch, Director of Group Human Resources. No director plays any part in determining his or her remuneration. During the year ended 31 December 2017, 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 interests of 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 their responsibilities, the Committee seeks external remuneration advice as necessary. During the year the Committee received advice from Willis Towers Watson ('WTW') and Aon Hewitt. WTW provided external survey data on directors' remuneration and benefit levels. Aon Hewitt 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 and in addition advised the Committee on the changes to the remuneration policy. The fees payable to each adviser, based on hourly rates, were: £15,288 (WTW) and £31,203 (Aon Hewitt) respectively for such work undertaken in 2017.

Statement of voting at the 2017 AGM for the remuneration report and the remuneration policy

The remuneration report and remuneration policy received the following shareholder votes in 2017, being the years that they were last voted on by shareholders:

	Votes cast	Votes For	% of shares voted	Votes Against	% of shares voted	Votes Withheld
Remuneration report (2017 AGM)	268,619,208	262,640,824	97.77	5,978,384	2.23	2,461,315
Remuneration policy (2017 AGM)	259,865,084	239,494,126	92.16	20,370,958	7.84	11,215,438

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.

DIRECTORS' REMUNERATION REPORT CONTINUED

Single total figure of remuneration 2017 (audited information)

Executive directors

	Salary £'000		Taxable benefits £'000		Bonus £'000		LTIP £'000		Pension £'000		Total £'000	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Frank van Zanten	**816.0**	652.0	**389.4**	369.5	**891.1**	490.8	**517.5**	738.2	**204.0**	158.3	**2,818.0**	2,408.8
Brian May	**540.6**	530.0	**17.1**	17.0	**513.0**	406.0	**739.1**	1,044.3	**195.0**	182.4	**2,004.8**	2,179.7
Patrick Larmon	**838.1**	779.4	**38.9**	27.7	**705.7**	512.4	**897.3**	1,204.1	**17.2**	16.1	**2,497.2**	2,539.7
Total	**2,194.7**	1,961.4	**445.4**	414.2	**2,109.8**	1,409.2	**2,153.9**	2,986.6	**416.2**	356.8	**7,320.0**	7,128.2

Notes

a) Frank van Zanten was appointed to the Board on 1 February 2016 and became Chief Executive on 20 April 2016.

b) 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 2016 deferred bonus were awarded in 2017 as shown in the table on page 93 and the shares relating to the 2017 deferred bonus will be awarded in 2018.

c) 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, Frank van Zanten's benefits include an international relocation package from Amsterdam to London following his appointment as Chief Executive in April 2016, together with any associated tax liability relating to such package. This includes assistance with accommodation, removal costs and school fees. In addition Patrick Larmon's club fees are paid by the Company.

d) The long term incentives are in the form of awards under the 2004 LTIP which were granted in April 2014 and under the 2014 LTIP granted in October 2014 and February and August 2015. Long term incentive figures exclude any gain from the purchase of shares by Patrick Larmon through the ESPP described on page 78.

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$1:29 in respect of 2017 and £1: US$1:36 in respect of 2016.

f) The value of the LTIP award for Frank van Zanten for 2016 relates to vesting of awards that were granted prior to him becoming Chief Executive.

g) The figures shown in relation to 2016 for the LTIP have been restated from those figures shown in the 2016 Annual Report to reflect the difference between the relevant grant price and the value of the LTIP share option awards on the actual date of vesting on 27 February 2017 and 29 August 2017 at the closing mid-market share price of 2,245p and 2,283p respectively.

Non-executive directors

	Board fees £'000		Committee Chair/SID fees £'000		Total £'000	
	2017	2016	2017	2016	2017	2016
Philip Rogerson – Chairman	**340.0**	340.0	**–**	–	**340.0**	340.0
David Sleath	**20.7**	67.5	**10.2**	32.0	**30.9**	99.5
Eugenia Ulasewicz	**68.9**	67.5	**–**	–	**68.9**	67.5
Jean-Charles Pauze	**68.9**	67.5	**–**	–	**68.9**	67.5
Vanda Murray	**68.9**	67.5	**28.8**	16.0	**97.7**	83.5
Lloyd Pitchford	**57.4**	–	**11.8**	–	**69.2**	–
Stephan Nanninga	**45.9**	–	**–**	–	**45.9**	–
Total	**670.7**	610.0	**50.8**	48.0	**721.5**	658.0

Notes

a) As David Sleath retired from the Board on 19 April 2017, the 2017 fees of £30,855 have been paid until this date.

b) Vanda Murray became Senior Independent Director on 19 April 2017.

c) Lloyd Pitchford and Stephan Nanninga joined the Board on 1 March 2017 and 1 May 2017 respectively.

d) In addition to the remuneration paid to the directors in 2016 shown above, Meinie Oldersma, who resigned as a non-executive director on 22 August 2016, received remuneration of £43,800 in respect of the period 1 January 2016 to 22 August 2016.

e) In addition to payment of the fees shown in the table above, the Company also incurs the travel and subsistence expenses of the Chairman and the non-executive directors relating to their attendance at Board and Committee meetings, together with any associated tax liability relating to such expenses.

No payments were or are to be made to former directors in respect of loss of office. No other payments were made to former directors during the year, with the exception of the amounts paid to Michael Roney in respect of the exercise of executive share options, performance share awards and deferred annual share bonus awards granted prior to his retirement as referred to in the Directors' remuneration report for 2016.

Executive directors' annual salary (audited information)

Executive directors' salaries were reviewed with effect from 1 January 2017 in accordance with normal policy and were increased taking into account the average salary increases for employees across the Group.

	Salary from 1 January 2017	Salary from 1 January 2016	Increase in salary 2016 to 2017
Frank van Zanten	**£816,000**	£800,000	2.0%
Brian May	**£540,600**	£530,000	2.0%
Patrick Larmon	**US$1,081,200**	US$1,060,000	2.0%

Note

Frank van Zanten's base salary was £800,000 from 20 April 2016 upon his appointment as Chief Executive.

Executive directors' salaries were also reviewed with effect from 1 January 2018 and the increases awarded are shown on page 92.

DIRECTORS' REMUNERATION REPORT CONTINUED

Executive directors' external appointments

Frank van Zanten served as a non-executive director of Grafton Group plc in 2017 and during the year retained fees of €70,000. Brian May served as a non-executive director of United Utilities Group PLC in 2017 and during the year retained fees of £79,867. Patrick Larmon served as a non-executive director of Bodycote plc in 2017 and retained fees of £54,372. In addition, he served as a non-executive director of Huttig Building Products, Inc. in 2017 and retained fees of US$146,025 which included US$77,025 worth of deferred shares which vested in 2017.

Non-executive directors' fees (audited information)

The Chairman's fee is reviewed every two years and, as a result, no review took place during 2017. The fees for the non-executive directors were reviewed with effect from 1 January 2017 in accordance with the normal fees' policy.

	With effect from January 2017	Fees paid in 2016	Increase in fees 2016 to 2017
Chairman's fee	**£340,000**	£340,000	–
Non-executive director fee	**£68,850**	£67,500	2.0%
Supplements:			
Senior Independent Director	**£17,000**	£16,000	6.25%
Audit Committee Chairman	**£17,000**	£16,000	6.25%
Remuneration Committee Chairman	**£17,000**	£16,000	6.25%

The Chairman's and the non-executive directors' fees were reviewed with effect from 1 January 2018 and the increases awarded are shown on page 93.

Performance against annual bonus targets (audited information)

The annual bonus plan and DASBS currently operate as set out in the policy section on pages 75 and 76. All of Frank van Zanten's and Brian May's and 25% of Patrick Larmon's bonus potential in 2017 related to 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 PBITA performance of North America ('NA') which was modified by the achievement of NA's RAOC relative to the target set and measured on a constant exchange rate basis. The results for 2017 against the targets set were as follows:

					Performance against targets			
						Primary	Modifier	
Group performance	On-target bonus opportunity as % salary	Threshold eps	Target eps	Stretch eps	% actual constant exchange rate eps relative to target	2017 bonus as % of salary before modifier applied	RAOC for the Group relative to target (53.4%)	2017 bonus award as % of salary
Frank van Zanten	75%	114.4	116.8	127.8	104.5% of target performance	110.5	0.989	109.2
Brian May	70%	114.4	116.8	127.8	104.5% of target performance	96.0	0.989	94.9
Patrick Larmon	17.5%	114.4	116.8	127.8	104.5% of target performance	24.0	0.989	23.7

NA performance	On-target bonus opportunity as % of salary	Target NA PBITA (constant exchange rate US$)	% PBITA of NA businesses relative to target	Bonus as % of salary before modifier applied	RAOC for the NA businesses relative to target	2017 bonus award as % of salary
Patrick Larmon	52.5%	US$402.4m	102% of target performance	63.7	0.949	60.5

Notes

a) For the Group performance table above the annual on-target bonus opportunity for Frank van Zanten is 75% of salary with a threshold award of 49% of salary and a maximum award of 150%. For Brian May and Patrick Larmon the annual on-target bonus opportunity is 70% of salary with a threshold award of 49% of salary for Brian May and 31% of salary for Patrick Larmon and a maximum award of 125 % of salary for both Brian May and Patrick Larmon.

For Group performance, threshold performance was 97.9% of target and the maximum bonus award would have been paid out at 109.4% of target. For NA performance, threshold performance was 95% of target and the maximum bonus award would have been paid out at 107.5% of target.

b) The bonuses derived from the primary measures shown above are increased, decreased or remain unchanged according to the RAOC modifier, being the actual RAOC achieved relative to target RAOC. The RAOC 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 2017 was 122.0p.

DIRECTORS' REMUNERATION REPORT CONTINUED

Accordingly the total payments under the annual bonus plans were:

	Total bonus payment (cash and deferred shares) as a % of salary				
	2017 %	2016 %	2015 %	2014 %	2013 %
Frank van Zanten	**109.2**	75.3	–	–	–
Brian May	**94.9**	76.6	73.8	98.0	104.2
Patrick Larmon	**84.2**	65.7	54.5	69.7	85.3

The monetary values of the bonus payments for 2017 and 2016 are included in the table on page 85.

LTIP grants/awards with performance periods ending in 2017 (audited information)

Executive share option awards – LTIP Part A

Executive share option awards, granted three years previously, are due to vest on 26 February 2018 and 27 August 2018. The Committee assessed the performance of the Company against the relevant performance condition:

LTIP Part A – 26 February 2015 and 27 August 2015 awards

Performance Measure	Vesting schedule	Threshold target (5% p.a.)	Maximum target (8% p.a.)	Actual eps growth	% vesting (max 100%)
Eps growth (over three year period to 31 December 2017)	25% vesting for target performance, 100% vesting for maximum performance	15.8%	26.0%	38.5%	100%

	Date of grant	Number of shares granted	Vesting outcome	Estimated value of award vesting
Frank van Zanten	26 February 2015	15,300	100%	£40,086
	27 August 2015	17,396	100%	£86,110
Brian May	26 February 2015	25,500	100%	£66,810
	27 August 2015	29,001	100%	£143,555
Patrick Larmon	26 February 2015	33,300	100%	£87,246
	27 August 2015	37,639	100%	£186,313

Note

Included in the single total remuneration table on page 85 is the estimated value of these awards based on the difference between the exercise price and the average of the Company's closing mid-market share price for the three month period ended 31 December 2017 (2,182p).

Performance shares – LTIP Part B

Awards of performance shares were made to the executive directors on 4 April 2014 under the 2004 LTIP and 6 October 2014 under the 2014 LTIP and vested during 2017. The Committee assessed the performance of the Company against the relevant performance conditions:

LTIP Part B – 4 April 2014 award

Performance Measure	Vesting schedule	RPI growth (Dec 2013 to Dec 2016)	Threshold target (4% p.a. above RPI growth)	Maximum target (10% p.a. above RPI growth)	Actual eps growth	% vesting (max 50%)
Eps growth relative to RPI (over three year period to 31 December 2016)	25% vesting for threshold performance, 100% vesting for maximum performance	5.4%	17.9%	38.5%	28.8%	32.3%

Performance Measure	Performance period	Vesting schedule	Threshold target (median)	Maximum target (upper quartile)	Actual TSR	% vesting (max 50%)
TSR relative to comparator group of bespoke peer companies	1 April 2014 to 31 March 2017	25% vesting for threshold performance, 100% vesting for maximum performance	35.1% 19.5th out of 38	55.5% 10th out of 38	55.5% 10th out of 38	50.0%

DIRECTORS' REMUNERATION REPORT CONTINUED

LTIP Part B – 6 October 2014

Performance measure	Vesting schedule	Threshold target (6% p.a. compounded)	Maximum target (12% p.a. compounded)	Actual eps growth	% vesting (max 50%)
EPS growth (over three year period to 31 December 2016)	25% vesting for target performance, 100% vesting for maximum performance	19.1%	40.5%	28.8%	29.4%

Performance Measure	Performance period	Vesting schedule	Threshold target (median)	Maximum target (upper quartile)	Actual TSR	% vesting (max 50%)
TSR relative to comparator group of bespoke peer companies	1 October 2014 to 30 September 2017	25% vesting for threshold performance, 100% vesting for maximum performance	30.7% 16.5th out of 32	86.7% 8.5th out of 32	48.2% 13.5th out of 32	26.4%

	Date of grant	Number of shares granted	Vesting outcome – eps	Vesting outcome – TSR	Value of award vesting
Frank van Zanten	4 April 2014	12,150	32.3%	50.0%	£232,877
	6 October 2014	12,300	29.4%	26.4%	£158,398
Brian May	4 April 2014	16,500	32.3%	50.0%	£316,255
	6 October 2014	16,500	29.4%	26.4%	£212,498
Patrick Larmon	4 April 2014	18,500	32.3%	50.0%	£354,590
	6 October 2014	20,900	29.4%	26.4%	£269,136

Note

Included in the single total figure of remuneration on page 85 is the value of these vested awards at the closing mid-market share price on the dates of vesting, 4 April 2017 and 6 October 2017, which were 2,329p and 2,308p respectively.

Total pension entitlements (audited information)

	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 2017	**Total pension 2017**
Frank van Zanten	–	–	–	£204,000	**£204,000**
Brian May	60	–	£78,838	£116,190	**£195,028**
Patrick Larmon	65	–	–	£17,171	**£17,171**

Notes

a) As Chief Executive Frank van Zanten receives a pension allowance of 25% of base salary.

b) Brian May, who joined the Group in the UK prior to the closure of the defined benefit ('DB') sections of the Bunzl Pension Plan ('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. The pensionable salary cap is notionally £154,200 for tax year 2017/18 and £150,600 for tax year 2016/17. The employee contribution rate is currently 10% 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 ('DC') 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 2017 of £7,752 (2016: £7,352).

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. No further SERA payments were made in 2017 and 2016.

f) Patrick Larmon also participates in the Bunzl USA, LLC Deferred Savings (401k) Plan. The Company makes matching contributions to this Plan. During 2017 contributions for Patrick Larmon amounted to £9,419 (2016: £8,768).

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 March and September 2017 and performance share awards were granted in April and October 2017 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
Frank van Zanten	2014 LTIP Part A	02/03/2017	100% of salary	816.0	100%	34,946	31.12.19
	2014 LTIP Part B	10/04/2017	56.25% of salary	459.0	25%	19,565	31.03.20
	2014 LTIP Part A	01/09/2017	100% of salary	816.0	100%	35,324	31.12.19
	2014 LTIP Part B	09/10/2017	56.25% of salary	459.0	25%	19,887	30.09.20
Brian May	2014 LTIP Part A	02/03/2017	95% of salary	513.6	100%	21,994	31.12.19
	2014 LTIP Part B	10/04/2017	52.5% of salary	283.8	25%	12,097	31.03.20
	2014 LTIP Part A	01/09/2017	95% of salary	513.6	100%	22,232	31.12.19
	2014 LTIP Part B	09/10/2017	52.5% of salary	283.8	25%	12,297	30.09.20
Patrick Larmon	2014 LTIP Part A	02/03/2017	95% of salary	834.0	100%	35,716	31.12.19
	2014 LTIP Part B	10/04/2017	52.5% of salary	458.1	25%	19,525	31.03.20
	2014 LTIP Part A	01/09/2017	95% of salary	797.2	100%	34,509	31.12.19
	2014 LTIP Part B	09/10/2017	52.5% of salary	434.7	25%	18,834	30.09.20

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 2 March 2017 and on 1 September 2017 at a value of 2,335p and 2,310p per share respectively. Performance shares were awarded under the 2014 LTIP Part B on 10 April 2017 and on 9 October 2017 at a value of 2,346p and 2,308p per share respectively.

Performance conditions for 2017 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 2017 were as detailed below.

Executive share option awards – 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%

DIRECTORS' REMUNERATION REPORT CONTINUED

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 2017 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 78. 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 2017
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 2017, all executive directors and their connected persons have a shareholding as follows:

	Actual share ownership as a percentage of salary at 31 December 2017 at the closing mid-market price (2,072p)
Frank van Zanten	207%
Brian May	403%
Patrick Larmon	324%

Note

Under the terms of the Company's remuneration policy applicable on his appointment as Chief Executive, Frank van Zanten has a period of up to three years to build up his shareholding requirement of not less than 200% of his base salary. This requirement has increased to 250% under the new remuneration policy approved at the 2017 AGM. In his previous role, he was not required to meet a shareholding requirement.

DIRECTORS' REMUNERATION REPORT CONTINUED

Interests in shares and share options

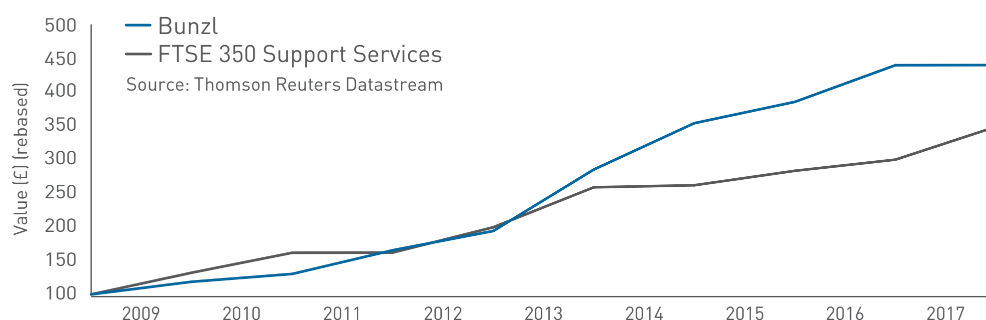
The interests of the directors, and their connected persons, in the Company's ordinary shares and share options to 31 December 2017 were:

	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	
Frank van Zanten	**81,478**	27,670	94,036	161,737	1,642	18,800	385,363
Brian May	**105,240**	31,753	79,615	146,167	2,173	76,000	440,948
Patrick Larmon	**130,896**	34,954	116,766	210,385	–	155,000	648,001
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
Vanda Murray	**3,000**	–	–	–	–	–	3,000
Lloyd Pitchford	**4,000**	–	–	–	–	–	4,000
Stephan Nanninga	**–**	–	–	–	–	–	–

* As David Sleath retired from the Board on 19 April 2017, the above reflects his holding at that date.

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



This graph shows the value, by 31 December 2017, of £100 invested in the ordinary shares of Bunzl plc on 1 January 2009, compared with the value of £100 invested in the FTSE 350 Support Services on the same date.

The other points plotted are the values at intervening financial year ends.

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

The table below summarises the Chief Executive's single total figure of remuneration, annual bonus and long term incentive pay out as a percentage of maximum opportunity for 2017 and the previous eight years.

		2009	2010	2011	2012	2013	2014	2015	2016	**2017**
Single total figure of remuneration £000		1,943.2	2,314.2	3,394.1	3,502.9	4,387.6	4,766.8	3,937.9	3,845.3	**2,818.0**
Annual variable element award rates against maximum opportunity		45%	71%	99%	67%	91%	85%	64%	45%	**73%**
Long term incentive vesting rates against maximum opportunity	LTIP Part A (options)	100%	100%	100%	100%	100%	100%	100%	100%	**100%**
	LTIP Part B (performance shares)	84%	65%	29%	45%	62%	89%	69%	82%	**69%**

Notes

a) The data for 2016 includes the amounts relating to Michael Roney from 1 January 2016 to 19 April 2016 and also includes the LTIP awards made to him that vested in the period from 20 April to 31 December 2016. There was no bonus award for Michael Roney in relation to 2016.

b) The data for 2016 also includes the amounts relating to Frank van Zanten from 20 April to 31 December 2016 including the bonus award for that period and the international relocation package with accommodation benefit support, but excludes the LTIP awards made to him in his previous role that vested during the period from 20 April to 31 December 2016.

c) All years prior to 2016 relate to Michael Roney.

d) No LTIP awards that were granted to Frank van Zanten since he became Chief Executive on 20 April 2016 vested during 2016.

e) The single total figure of remuneration in relation to 2016 has been restated from the figure shown in the 2016 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 f) to the table of the single total figure of remuneration 2017 on page 85.

DIRECTORS' REMUNERATION REPORT CONTINUED

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 2017 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 (2017 vs 2016)	Percentage change (2017 vs 2016)
Salary	2%	7%
Benefits	1%	9%
Bonus	45%	-14%

Notes

a) The 2016 bonus for the Chief Executive is based on the annualised bonus for Frank van Zanten in his role as Chief Executive.

b) Benefits are annualised and exclude the international relocation package benefit for Frank van Zanten of £372,245.

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

d) Bonus relates to the performance targets of the companies for which the relevant individual's 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 2017 and 2016 (as stated in Note 21 and Note 17 to the consolidated financial statements on pages 136 and 131 respectively).

£ million unless otherwise stated	2017	2016	Percentage change
Overall expenditure on pay	**725.8**	647.3	12.1%
Dividend paid in the year	**138.2**	125.4	10.2%

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) The percentage change in overall expenditure on pay includes the impact of changes in exchange rates from 2016 to 2017, the background to which is referred to in the Chief Executive's review on page 6 and in the Financial review on page 25.

2018 Remuneration (audited information)

The current remuneration policy was implemented with effect from the 2017 AGM and continues to apply for 2018.

Salary

The salary increases for the executive directors for 2018, which are in line with increases that have been implemented for other employees in the Group as discussed on page 80, are as follows:

	Salary from 1 January 2018	Salary from 1 January 2017	Increase in salary 2017 to 2018
Frank van Zanten	£836,400	£816,000	2.5%
Brian May	£554,000	£540,600	2.5%
Patrick Larmon	US$1,102,800	US$1,081,200	2.0%

Note

The average sterling: dollar exchange rate for 2017 was £1: $1.29.

DIRECTORS' REMUNERATION REPORT CONTINUED

2018 bonus targets

The structure for Frank van Zanten's, Brian May's and 25% of Patrick Larmon's annual bonus for 2018 is described on pages 75 and 76. For 2018, a balanced scorecard of performance measures is being introduced, based on eps, RAOC, operating cash flow and specified strategic goals and with an eps underpin. If eps performance falls below the threshold level there will be no bonus paid. The Committee has also introduced increased stretch into the eps metric. The level of outperformance required for a maximum bonus has been increased to 112% of target. At the same time, the threshold is only 7% below target maintaining an asymmetric range. For Patrick Larmon the other 75% of his bonus will relate to the attainment of PBITA performance of North America relative to budget which will be modified, positively or negatively, by the achievement of North America's RAOC 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 annual budget. No elements of the bonus are guaranteed. As in previous years, the specific performance points are not disclosed while still commercially sensitive, but are disclosed the following year.

Performance measures for long term incentives to be awarded in 2018

Grants of executive share options and performance shares awarded to executive directors and senior executives in 2018 will be subject to the same performance conditions as those executive share options and performance share awards granted in 2017 as detailed on pages 89 and 90.

Chairman's and non-executive directors' fees for 2018 (audited information)

The Chairman's and the non-executive directors' fees were reviewed with effect from 1 January 2018. The Chairman's fee is reviewed every two years with the previous review in January 2016. The non-executive directors' fees are reviewed annually. The current fee structure for the Chairman and the non-executive directors is shown below:

	With effect from 1 January 2018	Fees paid in 2017	Increase in fees 2017 to 2018
Chairman's fee	£357,000	£340,000	5.0%
Non-executive director basic fee	£70,400	£68,850	2.25%
Supplements:			
Senior Independent Director	£18,000	£17,000	5.88%
Audit Committee Chairman	£18,000	£17,000	5.88%
Remuneration Committee Chairman	£18,000	£17,000	5.88%

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 2017

The outstanding awards granted to each director of the Company and any director with an interest in the Company during 2017 under the DASBS are set out in the table below. Further information relating to the deferred bonus is provided on page 75.

	Shares held at 1 January 2017	Shares awarded during 2017	Shares vested during 2017	Total number of award shares at 31 December 2017	Normal vesting date	Share price at grant p	Market price at vesting p	Monetary value of vested award £000
Frank van Zanten	9,566		9,566	–	01.03.17	1,573	2,335	223
	7,976			7,976	01.03.18	1,896		
	8,190			8,190	01.03.19	1,933		
		11,504		11,504	01.03.20	2,255		
Brian May	15,898		15,898	–	01.03.17	1,573	2,335	371
	12,921			12,921	01.03.18	1,896		
	9,831			9,831	01.03.19	1,933		
		9,001		9,001	01.03.20	2,255		
Patrick Larmon	16,003		16,003	–	01.03.17	1,573	2,335	374
	12,061			12,061	01.03.18	1,896		
	10,478			10,478	01.03.19	1,933		
		12,415		12,415	01.03.20	2,255		

Note

The deferred element of the 2017 annual bonus plan as shown on page 85 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 during 2017.

Executive share options – LTIP Part A

	Options at 1 January 2017	Grant date	Exercise price p	Options exercisable between	Options at 31 December 2017
Frank van Zanten	18,000	30.08.13	1,375	30.08.16–29.08.23	–
	16,200	27.02.14	1,566	27.02.17–26.02.24	–
	18,800	29.08.14	1,641	29.08.17–28.08.24	**18,800**
	15,300	26.02.15	1,920	26.02.18–25.02.25	**15,300**
	17,396	27.08.15	1,687	27.08.18–26.08.25	**17,396**
	16,135	03.03.16	1,945	03.03.19–02.03.26	**16,135**
	42,636	02.09.16	2,336	02.09.19–01.09.26	**42,636**
	–	02.03.17	2,335	02.03.20–01.03.27	**34,946**
	–	01.09.17	2,310	01.09.20–31.08.27	**35,324**
Total	**144,467**				**180,537**
Brian May	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**
	25,500	26.02.15	1,920	26.02.18–25.02.25	**25,500**
	29,001	27.08.15	1,687	27.08.18–26.08.25	**29,001**
	25,887	03.03.16	1,945	03.03.19–02.03.26	**25,887**
	21,553	02.09.16	2,336	02.09.19–01.09.26	**21,553**
	–	02.03.17	2,335	02.03.20–01.03.27	**21,994**
	–	01.09.17	2,310	01.09.20–31.08.27	**22,232**
Total	**177,941**				**222,167**
Patrick Larmon	36,000	01.03.12	962	01.03.15–28.02.22	–
	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**
	33,300	26.02.15	1,920	26.02.18–25.02.25	**33,300**
	37,639	27.08.15	1,687	27.08.18–26.08.25	**37,639**
	36,810	03.03.16	1,945	03.03.19–02.03.26	**36,810**
	32,411	02.09.16	2,336	02.09.19–01.09.26	**32,411**
	–	02.03.17	2,335	02.03.20–01.03.27	**35,716**
	–	01.09.17	2,310	01.09.20–31.08.27	**34,509**
Total	**331,160**				**365,385**

Notes

a) Executive share options were exercised during 2017 by:

(i) Frank van Zanten on 3 March 2017 in respect of 18,000 ordinary shares at an exercise price of 1,375p, at a market price of 2,307p, resulting in a gain of £167,760 and 16,200 ordinary shares at an exercise price of 1,566p, at a market price of 2,307p, resulting in a gain of £120,042; and

(ii) Patrick Larmon on 2 May 2017 in respect of 36,000 ordinary shares at an exercise price of 962p, at a market price of 2,400.5p resulting in a gain of £517,860.

b) The mid-market price of a share on 31 December 2017 was 2,072p and the range during 2017 was 2,016p to 2,465p.

c) 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.

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

DIRECTORS' REMUNERATION REPORT CONTINUED

Performance shares – LTIP Part B

	Awards (shares) held at 01-Jan 2017	Conditional shares awarded during 2017	Award date	Market price per share at award p	Lapsed awards (shares) during 2017	Exercised awards (shares) during 2017	Market price per share at exercise p	Value at exercise £000	Awards (shares) held at 31 December 2017
Frank van Zanten	12,150	–	04.04.14	1,606	2,157	9,993	2,335	233	**–**
	12,300	–	06.10.14	1,597	5,436	–	–	–	**6,864**
	10,200	–	02.04.15	1,840	–	–	–	–	**10,200**
	10,587	–	05.10.15	1,804	–	–	–	–	**10,587**
	10,369	–	11.04.16	2,051	–	–	–	–	**10,369**
	23,428	–	11.10.16	2,325	–	–	–	–	**23,428**
	–	19,565	10.04.17	2,346	–	–	–	–	**19,565**
	–	19,887	09.10.17	2,308	–	–	–	–	**19,887**
Total	**79,034**	**39,452**			**7,593**	**9,993**			**100,900**
Brian May	16,500	–	04.04.14	1,606	2,929	13,571	2,335	317	**–**
	16,500	–	06.10.14	1,597	7,292	9,208	2,303	212	**–**
	14,700	–	02.04.15	1,840	–	–	–	–	**14,700**
	14,988	–	05.10.15	1,804	–	–	–	–	**14,988**
	13,566	–	11.04.16	2,051	–	–	–	–	**13,566**
	11,967	–	11.10.16	2,325	–	–	–	–	**11,967**
	–	12,097	10.04.17	2,346	–	–	–	–	**12,097**
	–	12,297	09.10.17	2,308	–	–	–	–	**12,297**
Total	**88,221**	**24,394**			**10,221**	**22,779**			**79,615**
Patrick Larmon	18,500	–	04.04.14	1,606	3,284	15,216	2,335	355	**–**
	20,900	–	06.10.14	1,597	9,236	11,664	2,301	268	**–**
	20,000	–	02.04.15	1,840	–	–	–	–	**20,000**
	19,834	–	05.10.15	1,804	–	–	–	–	**19,834**
	19,235	–	11.04.16	2,051	–	–	–	–	**19,235**
	19,338	–	11.10.16	2,325	–	–	–	–	**19,338**
	–	19,525	10.04.17	2,346	–	–	–	–	**19,525**
	–	18,834	09.10.17	2,308	–	–	–	–	**18,834**
Total	**117,807**	**38,359**			**12,520**	**26,880**			**116,766**

All employees share scheme

The table below shows the number of share options granted to the executive directors under the Sharesave Schemes. Details of the Sharesave Schemes are set out on page 78.

Sharesave Schemes

	Options at 1 January 2017	Grant date	Exercise Price p	Options exercisable between	Options at 31 December 2017
Frank van Zanten	678	01.04.15	1,536	01.05.18-31.10.18	**678**
	964	29.03.16	1,556	01.05.21-31.10.21	**964**
Brian May	1,197	21.03.14	1,253	01.05.19-31.10.19	**1,197**
	976	20.03.15	1,536	01.05.20-31.10.20	**976**

Vanda Murray OBE
Chairman of the Remuneration Committee
26 February 2018

OTHER STATUTORY INFORMATION

Annual General Meeting

The Notice convening the Company's Annual General Meeting ('AGM'), to be held at The Park Suite, The Dorchester, Park Lane, London W1K 1QA on Wednesday 18 April 2018 at 11.00 am., is set out in a separate letter from the Chairman to shareholders.

Dividends

An interim dividend of 14.0p was paid on 2 January 2018 in respect of 2017 and the directors recommend a final dividend of 32.0p, making a total for the year of 46.0p per share (2016: 42.0p). Dividend details are given in Note 17 to the consolidated financial statements. Subject to shareholder approval at the 2018 AGM, the final dividend will be paid on 2 July 2018 to those shareholders on the register at the close of business on 25 May 2018.

Share capital

The Company has a single class of share capital which is divided into ordinary shares of 32¹⁄₇p 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.

Bunzl Group General Employee Benefit Trust

The trustee of the Bunzl Group General Employee Benefit Trust ('the EBT') holds shares in respect of employee share options and awards that have not been exercised or vested. 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.

Substantial shareholdings

As at 31 December 2017, the Company had been notified of the following significant interests in the issued share capital of the Company, in accordance with rule 5 of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

Shareholder	Date of notification	Number of shares	% of issued share capital
Massachusetts Financial Services Company	13.12.17	33,644,264	10.02
GIC Private Limited	18.12.17	18,096,160	5.39
FMR LLC	05.10.17	17,494,199	5.20
BlackRock, Inc.	06.03.17	17,257,793	5.14
APG Asset Management N.V.	24.06.15	10,265,263	3.06

On 13 February 2018, the Company received a further notification that Massachusetts Financial Services Company had reduced its shareholding to 32,329,330 shares (9.62% of the Company's issued share capital). No other notifications have been received between 31 December 2017 and 26 February 2018.

Power to issue and allot shares

The directors are generally and unconditionally authorised under the authorities granted at the 2017 AGM to allot shares in the Company up to approximately one third of the Company's issued share capital or two thirds in respect of a rights issue. The directors were also given the power to allot ordinary shares for cash up to a limit representing approximately 10% of the Company's issued share capital as at 13 March 2017, without regard to the pre-emption provisions of the Companies Act 2006 (however, more than 5% can only be used in connection with an acquisition or specified capital investment).

No such shares were issued or allotted under these authorities in 2017, 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 AGM and the directors again propose to seek equivalent authorities at such AGM.

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, any persons closely associated with them, are subject to the Company's Share Dealing Code.

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 share; and
- in favour of not more than four transferees.

OTHER STATUTORY INFORMATION CONTINUED

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 failing 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 2017 AGM, shareholders gave the Company authority to purchase up to a maximum amount equivalent to approximately 10% of its issued share capital. During the year ended 31 December 2017, the Company did not purchase any of its own shares pursuant to this authority or the authority granted at the 2016 AGM and no shares have been purchased between 31 December 2017 and 26 February 2018. As a result, directors again propose to seek the equivalent authority at the 2018 AGM.

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 AGM 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 AGM 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 AGM 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 the directors are set out on page 57. Lloyd Pitchford and Stephan Nanninga were appointed to the Board with effect from 1 March 2017 and 1 May 2017 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 AGM in accordance with the UK Corporate Governance Code.

Directors' interests in the Company's 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 2017. 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 71 to 95.

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 2017 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.

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 42 to 50.

OTHER STATUTORY INFORMATION CONTINUED

Greenhouse gas emissions

Information relating to greenhouse gas emissions has been set out in the Corporate responsibility report on pages 42 to 50.

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 the 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.

Further information relating to the Group's employees can be found in the Our people section of this Annual Report on pages 38 to 41.

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 repayable 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 and the senior unsecured bond (which is listed on the London Stock Exchange), all of which have been entered into by Bunzl Finance plc and the Company and are also guaranteed by the Company.

Political donations

During 2017, no contributions were made for political purposes.

Use of financial instruments

Information on the use of financial instruments can be found in the Financial review on pages 24 to 28 and in the Notes to the financial statements on pages 105 to 140.

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 129, there are no disclosures required to be made under UK Listing Rule 9.8.4.

External auditors

Each of the directors in office 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 Group and 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 Group and 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 AGM for the re-appointment of PricewaterhouseCoopers LLP as auditors of the Company, at a rate of remuneration to be determined by the directors.

Future developments within the Group

An indication of likely future developments in the Group's business can be found in the Strategic report on pages 1 to 55.

Strategic report and Directors' report

Pages 1 to 55 inclusive consist of the Strategic report and pages 56 to 98 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.

The Company has chosen, in accordance with Section 414C(11) of the Companies Act 2006, to include certain matters in its Strategic report that would otherwise be required to be disclosed in this Directors' report. These matters are refered to above and are explained in more detail in the Strategic report on pages 1 to 55.

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 26 February 2018.

On behalf of the Board

Paul Hussey
Secretary
26 February 2018

FINANCIAL STATEMENTS

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CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2017

	Notes	**2017 £m**	2016 £m
Revenue	3	**8,580.9**	7,429.1
Operating profit	3	**456.0**	409.7
Finance income	5	**10.6**	7.1
Finance expense	5	**(57.3)**	(53.9)
Profit before income tax		**409.3**	362.9
Income tax	6	**(98.8)**	(97.0)
Profit for the year attributable to the Company's equity holders		**310.5**	265.9
Earnings per share attributable to the Company's equity holders			
Basic	7	**94.2p**	80.7p
Diluted	7	**93.5p**	79.7p

	Notes	**2017 £m**	2016 £m
Alternative performance measures†			
Operating profit	3	**456.0**	409.7
Adjusted for:			
Customer relationships amortisation	3	**96.6**	81.3
Acquisition related items	3	**36.7**	34.0
Adjusted operating profit		**589.3**	525.0
Finance income	5	**10.6**	7.1
Finance expense	5	**(57.3)**	(53.9)
Adjusted profit before income tax		**542.6**	478.2
Tax on adjusted profit	6	**(149.2)**	(128.6)
Adjusted profit for the year		**393.4**	349.6
Adjusted earnings per share	7	**119.4p**	106.1p

† See Note 2w on page 110 for further details of the alternative performance measures.

The Accounting policies and other Notes on pages 105 to 140 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2017

	Notes	**2017 £m**	2016 £m
Profit for the year		**310.5**	265.9
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**	(42.4)
Tax on items that will not be reclassified to profit or loss	6	**(9.6)**	8.3
Total items that will not be reclassified to profit or loss		**17.4**	(34.1)
Items that may be reclassified to profit or loss:			
Foreign currency translation differences on foreign operations		**(53.3)**	267.0
Gain/(loss) taken to equity as a result of effective net investment hedges		**7.2**	(59.7)
Gain recognised in cash flow hedge reserve		**2.4**	2.6
Movement from cash flow hedge reserve to income statement		**(7.0)**	(1.5)
Tax on items that may be reclassified to profit or loss	6	**1.3**	(0.7)
Total items that may be reclassified subsequently to profit or loss		**(49.4)**	207.7
Other comprehensive (expense)/income for the year		**(32.0)**	173.6
Total comprehensive income attributable to the Company's equity holders		**278.5**	439.5

CONSOLIDATED BALANCE SHEET

at 31 December 2017

	Notes	2017 £m	2016 £m
Assets			
Property, plant and equipment	8	**125.2**	123.3
Intangible assets	9	**2,351.7**	1,947.6
Derivative financial assets		**10.0**	14.9
Deferred tax assets	15	**3.4**	2.3
Total non-current assets		**2,490.3**	2,088.1
Inventories	10	**1,064.9**	960.9
Trade and other receivables	11	**1,258.4**	1,157.5
Income tax receivable		**4.4**	5.7
Derivative financial assets		**10.3**	12.5
Cash at bank and in hand	23	**333.6**	282.4
Assets classified as held for sale	26	**27.7**	–
Total current assets		**2,699.3**	2,419.0
Total assets		**5,189.6**	4,507.1
Equity			
Share capital	16	**108.0**	107.9
Share premium		**171.4**	167.5
Translation reserve		**(17.9)**	27.7
Other reserves		**17.3**	21.1
Retained earnings		**1,169.8**	988.3
Total equity attributable to the Company's equity holders		**1,448.6**	1,312.5
Liabilities			
Interest bearing loans and borrowings	23	**1,499.2**	1,283.6
Defined benefit pension liabilities	20	**51.0**	84.1
Other payables		**30.7**	30.5
Income tax payable		**3.0**	–
Provisions	14	**39.0**	31.0
Derivative financial liabilities		**0.9**	1.7
Deferred tax liabilities	15	**158.0**	124.9
Total non-current liabilities		**1,781.8**	1,555.8
Bank overdrafts	23	**221.3**	155.7
Interest bearing loans and borrowings	23	**145.1**	86.0
Trade and other payables	12	**1,468.4**	1,297.8
Income tax payable		**90.5**	82.9
Provisions	14	**6.2**	8.3
Derivative financial liabilities		**12.4**	8.1
Liabilities classified as held for sale	26	**15.3**	–
Total current liabilities		**1,959.2**	1,638.8
Total liabilities		**3,741.0**	3,194.6
Total equity and liabilities		**5,189.6**	4,507.1

Approved by the Board of directors of Bunzl plc (Company registration number 358948) on 26 February 2018 and signed on its behalf by Frank van Zanten, Chief Executive and Brian May, Finance Director.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

	Share capital £m	Share premium £m	Translation reserve £m	Other reserves: Merger £m	Other reserves: Capital redemption £m	Other reserves: Cash flow hedge £m	Retained earnings: Own shares £m	Retained earnings: Earnings £m	Total equity £m
At 1 January 2017	**107.9**	**167.5**	**27.7**	**2.5**	**16.1**	**2.5**	**(132.4)**	**1,120.7**	**1,312.5**
Profit for the year								**310.5**	**310.5**
Actuarial gain on defined benefit pension schemes								**27.0**	**27.0**
Foreign currency translation differences on foreign operations			**(53.3)**						**(53.3)**
Gain taken to equity as a result of effective net investment hedges			**7.2**						**7.2**
Gain recognised in cash flow hedge reserve						**2.4**			**2.4**
Movement from cash flow hedge reserve to income statement						**(7.0)**			**(7.0)**
Income tax credit/(charge) on other comprehensive income			**0.5**			**0.8**		**(9.6)**	**(8.3)**
Total comprehensive income			**(45.6)**			**(3.8)**		**327.9**	**278.5**
2016 interim dividend								**(42.8)**	**(42.8)**
2016 final dividend								**(95.4)**	**(95.4)**
Issue of share capital	**0.1**	**3.9**							**4.0**
Employee trust shares							**(20.8)**		**(20.8)**
Movement on own share reserves							**30.3**	**(30.3)**	**–**
Share based payments								**12.6**	**12.6**
At 31 December 2017	**108.0**	**171.4**	**(17.9)**	**2.5**	**16.1**	**(1.3)**	**(122.9)**	**1,292.7**	**1,448.6**

	Share capital £m	Share premium £m	Translation reserve £m	Other reserves: Merger £m	Other reserves: Capital redemption £m	Other reserves: Cash flow hedge £m	Retained earnings: Own shares £m	Retained earnings: Earnings £m	Total equity £m
At 1 January 2016	107.7	163.9	(179.1)	2.5	16.1	1.6	(118.9)	1,022.5	1,016.3
Profit for the year								265.9	265.9
Actuarial loss on defined benefit pension schemes								(42.4)	(42.4)
Foreign currency translation differences on foreign operations			267.0						267.0
Loss taken to equity as a result of effective net investment hedges			(59.7)						(59.7)
Gain recognised in cash flow hedge reserve						2.6			2.6
Movement from cash flow hedge reserve to income statement						(1.5)			(1.5)
Income tax (charge)/credit on other comprehensive income			(0.5)			(0.2)		8.3	7.6
Total comprehensive income			206.8			0.9		231.8	439.5
2015 interim dividend								(38.6)	(38.6)
2015 final dividend								(86.8)	(86.8)
Issue of share capital	0.2	3.6							3.8
Employee trust shares							(37.5)		(37.5)
Movement on own share reserves							24.0	(24.0)	–
Share based payments								15.8	15.8
At 31 December 2016	107.9	167.5	27.7	2.5	16.1	2.5	(132.4)	1,120.7	1,312.5

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2017

	Notes	**2017 £m**	2016 £m
Cash flow from operating activities			
Profit before income tax		**409.3**	362.9
Adjusted for:			
net finance expense	5	**46.7**	46.8
customer relationships amortisation	9	**96.6**	81.3
acquisition related items	3	**36.7**	34.0
Adjusted operating profit		**589.3**	525.0
Adjustments:			
non-cash items	25	**28.9**	28.0
working capital movement	25	**(15.6)**	(6.3)
Cash generated from operations before acquisition related items		**602.6**	546.7
Cash outflow from acquisition related items	24	**(13.9)**	(17.0)
Income tax paid		**(113.1)**	(123.2)
Cash inflow from operating activities		**475.6**	406.5
Cash flow from investing activities			
Interest received		**2.3**	5.9
Purchase of property, plant and equipment and software	8,9	**(33.8)**	(25.4)
Sale of property, plant and equipment		**0.9**	0.6
Purchase of businesses	24	**(574.6)**	(159.6)
Cash outflow from investing activities		**(605.2)**	(178.5)
Cash flow from financing activities			
Interest paid		**(46.8)**	(49.1)
Dividends paid	17	**(138.2)**	(125.4)
Increase in borrowings		**418.7**	206.1
Repayment of borrowings		**(87.3)**	(210.5)
Realised (losses)/gains on foreign exchange contracts		**(10.2)**	22.9
Proceeds from issue of ordinary shares to settle share options		**4.0**	3.8
Proceeds from exercise of market purchase share options		**24.7**	26.4
Purchase of employee trust shares		**(48.1)**	(67.7)
Cash inflow/(outflow) from financing activities		**116.8**	(193.5)
(Decrease)/increase in cash and cash equivalents		**(12.8)**	34.5
Cash and cash equivalents at start of year		**126.7**	50.7
(Decrease)/increase in cash and cash equivalents		**(12.8)**	34.5
Currency translation		**(1.6)**	41.5
Cash and cash equivalents at end of year	23	**112.3**	126.7

Alternative performance measures[†]		
Cash generated from operations before acquisition related items	**602.6**	546.7
Purchase of property, plant and equipment and software	**(33.8)**	(25.4)
Sale of property, plant and equipment	**0.9**	0.6
Operating cash flow	**569.7**	521.9
Cash conversion % (operating cash flow to adjusted operating profit)	**97%**	99%

[†] See Note 2w on page 110 for further details of the alternative performance measures.

NOTES

1 Basis of preparation

Bunzl plc (the 'Company') is a public company, which is limited by shares and is listed on the London Stock Exchange. The Company is incorporated and domiciled in the United Kingdom and is registered in England and Wales.

(i) Basis of accounting

The consolidated financial statements for the year ended 31 December 2017 have been approved by the Board of directors of Bunzl plc. They are prepared in accordance with (i) EU endorsed International Financial Reporting Standards ('IFRS') and interpretations of the IFRS Interpretations Committee ('IFRS IC') and those parts of the Companies Act 2006 as applicable to companies using IFRS and (ii) IFRS 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 applicable to the Group for the year ended 31 December 2017. The Group has adopted all relevant amendments to existing standards and interpretations issued by the IASB that are effective from 1 January 2017 with no material impact on its consolidated results or financial position.

The Group is currently assessing the potential impact of new and revised standards and interpretations issued by the IASB that will be effective from 1 January 2018 and beyond, none of which have been adopted early. A summary of the Group's current considerations with respect to three of the new accounting standards is included below.

IFRS 15 'Revenue from Contracts with Customers' is effective in the consolidated financial statements for the year ending 31 December 2018. IFRS 15 requires companies to apportion revenue from customer contracts to separate performance obligations and recognise revenue as these performance obligations are satisfied. The vast majority of the Group's revenue is generated from the delivery of goods to customers representing a single performance obligation which is satisfied upon delivery of the relevant goods. During the year the Group carried out a detailed assessment of its other revenue streams and assessed the revenue recognition policies for these goods and services against the requirements of IFRS 15. The Group's other revenue generating activities represent circa 1% of total revenue. The majority of this revenue relates to design and fit-out services for foodservice customers and fulfilment services where the Group does not take title to inventory. Having assessed these and other services performed, the Group has determined that the recognition of revenue under IFRS 15 does not differ materially from current accounting practice. Accordingly, based on the Group's assessment, the application of IFRS 15 is not anticipated to have a material impact on the timing of revenue recognition and is not anticipated to have a material impact on the Group's operating profit or financial position. Therefore the adoption of IFRS 15 is not expected to lead to a restatement of the 2017 consolidated income statement in the 2018 Annual Report. The Group will adopt IFRS 15 on 1 January 2018 using the retrospective approach.

IFRS 9 'Financial Instruments' will be effective in the consolidated financial statements for the year ending 31 December 2018 with a transition date of 1 January 2017. The Group has reviewed the differences between IFRS 9 and the current accounting policies which comply with IAS 39 'Financial Instruments: Recognition and Measurement' and has determined that the only notable change affecting the Group is that IFRS 9 provides a new expected credit loss impairment model for financial assets. During the year the Group carried out an assessment of the impact of adopting the expected credit loss impairment model for financial assets particularly on the provision for trade receivables and has determined that it will not have a material impact on the overall level of provisioning. Based on the Group's overall assessment, the application of IFRS 9 is not anticipated to have a material impact on the Group's consolidated results or financial position. Therefore the adoption of IFRS 9 on 1 January 2018 is not expected to lead to a restatement of the 2017 results in the 2018 Annual Report.

IFRS 16 'Leases' will be effective in the consolidated financial statements for the year ending 31 December 2019. The Group will adopt IFRS 16 on 1 January 2019 and intends to use the modified retrospective approach to transition utilising the practical expedients outlined in the standard. To prepare for the transition to this new accounting standard, data has been collated on all of the Group's leases which are principally for warehouses, offices and vehicles. Based on the Group's assessment, which is ongoing, the application of IFRS 16 will have a material impact on the consolidated financial statements.

The new standard will require that the Group's leased assets are recorded within property, plant and equipment as 'right of use assets' with a corresponding lease liability which is based on the discounted value of the cash payments required under each lease. Whilst the actual impact will not be known until IFRS 16 is adopted on 1 January 2019, using projections based on leases in place at 31 December 2017 and assuming an adoption date of 1 January 2017, it is currently estimated that adoption of IFRS 16 would increase the carrying value of property, plant and equipment at 31 December 2017 by between £350 million and £400 million, with liabilities increasing by between £450 million and £500 million. The existing operating lease expense, currently recorded in operating costs, will be replaced by a depreciation charge, which will be lower than the current operating lease expense, and a separate financing expense, which will be recorded in interest expense. It is currently estimated that there will be a small positive impact on profit before tax but there will be no net cash flow impact arising from the new standard. Net debt to EBITDA (being earnings before interest, tax, depreciation, customer relationships and software amortisation and acquisition related items) calculated at average exchange rates will increase by approximately 0.2 times but current banking covenants will be unaffected. The Group does not currently intend to alter its approach as to whether assets should be leased or bought going forward.

Apart from these three standards, the Group does not anticipate that any other new or revised standards and interpretations currently issued by the IASB that will be effective from 1 January 2018 and beyond will have a material impact on its consolidated results or financial position.

NOTES CONTINUED

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 155 to 157 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.

When less than 100% of a subsidiary is acquired, the Group measures the present ownership component of the non-controlling interest at fair value at the acquisition date which means that goodwill includes a portion attributable to the non-controlling interest. When an acquisition of less than 100% of a subsidiary also includes an option to purchase the remaining share of the subsidiary, the anticipated acquisition method is applied, where judged appropriate to do so, meaning that no non-controlling interest is recognised. A liability is carried on the balance sheet equal to the fair value of the option and this is revised to fair value at each reporting date with differences being recorded in acquisition related items in 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.

c Revenue

The Group is principally engaged in the delivery of goods to customers. Revenue from the sale of goods 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.

NOTES CONTINUED

2 Accounting policies continued

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. Substantially all supplier rebate income is unconditional and non-judgemental. 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, and 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. Current tax payable is recognised when it is probable that the Group will be required to settle the obligation. The Group's policy for accounting for current tax payable or receivable where it is uncertain is described in more detail in the Critical accounting judgements, estimates and assumptions section, part d – Taxation.

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 and where the Company controls the timing of the reversal. 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.

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	50 years (or depreciated over life of lease if shorter than 50 years)
Plant and machinery	3 to 12 years
Fixtures, fittings and equipment	3 to 12 years
Freehold land	Not depreciated

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

NOTES CONTINUED

2 Accounting policies continued

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 chose to apply IFRS 3 'Business Combinations' from 1 January 2004 and 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 transaction costs and expenses) 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) Customer relationships

Customer relationships intangible assets acquired in a business combination are recognised on acquisition and recorded at fair value. Subsequent to initial recognition, customer relationships intangible assets 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.

(iii) Software

Software is stated at historical cost less accumulated amortisation and any impairment losses. The carrying value of software is periodically reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. Amortisation is charged to the income statement on a straight line basis over the estimated useful economic lives which range from three to seven 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 is based on the first-in first-out principle and 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. Provision is made for obsolete, slow moving or defective items where appropriate.

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 including 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 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 adjusted for the fair value of interest rate swaps on fixed interest rate borrowings and other derivatives managing the interest rate and currency profile 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.

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.

NOTES CONTINUED

2 Accounting policies continued

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 on 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 expense 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 Alternative performance measures

Further to the various performance measures defined under IFRS, the Group reports a number of alternative 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 (and are therefore known as 'alternative performance measures') and may not be directly comparable with other companies' alternative performance measures. They are not designed to be a substitute for any of the IFRS measures of performance. The principal alternative performance measures used within the consolidated financial statements and the location of the reconciliations to equivalent IFRS measures are:

- adjusted operating profit, adjusted profit before income tax and adjusted profit for the year (as reconciled on the face of the consolidated income statement);
- effective tax rate, being tax on adjusted profit as a percentage of adjusted profit before income tax (as shown in Note 6);
- adjusted earnings per share and adjusted diluted earnings per share (as reconciled in Note 7);
- cash conversion % (operating cash flow, as reconciled on the face of the consolidated cash flow statement, to adjusted operating profit);
- return on average operating capital % (the ratio of adjusted operating profit to the average of the month end operating capital employed (being property, plant and equipment, software, inventories and trade and other receivables less trade and other payables)); and
- return on invested capital % (the ratio of adjusted operating profit to the average of the month end invested capital (being equity after adding back net debt, defined benefit pension scheme liabilities, cumulative customer relationships amortisation, acquisition related items and amounts written off goodwill, net of the associated tax)).

These measures exclude the charge for customer relationships amortisation, acquisition related items and any associated tax, where relevant. Acquisition related items comprise deferred consideration charges relating to the retention of former owners of businesses acquired, transaction costs and expenses and adjustments to previously estimated earn outs. Customer relationships amortisation, acquisition related items and any associated tax are items which are not taken into account by management when assessing the results of the business as they are considered by management to form part of the total spend on acquisitions or are non-cash items resulting from acquisitions and therefore do not relate to the underlying operating performance and distort comparability between businesses and between reporting periods. Accordingly, these items are removed in calculating the profitability measures by which management assess the performance of the Group.

Other alternative performance measures, including the Group's key performance indicators which are set out and defined on pages 22 and 23, are used to monitor the performance of the Group and a number of these are based on, or derived from, the alternative performance measures noted above. All alternative performance measures have been calculated consistently with the methods applied in the consolidated financial statements for the year ended 31 December 2016. Growth rates at constant exchange rates are calculated by retranslating the results for the year ended 31 December 2016 at the average rates for the year ended 31 December 2017 so that they can be compared without the distorting impact of changes caused by foreign exchange translation.

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 2017 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 analyses are disclosed in the relevant Notes to demonstrate the impact of changes in estimates or assumptions used.

a 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 relationships intangible assets based on estimated future performance and customer attrition rates. External valuation specialists are used where appropriate. The process applied is described in Note 24.

b Recoverability of goodwill and customer relationships 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.

c 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 estimation of the discount rates, inflation rates and longevity assumptions used for 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.

d Taxation

The Group operates in many countries and is therefore subject to tax laws in a number of different tax jurisdictions. The amount of tax payable or receivable on profits or losses for any 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 relevant accounting period ends. In determining the provisions for income taxes, management is required to make judgements and estimates based on interpretations of tax statute and case law, which it does after taking account of professional advice and prior experience.

Uncertainties in respect of enquiries and additional tax assessments raised by tax authorities are measured using management's single best estimate of the likely outcome. The amounts ultimately 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. While the majority of the tax payable balance relates to uncertain tax provisions, management does not consider there to exist a significant risk of material adjustment within the next financial year because the tax provisions cover a range of matters across multiple tax jurisdictions with a variety of timescales before such matters are expected to be concluded.

NOTES CONTINUED

3 Segment analysis

Year ended 31 December 2017	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Corporate £m	Total £m
Revenue	**5,061.1**	**1,610.4**	**1,190.8**	**718.6**		**8,580.9**
Adjusted operating profit/(loss)	**318.3**	**151.1**	**88.5**	**53.9**	**(22.5)**	**589.3**
Customer relationships amortisation	(28.1)	(41.0)	(10.5)	(17.0)		(96.6)
Acquisition related items	(15.6)	(12.7)	(4.2)	(4.2)		(36.7)
Operating profit/(loss)	**274.6**	**97.4**	**73.8**	**32.7**	**(22.5)**	**456.0**
Finance income						10.6
Finance expense						(57.3)
Profit before income tax						**409.3**
Adjusted profit before income tax						**542.6**
Income tax						(98.8)
Profit for the year						**310.5**
Purchase of property, plant and equipment	11.0	6.0	5.6	3.6	0.1	26.3
Depreciation of property, plant and equipment	9.1	7.5	4.0	3.2	0.1	23.9
Purchase of software	1.6	3.1	0.9	1.8	0.1	7.5
Software amortisation	1.6	3.4	1.0	1.2	0.2	7.4

Year ended 31 December 2016	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Corporate £m	Total £m
Revenue	4,362.1	1,355.1	1,087.8	624.1		7,429.1
Adjusted operating profit/(loss)	289.6	126.6	83.7	46.6	(21.5)	525.0
Customer relationships amortisation	(23.1)	(34.9)	(8.3)	(15.0)		(81.3)
Acquisition related items	(11.7)	(12.5)	(1.8)	(8.0)		(34.0)
Operating profit/(loss)	254.8	79.2	73.6	23.6	(21.5)	409.7
Finance income						7.1
Finance expense						(53.9)
Profit before income tax						362.9
Adjusted profit before income tax						478.2
Income tax						(97.0)
Profit for the year						265.9
Purchase of property, plant and equipment	6.8	5.5	3.7	2.0	0.1	18.1
Depreciation of property, plant and equipment	8.2	6.8	3.7	2.8	0.2	21.7
Purchase of software	0.6	2.5	1.7	1.8	0.7	7.3
Software amortisation	1.6	2.6	0.8	0.6	0.1	5.7

Acquisition related items	**2017 £m**	2016 £m
Deferred consideration payments relating to the retention of former owners of businesses acquired	**28.5**	29.6
Transaction costs and expenses	**12.1**	6.8
Adjustments to previously estimated earn outs	**(3.9)**	(2.4)
	36.7	34.0

The Group results are reported as four business areas based on geographic regions, which are reviewed regularly 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 business in Latin America , Australasia and Asia 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, safety, cleaning & hygiene, retail 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.

In the year ended 31 December 2017 the Group had one customer with revenue of £876.7m across North America, UK & Ireland and Rest of the World, representing 10% of total Group revenue (2016: no customers accounted for 10% or more of the Group's revenue).

Revenue generated in the parent company's country of domicile, the UK, for the year ended 31 December 2017 was £1,103.1m (2016:£1,003.7m).

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	2017 £m	2016 £m
Foodservice	**2,470.8**	2,221.9
Grocery	**2,323.0**	1,906.9
Safety	**1,011.8**	831.7
Cleaning & hygiene	**996.5**	923.2
Retail	**897.0**	756.7
Healthcare	**599.0**	531.8
Other	**282.8**	256.9
	8,580.9	7,429.1

The Group's financial results have not historically been subject to significant seasonal trends.

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. Non-current assets (other than derivative financial assets and deferred tax assets) in the parent company's country of domicile, the UK, at 31 December 2017 were £361.1m (2016: £352.7m).

At 31 December 2017	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Unallocated £m	Total £m
Segment assets	**1,885.7**	**1,580.6**	**753.6**	**600.1**		**4,820.0**
Unallocated assets					**369.6**	**369.6**
Total assets	**1,885.7**	**1,580.6**	**753.6**	**600.1**	**369.6**	**5,189.6**
Segment liabilities	**651.7**	**409.8**	**329.3**	**124.8**		**1,515.6**
Unallocated liabilities					**2,225.4**	**2,225.4**
Total liabilities	**651.7**	**409.8**	**329.3**	**124.8**	**2,225.4**	**3,741.0**

At 31 December 2016	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Unallocated £m	Total £m
Segment assets	1,736.9	1,143.3	721.8	579.8		4,181.8
Unallocated assets					325.3	325.3
Total assets	1,736.9	1,143.3	721.8	579.8	325.3	4,507.1
Segment liabilities	578.0	322.5	308.3	117.4		1,326.2
Unallocated liabilities					1,868.4	1,868.4
Total liabilities	578.0	322.5	308.3	117.4	1,868.4	3,194.6

NOTES CONTINUED

4 Analysis of operating income and expenses

	2017 £m	2016 £m
Cost of goods sold	**6,490.6**	5,620.1
Employee costs (Note 21)	**800.4**	713.2
Depreciation of property, plant and equipment (Note 8)	**23.9**	21.7
Amortisation of intangible assets (Note 9)	**104.0**	87.0
Acquisition related items	**36.7**	34.0
Loss on disposal of property, plant and equipment	**0.5**	0.2
Rentals payable under operating leases and subleases	**138.0**	115.0
Lease and sublease income	**–**	(0.4)
Other operating expenses	**530.8**	428.6
Net operating expenses	**8,124.9**	7,019.4

Auditors' remuneration	UK £m (2017)	Overseas £m (2017)	Total £m (2017)	UK £m (2016)	Overseas £m (2016)	Total £m (2016)
Audit of these financial statements	**0.4**	**–**	**0.4**	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**	**2.3**	**2.7**	0.4	1.7	2.1
audit related assurance services	**0.1**	**–**	**0.1**	0.1	–	0.1
tax advisory services	**–**	**0.1**	**0.1**	–	0.2	0.2
all other services	**0.1**	**–**	**0.1**	0.1	–	0.1
Total auditors' remuneration	**1.0**	**2.4**	**3.4**	0.9	1.9	2.8

Audit related assurance services comprise the review of the half yearly financial report for the six months ended 30 June. Other tax advisory services and all other services comprise other non-audit work which was permissible in accordance with the Company's policy and the prevailing regulations concerning the provision of non-audit services by the Company's external auditors. It is the Company's policy to assess the non-audit services to be performed by the Company's auditors on a case-by-case basis to ensure adherence to the prevailing ethical standards and regulations. In the main other firms are used by the Company to provide non-audit services. However, if the provision of a service by the Company's auditors is not prohibited and adequate safeguards are in place, it is sometimes appropriate for this additional work to be carried out by the Company's auditors.

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 67 to 70.

5 Finance income/(expense)

	2017 £m	2016 £m
Interest on cash and cash equivalents	**4.1**	3.0
Interest income from foreign exchange contracts	**5.2**	3.0
Net interest income on defined benefit pension schemes in surplus	**–**	0.4
Other finance income	**1.3**	0.7
Finance income	**10.6**	7.1
Interest on loans and overdrafts	**(50.9)**	(49.7)
Interest expense from foreign exchange contracts	**(1.6)**	(1.1)
Net interest expense on defined benefit pension schemes in deficit	**(2.3)**	(1.9)
Fair value gain on US private placement notes in a hedge relationship	**2.3**	2.9
Fair value loss on interest rate swaps in a hedge relationship	**(2.9)**	(3.1)
Foreign exchange (loss)/gain on intercompany funding	**(46.0)**	117.8
Foreign exchange gain/ (loss) on external debt not in a hedge relationship	**44.7**	(118.3)
Other finance expense	**(0.6)**	(0.5)
Finance expense	**(57.3)**	(53.9)
Net finance expense	**(46.7)**	(46.8)

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

	2017 £m	2016 £m
Current tax on profit		
current year	134.8	124.0
adjustments in respect of prior years	(8.0)	(9.4)
	126.8	114.6
Deferred tax on profit		
current year	(28.5)	(17.8)
adjustments in respect of prior years	0.5	0.2
	(28.0)	(17.6)
Income tax on profit	**98.8**	97.0

In assessing the underlying performance of the Group, management uses adjusted profit which excludes customer relationships amortisation and acquisition related items. Similarly the tax effect of these items is excluded in monitoring the effective tax rate (being the tax rate on adjusted profit before income tax) which is shown in the table below. The Group's expectations for the effective tax rate in 2018 are included in the Financial Review on pages 24 to 28.

	2017 £m	2016 £m
Income tax on profit	98.8	97.0
Tax associated with customer relationships amortisation and acquisition related items	50.4	31.6
Tax on adjusted profit	**149.2**	128.6
Profit before income tax	409.3	362.9
Customer relationships amortisation and acquisition related items	133.3	115.3
Adjusted profit before income tax	**542.6**	478.2
Reported tax rate	24.1%	26.7%
Effective tax rate	27.5%	26.9%

The reported tax rate for 2017 is significantly lower than in 2016 due to the reduction in a net deferred tax liability in the US following the enactment of the Tax Cuts and Jobs Act.

Tax on other comprehensive income and equity	Gross 2017 £m	Tax (charge)/credit 2017 £m	Net 2017 £m	Gross 2016 £m	Tax credit/(charge) 2016 £m	Net 2016 £m
Actuarial gain/(loss) on defined benefit pension schemes	27.0	(9.6)	17.4	(42.4)	8.3	(34.1)
Foreign currency translation differences on foreign operations	(53.3)	–	(53.3)	267.0	–	267.0
Gain/(loss) taken to equity as a result of effective net investment hedges	7.2	0.5	7.7	(59.7)	(0.5)	(60.2)
Gain recognised in cash flow hedge reserve	2.4	(0.4)	2.0	2.6	(0.5)	2.1
Movement from cash flow hedge reserve to income statement	(7.0)	1.2	(5.8)	(1.5)	0.3	(1.2)
Other comprehensive (expense)/income	**(23.7)**	**(8.3)**	**(32.0)**	166.0	7.6	173.6
Dividends	(138.2)	–	(138.2)	(125.4)	–	(125.4)
Issue of share capital	4.0	–	4.0	3.8	–	3.8
Employee trust shares	(20.8)	–	(20.8)	(37.5)	–	(37.5)
Share based payments	11.8	0.8	12.6	10.2	5.6	15.8
Other comprehensive (expense)/income and equity	**(166.9)**	**(7.5)**	**(174.4)**	17.1	13.2	30.3

NOTES CONTINUED

6 Income tax continued

Factors affecting the tax charge for the year

The Group operates in many countries and is subject to different rates of income tax in those countries. The expected tax rate is calculated as a weighted average of the tax rates in the tax jurisdictions in which the Group operates, most of which are higher than the UK statutory rate for the period of 19.25% (2016: 20.00%). The adjustments to the tax charge at the weighted average rate to determine the income tax on profit are as follows:

	2017 £m	2016 £m
Profit before income tax	**409.3**	362.9
Tax charge at weighted average rate (2017: 29.5%; 2016: 30.9%)	**120.6**	112.0
Effects of:		
non-deductible expenditure	**8.5**	10.9
impact of intercompany finance	**(3.7)**	(12.7)
change in tax rates	**(20.1)**	–
temporary differences not previously recognised	**0.2**	(3.8)
prior year adjustments	**(7.5)**	(9.1)
other	**0.8**	(0.3)
Income tax on profit	**98.8**	97.0

Deferred tax in the income statement	2017 £m	2016 £m
Property, plant and equipment	**(2.0)**	0.2
Defined benefit pension schemes	**4.4**	(0.5)
Goodwill and customer relationships	**(30.9)**	(19.3)
Provisions	**0.9**	1.4
Inventories	**(2.9)**	(0.5)
Other	**2.5**	1.1
Deferred tax on profit	**(28.0)**	(17.6)

7 Earnings per share

	2017 £m	2016 £m
Profit for the year	**310.5**	265.9
Adjusted for:		
customer relationships amortisation	**96.6**	81.3
acquisition related items	**36.7**	34.0
tax credit on adjusting items	**(50.4)**	(31.6)
Adjusted profit for the year	**393.4**	349.6

	2017	2016
Basic weighted average ordinary shares in issue (million)	**329.5**	329.4
Dilutive effect of employee share plans (million)	**2.6**	4.3
Diluted weighted average ordinary shares (million)	**332.1**	333.7
Basic earnings per share	**94.2p**	80.7p
Adjustment	**25.2p**	25.4p
Adjusted earnings per share	**119.4p**	106.1p
Diluted basic earnings per share	**93.5p**	79.7p
Adjustment	**25.0p**	25.1p
Adjusted diluted earnings per share	**118.5p**	104.8p

NOTES CONTINUED

8 Property, plant and equipment

2017	**Land and buildings £m**	**Plant and machinery £m**	**Fixtures, fittings and equipment £m**	**Total £m**
Cost				
Beginning of year	**92.3**	**145.6**	**97.2**	**335.1**
Acquisitions	**–**	**2.5**	**2.3**	**4.8**
Additions	**4.1**	**12.4**	**9.8**	**26.3**
Disposals	**(3.1)**	**(5.2)**	**(2.9)**	**(11.2)**
Transfer to assets held for sale	**–**	**(0.5)**	**(0.3)**	**(0.8)**
Currency translation	**–**	**(6.3)**	**(2.2)**	**(8.5)**
End of year	**93.3**	**148.5**	**103.9**	**345.7**
Accumulated depreciation				
Beginning of year	**44.7**	**93.0**	**74.1**	**211.8**
Charge in year	**3.6**	**11.6**	**8.7**	**23.9**
Disposals	**(2.5)**	**(4.8)**	**(2.5)**	**(9.8)**
Transfer to assets held for sale	**–**	**(0.4)**	**(0.2)**	**(0.6)**
Currency translation	**(0.5)**	**(1.7)**	**(2.6)**	**(4.8)**
End of year	**45.3**	**97.7**	**77.5**	**220.5**
Net book value at 31 December 2017	**48.0**	**50.8**	**26.4**	**125.2**

2016	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
Cost				
Beginning of year	80.7	132.7	83.4	296.8
Acquisitions†	(2.4)	0.9	0.9	(0.6)
Additions	1.2	9.5	7.4	18.1
Disposals	(0.4)	(13.5)	(5.5)	(19.4)
Currency translation	13.2	16.0	11.0	40.2
End of year	92.3	145.6	97.2	335.1
Accumulated depreciation				
Beginning of year	31.4	87.1	65.7	184.2
Charge in year	3.4	10.8	7.5	21.7
Disposals	(0.3)	(13.0)	(5.3)	(18.6)
Currency translation	10.2	8.1	6.2	24.5
End of year	44.7	93.0	74.1	211.8
Net book value at 31 December 2016	47.6	52.6	23.1	123.3

Commitments for capital expenditure not provided for at 31 December 2017 were £0.7m (2016: £1.0m).

† The acquired cost of land and buildings in 2016 includes a negative adjustment of £2.4m during the measurement period related to fair value adjustments on leasehold improvements on businesses acquired in 2015.

NOTES CONTINUED

9 Intangible assets

2017	**Goodwill £m**	**Customer relationships £m**	**Software £m**	**Total £m**
Cost				
Beginning of year	**1,191.5**	**1,306.4**	**57.3**	**2,555.2**
Acquisitions	**217.8**	**338.3**	**0.5**	**556.6**
Additions			**7.5**	**7.5**
Disposals	**–**	**–**	**(0.7)**	**(0.7)**
Transfer to assets held for sale	**(4.1)**	**–**	**–**	**(4.1)**
Currency translation	**(27.2)**	**(30.9)**	**(0.1)**	**(58.2)**
End of year	**1,378.0**	**1,613.8**	**64.5**	**3,056.3**
Accumulated amortisation				
Beginning of year		**568.7**	**38.9**	**607.6**
Charge in year		**96.6**	**7.4**	**104.0**
Disposals		**–**	**(0.7)**	**(0.7)**
Currency translation		**(6.1)**	**(0.2)**	**(6.3)**
End of year		**659.2**	**45.4**	**704.6**
Net book value at 31 December 2017	**1,378.0**	**954.6**	**19.1**	**2,351.7**

2016	Goodwill £m	Customer relationships £m	Software £m	Total £m
Cost				
Beginning of year	999.3	1,069.2	48.1	2,116.6
Acquisitions	51.0	80.2	0.1	131.3
Additions			7.3	7.3
Disposals	–	–	(5.4)	(5.4)
Currency translation	141.2	157.0	7.2	305.4
End of year	1,191.5	1,306.4	57.3	2,555.2
Accumulated amortisation				
Beginning of year		436.5	34.0	470.5
Charge in year		81.3	5.7	87.0
Disposals		–	(5.4)	(5.4)
Currency translation		50.9	4.6	55.5
End of year		568.7	38.9	607.6
Net book value at 31 December 2016	1,191.5	737.7	18.4	1,947.6

Both goodwill and customer relationships have been acquired as part of business combinations. Further details of acquisitions made in the year are set out in Note 24 together with details of acquisitions committed to be acquired in 2017 which were completed in 2018.

NOTES CONTINUED

9 Intangible assets continued

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 information is used to determine 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 2017 North America, France and Rest of Continental Europe carried a significant amount of goodwill in comparison with the total value of the Group's goodwill. At 31 December 2017 the carrying value of goodwill in respect of North America was £388.6m (2016: £365.7m), France was £257.3m (2016: £133.9m) and Rest of Continental Europe was £186.5m (2016: £156.9m). At 31 December 2017 the aggregate amount of goodwill attributable to the Group's CGUs, excluding North America, France and Rest of Continental Europe, was £545.6m (2016: £535.0m), none of which is individually significant.

For North America, France and Rest of Continental Europe, the weighted average long term growth rate used in 2017 was 2.5%–3.5% (2016: 2.5%–3.5%) reflecting anticipated revenue and profit growth. A pre-tax discount rate in the range of 7%–10% (2016: 7%–8%) has been applied to the value in use calculations 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 CGUs with long term growth rates ranging from 2.5%–6.5% (2016: 2.5%–7.0%) and discount rates ranging from 7%–15% (2016: 7%–15%).

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, expected long term growth rates and the discount rates selected. 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.

NOTES CONTINUED

10 Inventories

	2017 £m	2016 £m
Goods for resale	**1,064.9**	960.9

During the year £8.2m (2016: £5.8m) was written off from inventories due to obsolescence or damage. The provision for slow moving, obsolete or defective inventories at 31 December 2017 was £79.8m (2016: £68.3m).

At 31 December 2017, in addition to the amounts shown above, there were £8.1m of inventories classified as held for sale.

11 Trade and other receivables

	2017 £m	2016 £m
Trade receivables	**1,029.6**	938.0
Prepayments	**73.9**	64.1
Other receivables	**154.9**	155.4
	1,258.4	1,157.5

At 31 December 2017, in addition to the amounts shown above, there were £15.3m of trade and other receivables classified as held for sale.

The ageing of trade receivables at 31 December was:

	Gross 2017 £m	Provision 2017 £m	Gross 2016 £m	Provision 2016 £m
Current	**824.1**	**4.7**	771.7	2.2
0–30 days overdue	**166.3**	**0.7**	134.6	1.1
31–90 days overdue	**46.1**	**1.5**	36.0	1.0
Over 90 days overdue	**18.3**	**18.3**	16.5	16.5
	1,054.8	**25.2**	958.8	20.8

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

	2017 £m	2016 £m
Beginning of year	**20.8**	19.0
Acquisitions	**6.1**	2.4
Charge	**2.9**	1.8
Utilised and unused	**(4.1)**	(5.1)
Currency translation	**(0.5)**	2.7
End of year	**25.2**	20.8

12 Trade and other payables – current

	2017 £m	2016 £m
Trade payables	**1,032.1**	911.8
Other tax and social security contributions	**24.2**	23.4
Other payables	**185.6**	157.5
Accruals and deferred income	**226.5**	205.1
	1,468.4	1,297.8

At 31 December 2017, in addition to the amounts shown above, there were £15.0m of trade payables classified as held for sale.

NOTES CONTINUED

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 defined on page 22 and 23 respectively) as well as the level of total shareholders' equity and the amount of dividends paid to ordinary shareholders.

The principal covenant limits are net debt, calculated at average exchange rates, to earnings before interest, tax, depreciation, customer relationships and software amortisation and acquisition related items ('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. Additionally, compliance with the Group's biannual debt covenants is monitored on a monthly basis and formally tested at 30 June and 31 December. During 2017 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 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 borrowings have a range of maturities, are competitively priced and 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.

Risk management

(a) 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.

The Group has substantial funding available comprising multi-currency credit facilities from the Group's banks, US private placement notes and a senior unsecured bond. The senior unsecured bond was issued during 2017 and is listed on the London Stock Exchange.

NOTES CONTINUED

13 Risk management and financial instruments continued

Loans, borrowings and net debt

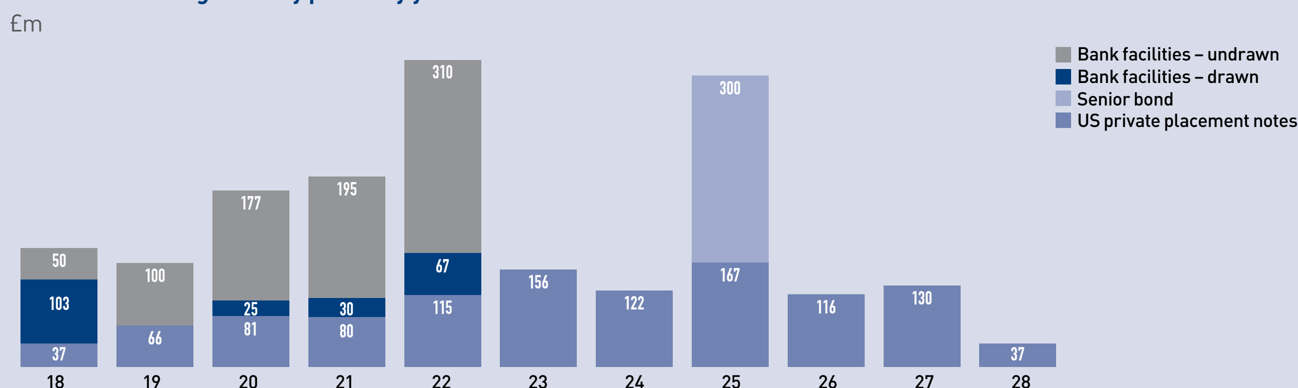
	2017 £m	2016 £m
Bank overdrafts	**(221.3)**	(155.7)
Bank loans	**(107.4)**	(3.7)
US private placement notes	**(37.3)**	(82.1)
Finance lease creditors	**(0.4)**	(0.2)
Borrowings due within one year	**(366.4)**	(241.7)
Bank and other loans	**(121.5)**	(101.3)
US private placement notes	**(1,080.3)**	(1,182.1)
Senior bond	**(297.2)**	–
Finance lease creditors	**(0.2)**	(0.2)
Borrowings due after one year	**(1,499.2)**	(1,283.6)
Derivatives managing the interest rate risk and currency profile of the debt	**8.4**	14.3
Gross debt	**(1,857.2)**	(1,511.0)
Cash at bank and in hand	**333.6**	282.4
Net debt	**(1,523.6)**	(1,228.6)

Further information on the movement in net debt is shown in Note 23.

The total committed funding at 31 December 2017 was £2,464.5m (2016: £2,205.3m). The committed funding maturity profile at 31 December 2017 is set out in the chart below.

Committed funding maturity profile by year

£m



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

	2017 £m	2016 £m
Expiring within one year	**50.0**	102.7
Expiring after one year but within two years	**100.0**	139.9
Expiring after two years	**682.3**	610.3
	832.3	852.9

In addition the Group maintains overdraft and uncommitted facilities to provide short term flexibility. At 31 December 2017 there were no loans secured by fixed charges on property (2016: none).

NOTES CONTINUED

13 Risk management and financial instruments continued

Contractual maturity profile

The contractual maturity profile of the Group's financial 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. Foreign currency cash flows have been translated using spot rates as at 31 December.

	Contractual cash (outflows)/inflows				
2017	**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 liabilities					
Bank overdrafts	**(221.3)**	**(221.3)**	**–**	**–**	**–**
Bank loans	**(234.9)**	**(109.2)**	**(1.3)**	**(124.4)**	**–**
US private placement notes	**(1,355.3)**	**(78.1)**	**(102.8)**	**(368.6)**	**(805.8)**
Senior bond	**(350.6)**	**(3.4)**	**(6.8)**	**(20.2)**	**(320.2)**
Finance lease creditors	**(0.6)**	**(0.4)**	**(0.2)**	**–**	**–**
Trade and other payables	**(1,499.1)**	**(1,468.4)**	**(30.7)**	**–**	**–**
	(3,661.8)	**(1,880.8)**	**(141.8)**	**(513.2)**	**(1,126.0)**
Derivative financial instruments					
Net settled:					
Interest rate swaps	**32.2**	**4.0**	**3.6**	**10.8**	**13.8**
Gross settled:					
Foreign exchange inflows	**2,019.4**	**2,019.0**	**0.4**	**–**	**–**
Foreign exchange outflows	**(2,020.2)**	**(2,019.8)**	**(0.4)**	**–**	**–**
	31.4	**3.2**	**3.6**	**10.8**	**13.8**
Total	**(3,630.4)**	**(1,877.6)**	**(138.2)**	**(502.4)**	**(1,112.2)**

	Contractual cash (outflows)/inflows				
2016	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 liabilities					
Bank overdrafts	(155.7)	(155.7)	–	–	–
Bank loans	(106.2)	(4.4)	(101.8)	–	–
US private placement notes	(1,563.8)	(130.3)	(84.0)	(348.4)	(1,001.1)
Finance lease creditors	(0.4)	(0.2)	(0.1)	(0.1)	–
Trade and other payables	(1,328.3)	(1,297.8)	(30.5)	–	–
	(3,154.4)	(1,588.4)	(216.4)	(348.5)	(1,001.1)
Derivative financial instruments					
Net settled:					
Interest rate swaps	65.0	7.2	6.8	19.3	31.7
Gross settled:					
Foreign exchange inflows	1,563.2	1,561.7	1.2	0.3	–
Foreign exchange outflows	(1,557.9)	(1,556.5)	(1.1)	(0.3)	–
	70.3	12.4	6.9	19.3	31.7
Total	(3,084.1)	(1,576.0)	(209.5)	(329.2)	(969.4)

NOTES CONTINUED

13 Risk management and financial instruments continued

(b) 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.

The table below shows the fixed/floating mix after interest rate swaps. Of the US private placement notes of £1,117.6m (2016: £1,246.2m), there are US dollar denominated amounts totalling £353.3m (2016: £396.8m), with maturities ranging from 2025 to 2028, which have been swapped to floating rates using interest rate swaps which reprice every three or six months. Bank loans are drawn for various periods of up to three months at interest rates linked to LIBOR.

The interest rate risk on the floating rate debt is managed using interest rate options. Borrowings with a notional principal of £150.0m were capped at 31 December 2017 (31 December 2016: £101.3m). 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.

Fixed vs floating interest rate table

	2017 £m	2016 £m
Fixed rate debt		
US private placement notes	**(1,117.6)**	(1,264.2)
Senior bond	**(297.2)**	–
Total fixed rate debt	**(1,414.8)**	(1,264.2)
Interest rate swaps (fixed leg)	**353.3**	384.7
Fixed rate liability	**(1,061.5)**	(879.5)
Floating rate debt		
Bank overdraft	**(221.3)**	(155.7)
Bank loans	**(228.9)**	(105.0)
Total floating rate debt	**(450.2)**	(260.7)
Interest rate swaps (floating leg)	**(353.3)**	(384.7)
Floating rate liability	**(803.5)**	(645.4)
Derivatives managing the interest rate risk and currency profile of the debt	**8.4**	14.3
Finance lease creditors	**(0.6)**	(0.4)
Gross debt	**(1,857.2)**	(1,511.0)

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
2017	**1.4**	**(0.1)**	**1.4**	**(0.1)**
2016	0.7	(0.1)	0.7	(0.1)

(c) 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	
	2017	2016	2017	2016
US dollar	**1.29**	1.36	**1.35**	1.24
Euro	**1.14**	1.22	**1.13**	1.17

For the year ended 31 December 2017, a movement of one cent in the US dollar and euro average exchange rates would have changed profit before income tax by £1.6m and £0.6m respectively (2016: £1.4m and £0.4m) and adjusted profit before income tax by £1.9m and £1.0m respectively (2016: £1.5m and £0.7m).

NOTES CONTINUED

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 exposures of highly probable forecast transactions for a period of up to 12 months 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 2017, all foreign exchange cash flow hedges were effective with a loss of £1.6m recognised in equity (2016: gain of £3.0m) which will affect the income statement during 2018.

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 movements in 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:

	2017 £m	2016 £m
US dollar	**604.7**	538.4
Sterling	**437.8**	414.4
Euro	**373.0**	221.6
Other	**108.1**	54.2
	1,523.6	1,228.6

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 at the year end 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
2017	**0.7**	**(0.9)**	**(74.3)**	**84.4**
2016	0.8	(0.9)	(116.3)	142.1

(d) 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 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 cash at bank and in hand, derivative financial assets (see page 123) and trade and other receivables (see Note 11) is their respective carrying amounts.

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

13 Risk management and financial instruments continued

Financial instruments

Financial assets and liabilities

	2017 £m	2016 £m
Financial assets held at amortised cost		
Cash at bank and in hand	**333.6**	282.4
Trade and other receivables	**1,258.4**	1,157.5
Financial assets held at fair value		
Interest rate derivatives in fair value hedges	**10.1**	14.7
Foreign exchange derivatives in cash flow hedges	**0.6**	3.4
Foreign exchange derivatives in net investment hedges	**5.8**	7.6
Other foreign exchange and interest rate derivatives	**3.8**	1.7
Total financial assets	**1,612.3**	1,467.3
Financial liabilities held at amortised cost		
Bank overdrafts	**(221.3)**	(155.7)
Bank loans	**(228.9)**	(105.0)
US private placement notes	**(754.5)**	(867.4)
Senior bond	**(297.2)**	–
Finance lease creditors	**(0.6)**	(0.4)
Trade and other payables	**(1,499.1)**	(1,328.3)
Financial liabilities held at fair value		
US private placement notes	**(363.1)**	(396.8)
Interest rate derivatives in fair value hedges	**(0.9)**	(1.7)
Foreign exchange derivatives in cash flow hedges	**(2.3)**	(0.4)
Foreign exchange derivatives in net investment hedges	**(7.3)**	(3.3)
Other foreign exchange derivatives	**(2.8)**	(4.4)
Total financial liabilities	**(3,378.0)**	(2,863.4)

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.

At 31 December 2017 the fair values, based on unadjusted market data, of the US private placement notes, was £1,158.2m (2016: £1,304.7m) and of the senior unsecured bond was £304.4m (2016: nil).

For other financial assets and financial liabilities not measured at fair value, including cash at bank and in hand, bank loans and overdrafts, trade and other receivables and trade and other payables, their carrying amount is a reasonable approximation of fair value due to their short term nature. Bank loans are priced based on floating interest rates and the credit spread has not changed since the inception of the loan. However, within other payables there is £12.0m (2016: £7.1m) related to earn outs on businesses acquired which are recorded at fair value. This is a level three fair value which is initially measured based on the expected future profitability of the businesses acquired at the acquisition date and subsequently reassessed at each reporting date based on the most recent data available on the expected 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 derivative financial assets and 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.

2017	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 the balance sheet £m	Net amounts £m
Derivative assets	**20.5**	**(0.2)**	**20.3**	**–**	**20.3**
Derivative liabilities	**(13.5)**	**0.2**	**(13.3)**	**–**	**(13.3)**
2016					
Derivative assets	28.6	(1.2)	27.4	–	27.4
Derivative liabilities	(11.0)	1.2	(9.8)	–	(9.8)

14 Provisions

	2017 £m	2016 £m
Current	**6.2**	8.3
Non-current	**39.0**	31.0
	45.2	39.3

	Properties 2017 £m	Other 2017 £m	Total 2017 £m	Properties 2016 £m	Other 2016 £m	Total 2016 £m
Beginning of year	**18.5**	**20.8**	**39.3**	16.9	17.9	34.8
Charge	**1.4**	**0.9**	**2.3**	0.5	1.2	1.7
Acquisitions	**4.7**	**9.9**	**14.6**	1.8	2.0	3.8
Utilised or released	**(3.5)**	**(6.9)**	**(10.4)**	(1.2)	(4.3)	(5.5)
Currency translation	**(0.3)**	**(0.3)**	**(0.6)**	0.5	4.0	4.5
End of year	**20.8**	**24.4**	**45.2**	18.5	20.8	39.3

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.

Other provisions include expected legal and environmental claims, onerous contracts and other liabilities based on management's best estimate of the liability at the balance sheet date, determined by reference to known factors and past experience of similar items. Management expects these amounts to 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.

NOTES CONTINUED

15 Deferred tax

	2017 Asset £m	2017 Liability £m	2017 Net £m	2016 Asset £m	2016 Liability £m	2016 Net £m
Property, plant and equipment	**0.9**	**(8.2)**	**(7.3)**	1.1	(11.3)	(10.2)
Defined benefit pension schemes	**11.9**	**–**	**11.9**	25.3	–	25.3
Goodwill and customer relationships	**–**	**(190.6)**	**(190.6)**	0.4	(164.8)	(164.4)
Share based payments	**8.9**	**–**	**8.9**	12.5	–	12.5
Provisions	**11.4**	**(0.3)**	**11.1**	9.6	(0.1)	9.5
Inventories	**6.8**	**(5.8)**	**1.0**	5.4	(7.9)	(2.5)
Other	**14.6**	**(4.2)**	**10.4**	12.8	(5.6)	7.2
Deferred tax asset/(liability)	**54.5**	**(209.1)**	**(154.6)**	67.1	(189.7)	(122.6)
Set-off of tax	**(51.1)**	**51.1**	**–**	(64.8)	64.8	–
Net deferred tax asset/(liability)	**3.4**	**(158.0)**	**(154.6)**	2.3	(124.9)	(122.6)

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

The Company is able to control the dividend policy of its subsidiaries and, therefore, the timing of the remittance of the undistributed earnings of overseas subsidiaries. In general, the Company has determined either that such earnings will not be distributed in the foreseeable future or, where there are plans to remit those earnings, no tax liability is expected to arise.

Deferred tax 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 £12.7m (2016: £13.1m).

No deferred tax has been recognised in respect of unutilised capital losses of £96.1m (2016: £96.2m) as it is not considered probable that there will be suitable future taxable profits against which they can be utilised.

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

	2017 £m	2016 £m
Beginning of year	**122.6**	112.8
Acquisitions	**55.6**	14.6
Credit to income statement	**(28.0)**	(17.6)
Recognised in other comprehensive income and equity	**12.3**	(6.8)
Reclassification to current tax	**(2.8)**	1.7
Currency translation	**(5.1)**	17.9
End of year	**154.6**	122.6

NOTES CONTINUED

16 Share capital and share based payments

	2017 £m	2016 £m
Issued and fully paid ordinary shares of $32\frac{1}{7}$p each	**108.0**	107.9

Number ordinary shares in issue and fully paid	**2017**	2016
Beginning of year	**335,607,091**	335,190,830
Issued – option exercises	**324,455**	416,261
End of year	**335,931,546**	335,607,091

The Company operates a number of share plans for the benefit of employees of the Company and its subsidiaries. Further details of the share plans as they relate to the directors of the Company are set out in the Directors' remuneration report.

Sharesave Scheme, International Sharesave Plan and Irish Sharesave Plan

For many years, the Company has operated all employee savings-related share option schemes. The existing scheme in the UK, the Sharesave Scheme (2011), was approved by shareholders at the 2011 Annual General Meeting. It is an HM Revenue & Customs ('HMRC') tax advantaged scheme and is open to all UK employees, including UK based executive directors.

The Irish Sharesave Plan, which is approved by the Irish Revenue Commissioners, and the International Sharesave Plan, were first introduced in 2006 and have since been extended, most recently following the approval of the Sharesave Scheme (2011).

The Sharesave Scheme, International Sharesave Plan and Irish Sharesave Plan operate on a similar basis with options granted to participating employees who have completed at least three months of continuous service at a discount of up to 20% of the market price prevailing shortly before the invitation to apply for the options. Depending on the scheme, options are normally exercisable either three or five years after they have been granted with employees saving up to £500 (2016: £500) per month (or the equivalent value in other currencies under the International Sharesave Plan) or €500 (2016: €500) per month under the Irish Sharesave Plan.

Long Term Incentive Plan 2004 ('2004 LTIP') and 2014 ('2014 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 2014 LTIP was approved by shareholders at the 2014 Annual General Meeting and replaced the 2004 LTIP. The operation of both LTIPs is overseen by the Remuneration Committee of the Board and each is divided into two parts.

Part A of the LTIPs relates to the grant of market priced executive share options. In normal circumstances options granted under Part A are only exercisable if the relevant performance condition has been satisfied. The performance condition is based on the Company's adjusted earnings per share growth exceeding UK RPI inflation over three financial years by a specified margin (for the 2004 LTIP) or meeting certain specified targets (for the 2014 LTIP).

Part B of the LTIPs relate to the grant of performance share awards which are conditional rights to receive shares in the Company for nil consideration. A performance share award will usually vest (i.e. become exercisable) on the third anniversary of its grant. The extent to which a performance share award will vest is usually subject to the extent to which the applicable performance conditions have been satisfied, based partly on 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 (for the 2004 LTIP) or meeting certain specified targets (for the 2014 LTIP).

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 in relation to options granted and awards made under the LTIPs and the Deferred Annual Share Bonus Scheme ('DASBS') over market purchase shares. Details of these 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 expenses and administration charges are included in the income statement on an accruals basis. At 31 December 2017 the trust held 5,930,284 (2016: 6,280,158) shares, upon which dividends have been waived, with an aggregate nominal value of £1.9m (2016: £2.0m) and market value of £122.9m (2016: £132.4m).

NOTES CONTINUED

16 Share capital and share based payments continued

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:

	2017	2016
Grant date	**02.03.17–09.10.17**	03.03.16–11.10.16
Share price at grant date (£)	**22.71–23.38**	19.53–23.97
Exercise price (£)	**nil–23.35**	nil–23.36
Options granted during the year (shares)	**3,121,549**	2,878,326
Vesting period (years)	**3–5**	3–5
Expected volatility (%)	**17–18**	16–19
Option life (years)	**3–10**	3–10
Expected life (years)	**3.0–6.5**	3.0–6.4
Risk free rate of return (%)	**0.1–0.9**	0.2–1.1
Expected dividends expressed as a dividend yield (%)	**1.8–2.1**	1.6–2.0
Fair value per option (£)	**1.84–11.07**	1.79–9.38

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 £23.27 (2016: £21.30). The total charge for the year relating to share based payments was £11.8m (2016: £10.2m). After tax the total charge was £9.5m (2016: £7.3m).

Details of share options and awards which have been granted and exercised, those which have lapsed during 2017 and those outstanding and available to exercise at 31 December 2017, in each case in respect of all options and awards, whether over new issue or market purchase shares, under the 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 01.01.17	Grants/awards		Exercises		Lapses* 2017	Options outstanding		Options available to exercise 31.12.17
	Number	Number	2017 Price (£)	Number	2017 Price (£)	Number	Number	at 31.12.17 Price (£)	Number
Sharesave Scheme (2011)	744,305	222,941	18.68	158,468	7.70–18.68	59,704	749,074	9.92–18.68	11,887
International Sharesave Plan	292,567	70,028	18.68	49,902	12.53–15.36	30,916	281,777	15.36–18.68	782
Irish Sharesave Plan	35,529	16,440	18.68	6,652	12.53–18.68	4,484	40,833	15.36–18.68	–
2004 LTIP Part A	3,859,857	–	–	1,309,114	5.64–15.66	–	2,550,743	5.64–15.97	2,550,743
2004 LTIP Part B	229,040	–	–	175,314	nil	34,783	18,943	nil	18,943
2014 LTIP Part A	6,540,976	2,427,032	22.86–23.35	643,262	16.38–23.36	120,253	8,204,493	16.38–23.36	1,503,334
2014 LTIP Part B	1,053,952	385,108	nil	84,150	nil	84,608	1,270,302	nil	47,664
	12,756,226	**3,121,549**		**2,426,862**		**334,748**	**13,116,165**		**4,133,353**

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

For the options outstanding at 31 December 2017, the weighted average fair value and the weighted average remaining contractual lives (being the time period from 31 December 2017 until the lapse date of each share option) are set out below:

	Weighted average fair value of options granted (£)	Weighted average remaining contractual life (years)
Sharesave Scheme and (2011)	4.06	2.00
International Sharesave Plan	3.97	1.65
Irish Sharesave Plan	3.99	1.85
2004 LTIP and 2014 LTIP Part A	2.63	7.39
2004 LTIP and 2014 LTIP Part B	14.51	4.23

The outstanding share options and performance share awards are exercisable at various dates up to September 2027.

NOTES CONTINUED

17 Dividends

	2017 £m	2016 £m
2015 interim		38.6
2015 final		86.8
2016 interim	**42.8**	
2016 final	**95.4**	
Total	**138.2**	125.4

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

	Per share	
	2017	2016
Interim	**14.0p**	13.0p
Final	**32.0p**	29.0p
Total	**46.0p**	42.0p

The 2017 interim dividend of 14.0p per share was paid on 2 January 2018 and comprised £46.2m of cash. The 2017 final dividend of 32.0p per share will be paid on 2 July 2018 to shareholders on the register at the close of business on 25 May 2018. The 2017 final dividend will comprise approximately £106m of cash.

18 Contingent liabilities

	2017 £m	2016 £m
Bank guarantees	**1.5**	1.4

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:

	2017	2016
Philip Rogerson	**10,000**	10,000
Frank van Zanten	**81,478**	57,261
Patrick Larmon	**130,896**	127,623
Brian May	**105,240**	105,240
Eugenia Ulasewicz	**4,000**	4,000
Jean-Charles Pauze	**2,500**	2,500
Vanda Murray	**3,000**	3,000
Lloyd Pitchford	**4,000**	–
Stephan Nanninga	**–**	–
	341,114	309,624

Lloyd Pitchford and Stephan Nanninga were appointed as directors of the Company on 1 March 2017 and 1 May 2017 respectively.

Details of the directors' options and awards over ordinary shares made under the 2004 LTIP, 2014 LTIP, Sharesave Scheme (2011) and DASBS are set out in the Directors' remuneration report. Since 31 December 2017 Patrick Larmon has acquired interests in 701 ordinary shares as a result of his election to participate in the dividend reinvestment plan in respect of the interim dividend which was paid on 2 January 2018 and he has also acquired an interest in 309 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 2017 and 26 February 2018.

NOTES CONTINUED

20 Retirement benefits

The Group operates a number of defined benefit and defined contribution retirement benefit schemes in the US, the UK and elsewhere in Europe (including France, the Netherlands and the Republic of Ireland). 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

UK

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 2017 by the Group's actuaries.

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.

The trustees, in agreement with the Company, have hedging in place to reduce the impact of inflation and interest rate movements on the funding of the plan.

The last full triennial valuation on the UK defined benefit pension scheme was carried out by a qualified actuary as at 5 April 2015 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 2016 to 30 June 2022.

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 valuation of the US defined benefit pension scheme has been updated to 31 December 2017 by the Group's actuaries.

The US scheme is a qualified pension scheme and is subject to standard regulations under the Employee Retirement Income Security Act 1974, 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 assets of the scheme are held in trust by an independent custodian. 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.

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 2017 and showed that there was a required annual contribution of $5.2m. In 2018, the Group plans to contribute $8.0m for the 2017 plan year to cover prudently this required contribution and anticipate future funding needs. In 2017, the Group also paid a contribution of $8.0m for the 2016 plan year. The annual review as at 1 January 2018 is ongoing.

NOTES CONTINUED

20 Retirement benefits continued

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	2017 £m	2016 £m
Defined contribution pension schemes	**20.5**	18.8
Defined benefit pension schemes		
current service cost (net of contributions by employees)	**7.0**	6.1
gain on settlement (net of cash payments to unfunded pension schemes)	**–**	(0.1)
Total included in employee costs	**27.5**	24.8
Amounts included in finance (income)/expense		
Net interest income on defined benefit pension schemes in surplus	**–**	(0.4)
Net interest expense on defined benefit pension schemes in deficit	**2.3**	1.9
Total charge to the income statement	**29.8**	26.3

Amounts recognised in the statement of comprehensive income	2017 £m	2016 £m
Actual return less expected return on pension scheme assets	**31.5**	39.3
Experience (loss)/gain on pension scheme liabilities	**(2.6)**	4.6
Impact of changes in financial assumptions relating to the present value of pension scheme liabilities	**(10.3)**	(91.8)
Impact of changes in demographic assumptions relating to the present value of pension scheme liabilities	**8.4**	5.5
Actuarial gain/(loss) on defined benefit pension schemes	**27.0**	(42.4)

The cumulative amount of net actuarial losses arising since 1 January 2004 recognised in the statement of comprehensive income at 31 December 2017 was £102.5m (2016: £129.5m).

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

UK	2017	2016
Longevity at age 65 for current pensioners (years)	**22.3**	22.4
Longevity at age 65 for future pensioners (years)	**23.7**	24.1
US		
Longevity at age 65 for current and future pensioners (years)	**21.7**	21.9

NOTES CONTINUED

20 Retirement benefits continued

	UK			US		
	2017	2016	2015	**2017**	2016	2015
Rate of increase in salaries	**3.6%**	3.7%	3.5%	**3.0%**	3.0%	3.0%
Rate of increase in pensions	**3.1%**	3.1%	3.0%	**–**	–	–
Discount rate	**2.6%**	2.7%	3.9%	**3.6%**	4.1%	4.3%
Inflation rate	**2.2%**	2.3%	2.1%	**2.3%**	2.3%	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 [increase]/decrease that would arise on the overall net pension deficit as at 31 December 2017 as a result of reasonably possible changes to key assumptions was:

	Impact of change in longevity		Impact of change in inflation rate		Impact of change in discount rate	
	+1 year £m	–1 year £m	+0.25% £m	–0.25% £m	+0.25% £m	–0.25% £m
UK	**(11.4)**	**11.3**	**(8.9)**	**8.8**	**16.2**	**(17.3)**
US	**(3.7)**	**3.8**	**(0.1)**	**0.1**	**4.2**	**(4.4)**

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

	UK 2017 £m	**US 2017 £m**	**Other 2017 £m**	**Total 2017 £m**
Equities	**118.3**	**53.1**	**5.7**	**177.1**
Bonds	**227.7**	**46.8**	**4.2**	**278.7**
Other	**0.3**	**14.4**	**10.0**	**24.7**
Total market value of pension scheme assets	**346.3**	**114.3**	**19.9**	**480.5**
Present value of funded obligations	**(347.4)**	**(136.3)**	**(23.0)**	**(506.7)**
Present value of unfunded obligations	**–**	**(12.5)**	**(12.3)**	**(24.8)**
Present value of funded and unfunded obligations	**(347.4)**	**(148.8)**	**(35.3)**	**(531.5)**
Defined benefit pension schemes in deficit	**(1.1)**	**(34.5)**	**(15.4)**	**(51.0)**
Deferred tax	**0.2**	**7.2**	**4.5**	**11.9**
Total deficit after tax	**(0.9)**	**(27.3)**	**(10.9)**	**(39.1)**

	UK 2016 £m	US 2016 £m	Other 2016 £m	Total 2016 £m
Equities	99.5	59.9	5.6	165.0
Bonds	222.4	40.6	4.7	267.7
Other	0.4	11.1	7.9	19.4
Total market value of pension scheme assets	322.3	111.6	18.2	452.1
Present value of funded obligations	(347.6)	(142.1)	(22.5)	(512.2)
Present value of unfunded obligations	–	(14.9)	(9.1)	(24.0)
Present value of funded and unfunded obligations	(347.6)	(157.0)	(31.6)	(536.2)
Defined benefit pension schemes in deficit	(25.3)	(45.4)	(13.4)	(84.1)
Deferred tax	4.3	17.5	3.5	25.3
Total deficit after tax	(21.0)	(27.9)	(9.9)	(58.8)

Of the pension scheme assets, £464.1m (2016: £436.6m) are valued based on a quoted market price.

NOTES CONTINUED

20 Retirement benefits continued

Movement in net deficit	2017 £m	2016 £m
Beginning of year	**(84.1)**	(40.0)
Acquisitions	**(3.1)**	(1.0)
Current service cost	**(7.0)**	(6.1)
Gain on settlement	**–**	0.4
Contributions	**15.3**	14.9
Net interest expense	**(2.3)**	(1.5)
Actuarial gain/(loss)	**27.0**	(42.4)
Transfer to liabilities classified as held for sale	**0.3**	–
Currency translation	**2.9**	(8.4)
End of year	**(51.0)**	(84.1)

Changes in the present value of defined benefit pension scheme liabilities	2017 £m	2016 £m
Beginning of year	**536.2**	417.2
Acquisitions	**3.1**	2.1
Current service cost	**7.0**	6.1
Liabilities extinguished on settlement	**–**	(1.0)
Interest expense	**15.6**	16.6
Contributions by employees	**0.8**	0.8
Actuarial loss	**4.5**	81.7
Benefits paid	**(23.5)**	(15.0)
Transfer to liabilities classified as held for sale	**(0.3)**	–
Currency translation	**(11.9)**	27.7
End of year	**531.5**	536.2

Changes in the fair value of defined benefit pension scheme assets	2017 £m	2016 £m
Beginning of year	**452.1**	377.2
Acquisitions	**–**	1.1
Interest income	**13.3**	15.1
Assets distributed on settlement	**–**	(0.6)
Actuarial gain	**31.5**	39.3
Contributions by employer	**15.3**	14.9
Contributions by employees	**0.8**	0.8
Benefits paid	**(23.5)**	(15.0)
Currency translation	**(9.0)**	19.3
End of year	**480.5**	452.1

The actual return on pension scheme assets was £44.8m (2016: £54.4m).

The Group expects to pay approximately £15.5m in contributions to the defined benefit pension schemes in the year ending 31 December 2018 (expected as of 2016 in the year ending 31 December 2017: £15.7m) including £7.5m for the UK (expected as of 2016 in the year ending 31 December 2017: £7.3m).

The weighted average duration of the defined benefit pension scheme liabilities at 31 December 2017 was approximately 19.3 years (2016: 20.2 years) for the UK and 12.0 years (2016: 12.0 years) for the US.

The total defined benefit pension scheme liabilities are divided between active members (£196.4m (2016: £200.1m)), deferred members (£156.4m (2016: £161.3m)) and pensioners (£178.6m (2016: £174.8m)).

NOTES CONTINUED

21 Directors and employees

Average number of employees	2017	2016
North America	**6,071**	5,478
Continental Europe	**4,414**	4,029
UK & Ireland	**3,937**	3,641
Rest of the World	**3,112**	3,082
	17,534	16,230
Corporate	**61**	55
	17,595	16,285

Employee costs	2017 £m	2016 £m
Wages and salaries	**686.5**	612.3
Social security costs	**74.6**	65.9
Other pension costs	**27.5**	24.8
Share based payments	**11.8**	10.2
	800.4	713.2

In addition to the above, acquisition related items for the year ended 31 December 2017 include deferred consideration payments of £28.5m (2016: £29.6m) relating to the retention of former owners of businesses acquired.

Key management remuneration	2017 £m	2016 £m
Salaries and short term employee benefits	**6.7**	5.9
Share based payments	**2.0**	1.3
Retirement benefits	**0.9**	0.8
	9.6	8.0

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	2017 £m	2016 £m
Non-executive directors	**0.7**	0.7
Executive directors:		
remuneration excluding performance related elements	**2.6**	2.7
annual bonus	**2.1**	1.4
	5.4	4.8

More detailed information concerning directors' emoluments and long term incentives is set out in the Directors' remuneration report. The aggregate amount of gains made by directors on the exercise of share options during the year was £0.8m (2016: £1.3m). The aggregate market value of performance share awards exercised by directors under long term incentive schemes during the year was £1.4m (2016: £2.7m). The aggregate market value of share awards exercised by directors under the DASBS was £1.0m (2016: £1.2m).

NOTES CONTINUED

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 2017 £m	**Other 2017 £m**	Land & buildings 2016 £m	Other 2016 £m
Within one year	**93.6**	**31.9**	84.7	29.4
Between one and five years	**247.5**	**61.7**	219.3	56.5
After five years	**67.2**	**4.3**	70.5	3.7
	408.3	**97.9**	374.5	89.6

23 Cash and cash equivalents and net debt

	2017 £m	2016 £m
Cash at bank and in hand	**333.6**	282.4
Bank overdrafts	**(221.3)**	(155.7)
Cash and cash equivalents	**112.3**	126.7
Interest bearing loans and borrowings – current liabilities	**(145.1)**	(86.0)
Interest bearing loans and borrowings – non-current liabilities	**(1,499.2)**	(1,283.6)
Derivatives managing the interest rate risk and currency profile of the debt	**8.4**	14.3
Net debt	**(1,523.6)**	(1,228.6)

The cash at bank and in hand and bank overdrafts amounts included in the table above include the amounts associated with the Group's cash pool. The cash pool enables the Group to access cash in its subsidiaries to pay down the Group's borrowings. The Group has the legal right of set-off of balances within the cash pool. The cash at bank and in hand and bank overdrafts figures net of the amounts in the cash pool are disclosed below for reference:

	2017 £m	2016 £m
Cash at bank and in hand net of amounts in the cash pool	**141.4**	139.6
Bank overdrafts net of amounts in the cash pool	**(29.1)**	(12.9)
Cash and cash equivalents	**112.3**	126.7

Movement in net debt

2017	**Net debt £m**	**Cash and cash equivalents £m**	**Other components £m**
Beginning of year	**(1,228.6)**	**126.7**	**(1,355.3)**
Net cash inflow/(outflow)	**(334.0)**	**(12.8)**	**(321.2)**
Realised losses on foreign exchange contracts	**(10.2)**	**–**	**(10.2)**
Currency translation	**49.2**	**(1.6)**	**50.8**
End of year	**(1,523.6)**	**112.3**	**(1,635.9)**

2016	Net debt £m	Cash and cash equivalents £m	Other components £m
Beginning of year	(1,107.2)	50.7	(1,157.9)
Net cash inflow/(outflow)	16.0	34.5	(18.5)
Realised gains on foreign exchange contracts	22.9	–	22.9
Currency translation	(160.3)	41.5	(201.8)
End of year	(1,228.6)	126.7	(1,355.3)

The net cash outflow on other components of net debt comprises an increase in borrowings of £418.7m (2016: £206.1m), a repayment of borrowings of £87.3m (2016: £210.5m) and the impact of a realised loss of £10.2m on foreign exchange contracts (2016: gain of £22.9m).

NOTES CONTINUED

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 2017 the allocation period for all acquisitions completed since 1 January 2017 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.

For each of the businesses acquired during the year, the name of the business, the market sector served, its location and date of acquisition, as well as the estimated annualised revenue it would have contributed to the Group for the year if such acquisitions had been made at the beginning of the year, are separately disclosed. The remaining disclosures required by IFRS 3 are provided separately for those individual acquisitions that are considered to be material and in aggregate for individually immaterial acquisitions. An acquisition would generally be considered individually material if the impact on the Group's revenue or profit measures (on an annualised basis) or the relevant amounts on the balance sheet is greater than 5%. Management also applies judgement in considering whether there are any material qualitative differences from other acquisitions made.

2017

Summary details of the businesses acquired or agreed to be acquired during the year ended 31 December 2017 are shown in the table below:

Business	Sector	Country	Acquisition date 2017	Annualised revenue £m
Sæbe Compagniet	Foodservice	Denmark	2 January	13.3
Packaging Film Sales	Foodservice	USA	9 January	4.7
LSH	Safety	Singapore	31 January	5.1
Prorisk and GM Equipement	Safety	France	31 January	6.8
ML Kishigo	Safety	USA	31 March	26.0
Neri	Safety	Italy	31 March	41.2
DDS	Retail	USA	23 May	241.9
AMFAS	Safety	Canada	31 May	5.8
Western Safety	Safety	Canada	31 May	4.2
Tecnopacking	Foodservice, retail, other	Spain	31 May	37.5
Pixel Inspiration	Retail	UK	30 June	7.3
HSESF	Safety	China	1 August	25.6
Interpath	Healthcare	Australia	31 October	13.4
Groupe Hedis	Cleaning & hygiene, foodservice	France	22 November	140.2
Lightning Packaging	Retail	UK	30 November	14.7
Acquisitions completed in the current year				**587.7**
Sæbe Compagniet*	Foodservice	Denmark	2 January 2017	(13.3)
Prorisk and GM Equipement*	Safety	France	31 January 2017	(6.8)
Aggora	Foodservice	UK	2 January 2018	27.0
Talge	Foodservice	Brazil	3 January 2018	26.3
Acquisitions agreed in the current year				**620.9**

*Acquisitions committed at 31 December 2016.

NOTES CONTINUED

24 Acquisitions continued

The acquisition of Hedis, Comptoir de Bretagne and Générale Collectivités, collectively referred to as Groupe Hedis, is considered to be individually significant due to its impact on intangible assets. The acquisition is therefore separately disclosed in the table below. A summary of the effect of other acquisitions completed in 2017 and 2016 is also shown below:

	Groupe Hedis £m	**Other £m**	**2017 Total £m**	2016 £m
Customer relationships	**131.7**	**206.6**	**338.3**	80.2
Property, plant and equipment and software	**1.3**	**4.0**	**5.3**	(0.5)
Inventories	**10.6**	**55.8**	**66.4**	16.5
Trade and other receivables	**38.1**	**65.1**	**103.2**	44.1
Trade and other payables	**(25.2)**	**(53.7)**	**(78.9)**	(32.3)
Net cash	**11.0**	**18.1**	**29.1**	1.0
Provisions	**(3.1)**	**(11.5)**	**(14.6)**	(3.8)
Defined benefit pension liabilities	**(3.1)**	**–**	**(3.1)**	(1.0)
Income tax payable and deferred tax liabilities	**(36.4)**	**(25.5)**	**(61.9)**	(17.8)
Fair value of net assets acquired	**124.9**	**258.9**	**383.8**	86.4
Goodwill	**119.0**	**98.8**	**217.8**	51.0
Consideration	**243.9**	**357.7**	**601.6**	137.4
Satisfied by:				
cash consideration	**243.9**	**350.3**	**594.2**	124.4
deferred consideration	**–**	**7.4**	**7.4**	13.0
	243.9	**357.7**	**601.6**	137.4
Contingent payments relating to retention of former owners	**2.2**	**21.1**	**23.3**	18.2
Cash acquired	**(11.0)**	**(18.1)**	**(29.1)**	(1.0)
Transaction costs and expenses	**2.2**	**9.9**	**12.1**	6.8
Total committed spend in respect of acquisitions completed in the current year	**237.3**	**370.6**	**607.9**	161.4
Spend on acquisitions committed but not completed at the year end	**–**	**32.6**	**32.6**	22.8
Spend on acquisitions committed at prior year end but completed in the current year	**–**	**(24.4)**	**(24.4)**	–
Total committed spend in respect of acquisitions agreed in the current year	**237.3**	**378.8**	**616.1**	184.2

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

	Groupe Hedis £m	**Other £m**	**2017 Total £m**	2016 £m
Cash consideration	**243.9**	**350.3**	**594.2**	124.4
Cash acquired	**(11.0)**	**(18.1)**	**(29.1)**	(1.0)
Deferred consideration in respect of prior year acquisitions	**–**	**9.5**	**9.5**	36.2
Net cash outflow in respect of acquisitions	**232.9**	**341.7**	**574.6**	159.6
Transaction costs and expenses	**0.8**	**8.4**	**9.2**	5.9
Payments relating to retention of former owners	**–**	**4.7**	**4.7**	11.1
Total cash outflow in respect of acquisitions	**233.7**	**354.8**	**588.5**	176.6

Although the acquisition of DDS is not considered to be individually material, it is nevertheless a larger acquisition and accounts for approximately 22% of the total cash outflow in respect of acquisitions in 2017.

Acquisitions completed in the year ended 31 December 2017 contributed £297.4m (2016: £85.7m) to the Group's revenue and £25.4m (2016: £11.2m) to the Group's adjusted operating profit for the year ended 31 December 2017.

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:

	2017 £m	2016 £m
Revenue	**587.7**	182.3
Adjusted operating profit	**57.0**	21.5

The estimated revenue which would have been contributed by the acquistions agreed during the current year to the results for the year ended 31 December 2017 if such acquisitions had been made at the beginning of the year is £620.9m (2016: £201.1m).

NOTES CONTINUED

24 Acquisitions continued

2016

Summary details of the businesses acquired during the year ended 31 December 2016 are shown in the table below. In addition to the acquisitions completed during 2016, the Company also entered into agreements during 2016 to acquire two further businesses, these being Sæbe Compagniet and Prorisk and GM Equipement, which were completed in 2017. Details for these committed acquisitions are also shown below:

Business	Sector	Country	Acquisition date 2016	Annualised revenue £m
Earthwise Bag	Grocery	USA	9 February	13.2
Bursa Pazari	Foodservice	Turkey	30 March	32.3
Inkozell and Mo Ha Ge	Healthcare	Germany	31 May	19.3
Classic Bag	Retail	United Kingdom	31 May	7.4
Polaris Chemicals	Cleaning & hygiene	Belgium	31 May	2.9
Plus II	Cleaning & hygiene	Canada	25 July	17.8
Apex	Cleaning & hygiene	Canada	26 July	6.6
Blyth	Safety	Czech Republic	31 August	5.7
Kingsbury Packaging	Foodservice	United Kingdom	14 September	5.4
Silwell	Foodservice	Hungary	30 September	7.9
Tri-Star Packaging	Foodservice	United Kingdom	30 September	27.8
Woodway	Retail	United Kingdom	30 December	36.0
Acquisitions completed in 2016				**182.3**
Sæbe Compagniet	Foodservice	Denmark	2 January 2017	12.4
Prorisk and GM Equipement	Safety	France	31 January 2017	6.4
Acquisitions agreed in 2016				**201.1**

25 Cash flow from operating activities

The tables below give further details on the adjustments for non-cash items and the working capital movement shown in the consolidated cash flow statement.

Non-cash items	2017 £m	2016 £m
Depreciation and software amortisation	**31.3**	27.4
Share based payments	**11.8**	10.2
Provisions	**(7.5)**	(3.0)
Retirement benefit obligations	**(8.3)**	(9.0)
Other	**1.6**	2.4
	28.9	28.0

Working capital movement	2017 £m	2016 £m
Increase in inventories	**(94.3)**	(18.0)
Increase in trade and other receivables	**(62.8)**	(39.6)
Increase in trade and other payables	**141.5**	51.3
	(15.6)	(6.3)

26 Items classified as held for sale

At 31 December 2017, assets and liabilities held for sale related to OPM, a non-core subsidiary in France, as prior to the year end the Group had received a binding offer to purchase the business, the acceptance of which was subject to completion of a consultation process with the relevant works council. The disposal of OPM was subsequently completed on a cash and debt free basis on 2 February 2018. Revenue of the business in 2017 was £50.3m and the net assets held for disposal at 31 December were £12.4m.

27 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. All transactions with subsidiaries are eliminated on consolidation.

COMPANY BALANCE SHEET

at 31 December 2017

	Notes	2017 £m	2016 £m
Fixed assets			
Tangible assets	3	**0.3**	0.4
Intangible assets	3	**1.3**	1.3
Investments	4	**687.5**	681.1
		689.1	682.8
Current assets			
Deferred tax asset	5	**1.7**	5.9
Debtors: amounts falling due after more than one year	6	**1,209.0**	1,500.0
Debtors: amounts falling due within one year	6	**429.9**	237.6
Cash at bank and in hand		**0.5**	0.1
		1,641.1	1,743.6
Current liabilities			
Creditors: amounts falling due within one year	7	**(106.6)**	(94.9)
Net current assets		**1,534.5**	1,648.7
Total assets less current liabilities		**2,223.6**	2,331.5
Non-current liabilities			
Provisions	8	**(1.7)**	(1.7)
Defined benefit pension liability	9	**(1.1)**	(25.3)
Net assets		**2,220.8**	2,304.5
Capital and reserves			
Share capital	10	**108.0**	107.9
Share premium		**171.4**	167.5
Other reserves		**5.6**	5.6
Capital redemption reserve	11	**16.1**	16.1
Profit and loss account†	11	**1,919.7**	2,007.4
Total shareholders' funds		**2,220.8**	2,304.5

Approved by the Board of directors of Bunzl plc (Company registration number 358948) on 26 February 2018 and signed on its behalf by Frank van Zanten, Chief Executive and Brian May, Finance Director.

The Accounting policies and other Notes on pages 143 to 147 form part of these financial statements.

† Profit and loss account includes a net profit after tax of £38.9m (2016: £176.2m). As permitted by section 408(3) of the Companies Act 2006, the profit and loss account of the Company has not been separately presented in these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

at 31 December 2017

	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 2017	**107.9**	**167.5**	**5.6**	**16.1**	**(132.4)**	**2,139.8**	**2,304.5**
Profit for the year						**38.9**	**38.9**
Other comprehensive income							
Contributions to pension scheme by participating subsidiaries						**4.6**	**4.6**
Actuarial gain on defined benefit pension scheme						**20.3**	**20.3**
Income tax charge on other comprehensive income						**(4.2)**	**(4.2)**
Total comprehensive income						**59.6**	**59.6**
2016 interim dividend						**(42.8)**	**(42.8)**
2016 final dividend						**(95.4)**	**(95.4)**
Issue of share capital	**0.1**	**3.9**					**4.0**
Employee trust shares					**(20.8)**		**(20.8)**
Movement on own share reserves					**30.3**	**(30.3)**	**–**
Share based payments						**11.7**	**11.7**
At 31 December 2017	**108.0**	**171.4**	**5.6**	**16.1**	**(122.9)**	**2,042.6**	**2,220.8**

	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 2016	107.7	163.9	5.6	16.1	(118.9)	628.4	802.8
Profit for the year						176.2	176.2
Other comprehensive income							
Dividends from subsidiaries currently unrealised						1,500.0	1,500.0
Contributions to pension scheme by participating subsidiaries						4.6	4.6
Actuarial loss on defined benefit pension scheme						(36.2)	(36.2)
Income tax credit on other comprehensive income						6.3	6.3
Total comprehensive income						1,650.9	1,650.9
2015 interim dividend						(38.6)	(38.6)
2015 final dividend						(86.8)	(86.8)
Issue of share capital	0.2	3.6					3.8
Employee trust shares					(37.5)		(37.5)
Movement on own share reserves					24.0	(24.0)	–
Share based payments						9.9	9.9
At 31 December 2016	107.9	167.5	5.6	16.1	(132.4)	2,139.8	2,304.5

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. The financial statements of the Company have been prepared on a going concern basis and under the historical cost convention with the exception of certain items which are measured at fair value as described in the accounting policies below.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101') and the Companies Act 2006 as applicable to companies using FRS 101. There are no new standards, amendments or interpretations that are applicable to the Company for the year ended 31 December 2017. In preparing these financial statements the Company has applied the exemptions available under FRS 101 in respect of:

- a cash flow statement and related notes;
- comparative period reconciliations for share capital and tangible fixed assets;
- disclosures relating to transactions with wholly owned subsidiaries and capital management;
- the effects of new but not yet effective IFRSs; and
- disclosures relating to the compensation of key management personnel.

As the consolidated financial statements of the Company include the equivalent disclosures, the Company has also applied the exemptions available under FRS 101 in respect of:

- 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 of the Company have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. In most cases the accounting policies for the Company are fully aligned with the equivalent accounting policy for the Group as stated on pages 105 to 111 in Note 2 to the consolidated financial statements. The accounting policies of the Company which are aligned with those of the Group are the policies for tangible assets, intangible assets, income tax, provisions, retirement benefits, investment in own shares, dividends and leases. The accounting policies that are specific to the Company are set out below.

a Investment in subsidiary undertakings

Investments in subsidiary undertakings are held at cost less any provision for impairment. The subsidiary undertakings which the Company held at 31 December 2017 are disclosed in the Related undertakings note in the Shareholder information section on pages 155 to 160.

b 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, and 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 and it has not recharged the cost to the relevant 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.

c 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.

d Defined benefit pension schemes

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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS 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 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 2017 are the carrying value of investments, as explained below, and the measurement of the defined benefit pension scheme liability which is explained in Note 2 to the consolidated financial statements. 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 the consolidated financial statements to demonstrate the impact of changes in estimates or assumptions used.

Recoverability of investments

The carrying amounts of the Company's non-financial assets, in particular the 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.

3 Tangible and intangible assets

	Short leasehold improvement £m	Fixtures, fittings and equipment £m	Total tangible assets £m	Total intangible assets £m
Cost				
Beginning of year	**0.1**	**1.5**	**1.6**	**1.5**
Additions	**–**	**–**	**–**	**0.2**
End of year	**0.1**	**1.5**	**1.6**	**1.7**
Accumulated depreciation				
Beginning of year	**0.1**	**1.1**	**1.2**	**0.2**
Charge in year	**–**	**0.1**	**0.1**	**0.2**
End of year	**0.1**	**1.2**	**1.3**	**0.4**
Net book value at 31 December 2017	**–**	**0.3**	**0.3**	**1.3**
Net book value at 31 December 2016	–	0.4	0.4	1.3

4 Investments

Investments in subsidiary undertakings	2017 £m	2016 £m
Cost		
Beginning of year	**684.4**	676.4
Additions	**6.4**	8.0
End of year	**690.8**	684.4
Impairment provisions		
Beginning and end of year	**3.3**	3.3
Net book value at 31 December	**687.5**	681.1

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

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 2016	**(1.0)**	**1.8**	**0.2**	**1.0**
Recognised in profit or loss	0.2	–	(0.1)	0.1
Reclassification to current tax	(1.2)	–	–	(1.2)
Recognised in other comprehensive income or directly in equity	6.3	(0.3)	–	6.0
31 December 2016/1 January 2017	**4.3**	**1.5**	**0.1**	**5.9**
Recognised in profit or loss	0.1	–	–	0.1
Recognised in other comprehensive income or directly in equity	(4.2)	(0.1)	–	(4.3)
31 December 2017	**0.2**	**1.4**	**0.1**	**1.7**

Deferred tax is calculated in full on temporary differences under the liability method. The UK corporation tax rate will be reduced from 19% to 17% 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. 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 (2016: £70.6m).

6 Debtors

	2017 £m	2016 £m
Debtors: amounts falling due within one year		
Amounts owed by Group undertakings	**428.8**	236.8
Prepayments and other debtors	**1.1**	0.8
	429.9	237.6
Debtors: amounts falling due after more than one year		
Amounts owed by Group undertakings	**1,209.0**	1,500.0

The carrying amount of the amounts owed by Group undertakings falling due after more than one year is a reasonable approximation of its fair value. These amounts have a fixed repayment date and are interest bearing at an interest rate which is reset periodically based on the Bank of England base rate.

7 Creditors: amounts falling due within one year

	2017 £m	2016 £m
Trade creditors	**0.7**	1.4
Amounts owed to Group undertakings	**82.4**	81.9
Other tax and social security contributions	**0.9**	0.7
Income tax payable	**10.5**	–
Accruals and deferred income	**12.1**	10.9
	106.6	94.9

8 Provisions

	2017 £m	2016 £m
Beginning of year	**1.7**	1.7
Utilised or released	**–**	–
End of year	**1.7**	1.7

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

9 Retirement benefits

The Company operates a number of retirement benefit schemes in the UK, including both a defined benefit and defined contribution schemes. A description of the characteristics and risks to which the Company is exposed in relation to the UK defined benefit pension scheme together with the principal assumptions used and sensitivity to changes in assumptions are detailed in Note 20 to the consolidated financial statements. The amounts included in the Company financial statements related to the defined benefit pension scheme at 31 December were:

Amounts included in profit for the year	2017 £m	2016 £m
Current service cost (net of contributions by employees)	**2.8**	2.1
Net interest expense/(income)	**0.6**	(0.4)
Contributions paid by participating subsidiaries linked to service	**(1.5)**	(1.5)
Total charge to profit for the year	**1.9**	0.2

Amounts recognised in other comprehensive income	2017 £m	2016 £m
Actual return less expected return on pension scheme assets	**21.0**	35.5
Experience (loss)/gain on pension scheme liabilities	**(2.0)**	5.6
Impact of changes in assumptions relating to the present value of pension scheme liabilities	**1.3**	(77.3)
Actuarial gain/(loss) on defined benefit pension scheme	**20.3**	(36.2)
Contributions paid by participating subsidiaries not linked to service	**4.6**	4.6
Total credit/(charge) to other comprehensive income	**24.9**	(31.6)

Movement in defined benefit pension scheme deficit	2017 £m	2016 £m
Beginning of year	**(25.3)**	5.4
Current service cost	**(2.8)**	(2.1)
Contributions	**7.3**	7.2
Net interest (expense)/income	**(0.6)**	0.4
Actuarial gain/(loss)	**20.3**	(36.2)
End of year	**(1.1)**	(25.3)

Changes in the present value of defined benefit pension scheme liabilities	2017 £m	2016 £m
Beginning of year	**347.6**	271.3
Current service cost	**2.8**	2.1
Interest expense	**9.2**	10.4
Contributions by employees	**0.7**	0.7
Actuarial loss	**0.6**	71.7
Benefits paid	**(13.5)**	(8.6)
End of year	**347.4**	347.6

Changes in the fair value of defined benefit pension scheme assets	2017 £m	2016 £m
Beginning of year	**322.3**	276.7
Interest income	**8.6**	10.8
Actuarial gain	**20.9**	35.5
Contributions by the Company	**1.2**	1.2
Contributions by participating subsidiaries	**6.1**	6.0
Contributions by employees	**0.7**	0.7
Benefits paid	**(13.5)**	(8.6)
End of year	**346.3**	322.3

The actual return on pension scheme assets was £29.5m (2016: £46.3m). The market value of scheme assets and the present value of retirement benefit obligations at 31 December are detailed in Note 20 to the consolidated financial statements.

The total defined benefit pension liability is divided between active members (£91.5m (2016: £89.6m)), deferred members (£132.7m (2016: £137.9m)) and pensioners (£123.2m (2016: £120.1m)).

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

10 Share capital

	2017 £m	2016 £m
Issued and fully paid ordinary shares of 32$\frac{1}{7}$p each	**108.0**	107.9

Number of ordinary shares in issue and fully paid	2017	2016
Beginning of year	**335,607,091**	335,190,830
Issued – option exercises	**324,455**	416,261
End of year	**335,931,546**	335,607,091

11 Reserves

Included in the profit and loss account within retained earnings is £1,209.0m (2016: £1,500.0m) relating to dividends which were declared from the Company's subsidiary undertakings during the year ended 31 December 2016 but which were not settled in cash and are therefore unrealised. Until these outstanding balances are settled in cash the relevant amounts outstanding are not distributable as dividends to the Company's shareholders. Excluding these amounts the Company has substantial distributable reserves as explained further in the Financial review on page 26.

The own shares reserve includes ordinary shares of the Company held by the Company in an employee benefit trust. The assets, liabilities and expenditure of the trust are included in the Company financial statements. Details of the trust and investment in own shares reserve are set out in Note 16 to the consolidated financial statements.

The dividends paid and declared in the current and prior year 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.

12 Contingent liabilities and commitments

Contingent liabilities

Borrowings by subsidiary undertakings totalling £1,633.2m (2016: £1,352.4m) which are included in the Group's borrowings have been guaranteed by the Company.

Commitments

Non-cancellable operating lease rentals of £3.2m (2016: £3.9m) are payable in relation 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 (including directors) was 51 (2016: 46) and the aggregate employee costs relating to these persons were:

	2017 £m	2016 £m
Wages and salaries	**8.1**	7.8
Social security costs	**2.2**	2.1
Share based payments	**1.7**	1.5
Pension costs	**1.0**	1.0
	13.0	12.4

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 is 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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report, which includes the Directors' remuneration report and the financial statements, in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law). In preparing the Group financial statements, the directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board ('IASB'). 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 the Company and of the profit or loss of the Group and the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union and IFRSs issued by IASB have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The directors are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and the Company's performance, business model and strategy.

Each of the directors, whose names and functions are set out on page 56 of the Annual Report confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union - Dual IFRS (European Union and IASB), give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

Frank van Zanten
Chief Executive
26 February 2018

Brian May
Finance Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BUNZL PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- Bunzl plc's Group financial statements 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 2017 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 IFRSs as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law); 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.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated and Company balance sheets as at 31 December 2017, the consolidated income statement and the consolidated statement of comprehensive income, the consolidated cash flow statement, and the consolidated and Company statement of changes in equity for the year then ended; and the Notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in Note 1 to the 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 have been properly prepared in accordance with IFRSs as issued by the IASB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in Note 4 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 1 January 2017 to 31 December 2017.

Our audit approach

Overview

Materiality	• Overall Group materiality: £20 million (2016: £16 million), based on 5% of profit before taxation • Overall Company materiality: £5 million (2016: £4 million), based on approximately 0.25% of net assets
Audit scope	• We performed audits of the financial information of 84 components spread across 28 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
Key audit matters	• Corporate tax exposures (Group) • Business combinations (Group) • Impairment of goodwill and other intangible assets (Group) • Defined benefit pension schemes (Group and Company)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BUNZL PLC CONTINUED

The scope of our audit

As part of designing our audit, we determined materiality and assessed 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.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We designed audit procedures that focused on the risk of non-compliance related to laws and regulations. Our tests included discussions with in-house legal counsel and inspection of underlying support and calculations where applicable.

We did not identify any key audit matters relating to irregularities, including fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Corporate tax exposures – Group	
Refer to page 69 (Audit Committee report), page 107 (Accounting policies) and pages 115 and 116 (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.
Business combinations – Group	
Refer to page 69 (Audit Committee report), page 106 (Accounting policies) and pages 138 to 140 (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 objectivity and 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BUNZL PLC CONTINUED

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill and other intangible assets – Group	
Refer to page 69 (Audit Committee report), page 108 (Accounting policies) and pages 118 and 119 (Note 9). The Group has material goodwill balances of £1,378.0m (2016: £1,191.5m) and customer relationship intangible assets of £954.6m (2016: £737.7m) spread across multiple geographies and relating to multiple cash generating units ('CGUs'). In assessing whether the carrying amount of goodwill has been impaired, management considers forecast cash flows of the 12 individual CGUs which are identified on a market or geographical basis. We focused our goodwill impairment procedures on the CGUs with the lowest levels of headroom between each respective value in use model and carrying value. Consideration was also given to those CGUs with the highest goodwill and intangible balances (the most material being North America, France and Rest of Continental Europe). Management's impairment assessments 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 growth rates; • we found the achievability of future margins to be plausible based on past and current performance and consistent with budgets; • 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 acceptable; and • we obtained evidence to assess adequate historical accuracy in management's forecasting process. We also evaluated management's triggering event assessment regarding customer list intangible assets. 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.
Defined benefit pension schemes - Group and Company	
Refer to page 69 (Audit Committee report), pages 109 and 110 (Accounting policies) and pages 132 to 135 (Note 20). The Group has defined benefits pension schemes (with material schemes in the US and the UK) with a net deficit of £51.0m at the current year end (2016: £84.1m), 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 2017. In each case we considered the assumptions made by management to be reasonable in light of the available evidence.

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 structure of the Group and the Company, 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BUNZL PLC CONTINUED

We identified one financially significant component, being North America, where a full scope audit has been performed. In addition to this, we identified seven 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 and other procedures on a further 84 components. The components where we performed audit procedures covered over 95% of Group revenue, profit before taxation and total assets.

Where work was performed by component auditors, detailed instructions were issued by us and the Group audit team visited North America, Brazil, France and the UK. 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.

The Group audit team also performed the audit of the standalone Company financial statements, for which all work was performed by the Group audit team.

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 in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£20 million (2016: £16 million).	£5 million (2016: £4 million).
How we determined it	5% of profit before taxation.	Approximately 0.25% of net assets.
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.	Considering the nature of the business and activities in Bunzl plc (holding activities) we use the Company Net Assets value as a basis for the calculation of the overall materiality level.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components ranged up to £19.0 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1 million (Group audit) (2016: £0.8 million) and £1 million (Company audit) (2016: £0.8 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BUNZL PLC CONTINUED

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority ('FCA') require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report. (CA06)

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 52 of the Annual Report 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 disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 55 of the Annual Report 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 to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and 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 inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the 'Code'); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 148, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on pages 68 and 69 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BUNZL PLC CONTINUED

Directors' remuneration
In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements
As explained more fully in the Statement of directors' responsibilities set out on page 148, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
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.

Other required reporting

Companies Act 2006 exception reporting
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
- certain disclosures of directors' remuneration specified by law are not made; 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.

Appointment
Following the recommendation of the Audit Committee, we were appointed by the members on 19 May 2014 to audit the financial statements for the year ended 31 December 2014 and subsequent financial periods. The period of total uninterrupted engagement is four years, covering the years ended 31 December 2014 to 31 December 2017.

Paul Cragg (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
26 February 2018

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 as at 31 December 2017 is disclosed below. The registered office address of each entity or, in the case of unincorporated entities, the principal place of business, is disclosed on pages 158 and 159. 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. No subsidiary undertakings have been excluded from this consolidation.

Subsidiary undertakings	Registered office address*
Argentina	
Vicsa Steelpro S.A.	1
Australia	
ACN 082 933 579 Pty Ltd [iii]	4
Atlas Health Care Pty Limited	5
Bunzl Australasia Holdings Pty Limited [iii]	4
Bunzl Australasia Limited	4
Bunzl Brands & Operations Pty Limited	3
Bunzl Catering Supplies Limited	5
Bunzl Food Processor Supplies Pty Limited	2
Bunzl Outsourcing Services Limited	5
Interpath Services Pty. Ltd.	4
Network Packaging Pty Limited	3
Protect-A-Clean Pty Ltd	5
Robertsons Lifting & Rigging Pty Limited	3
Sanicare Australia Pty Limited	4
Star Wholesale Distribution Pty Limited	5
Worksense Workwear and Safety Pty Limited	3
Austria	
Bunzl Holdings Austria GmbH	6
Meier Verpackungen GmbH	6
Belgium	
Etablissements Glorieux SA	7
King Belgium NV	11
L.A.R.G.O. SPRL	8
Polaris Chemicals SPRL	8
Total Safety Supply Belgium BVBA	10
Varia-Pack NV	9
Brazil	
B2B Web Distribuicao De Produtos Ltda	13
Bunzl Armazenagem, Logística e Prestação de Serviços Administrativos Ltda.	15
Bunzl Equipamentos para Protecao Individual Ltda.	15
Bunzl Higiene E Limpeza Ltda	12
Dental Sorria Ltda.	16
DVS Equipamentos de Proteção Individual Ltda	17
Labor Import Comercial Importadora Exportadora Ltda	14
Canada	
462482 B.C. Ltd.	23
Atlas Environmental Facilities, Ltd.	20
Bunzl Canada, Inc.	22
Emballages Maska Inc. [iii]	19
Jan-Mar Sales Limited [iii]	20
Plus II Sanitation Supplies Inc. [iii]	18
Wesclean Equipment & Cleaning Supplies Limited [ii]	21
Western Safety Products Ltd.	23
Chile	
B2B Web Distribuicao de Produtos Chile SpA	25
Bunzl Chile Holdings SpA	25
DPS Chile Comercial Limitada	24
Tecno Boga Comercial Limitada	26
Vicsa Safety Comercial Limitada	25

Subsidiary undertakings	Registered office address*
China	
Beijing HSESF Safety Technology Co., Ltd.	32
Bunzl Trading (Shanghai) Limited	29
Diversified Distribution Systems Trading (Shanghai) Ltd.	34
Keenpac (Shenzhen) Trading Company Limited	35
Shanghai Cosafety Technology Co., Ltd.	28
Shanghai HSESF Safety Technology Co., Ltd.	27
Shanghai Mai Xi Protection Technology Co., Ltd.	33
Shanghai MRO Industry & Technology Co., Ltd.	31
Shanghai Yinghao Protection Technology Co., Ltd.	30
Suzhou Sai Wo Trading Co., Ltd.	36
Colombia	
Importadores Exportadores Solmaq	37
Vicsa Steelpro Colombia S.A.S.	38
Czech Republic	
Blyth s.r.o.	40
Bunzl CS s.r.o.	39
Denmark	
Bunzl Distribution Danmark A/S	41
Bunzl Holding Danmark A/S	41
Bunzl Properties Danmark A/S	41
Clean Care A/S	42
MultiLine A/S	43
Sæbe Compagniet ApS	44
France	
Alpes Entretien Distribution SAS	60
Blanc SAS	75
Bourgogne Hygiene Entretien SAS	73
Bunzl Catering Développement SAS	47
Bunzl Holdings France SAS	54
Comatec SAS	61
Comptoir de Bretagne SAS	70
Daugeron & Fils SAS	62
Fichot Hygiene SAS	51
France Sécurité SAS	58
Gama 29 SAS	56
Générale Collectivités SAS	69
GM Equipement S.A.S.	45
Groupe Pierre Le Goff – Ile de France – Allodics – Adage SAS	52
Groupe Pierre Le Goff – Ile de France – ODI SAS	74
Groupe Pierre Le Goff – Ile de France – Adage SAS	54
Groupe Pierre Le Goff Bourgogne Franche-Comte SAS	67
Groupe Pierre Le Goff Grand Ouest SAS	71
Groupe Pierre Le Goff Méditerranée SAS	57
Groupe Pierre Le Goff Nord-Est SAS	76
Groupe Pierre Le Goff Normandie SAS	49
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Groupe Pierre Le Goff Sud-Ouest SAS	63
Hedis SAS	47
Hygiadis SAS	53
Industrie du Compactage Alimentaire Hygiene ICA Hygiene L'image du Propre SAS	66

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Related undertakings continued

Subsidiary undertakings	Registered office address*
Karpie SCI	53
Keenpac France SAS	48
Ligne T SAS	55
Mat'hygiene SRL	59
Nicolas Entretien SAS	72
OPM France SAS	50
ORRU SAS	65
PLG Finances SAS	54
Prorisk S.A.S.	45
SCI des Saules SCI	53
Société Civile Immobiliere Sainte Claire Deville SC	53
Sodiscol SAS	46
Sopecal Hygiene SAS	68
Germany	
Baumer Betriebshygiene Vertriebsgesellschaft mbH [iii]	81
Bunzl Holding GmbH [iii]	78
Bunzl Verpackungen GmbH	78
Inkozell Zellstoff-Vertrieb GmbH	80
Logmed GmbH	80
Majestic GmbH	77
Mo Ha Ge Mommsen Handelsgesellschaft mbH	80
MoHaGe Holdings GmbH	78
PKA Klöcker GmbH [iii]	79
Protemo GmbH	81
Hong Kong	
Bunzl Asia Limited [iii]	82
DDS of Hong Kong Limited	84
Earthwise Bag Company (Hong Kong) Limited	83
Keenpac Asia Limited	85
Hungary	
Bunzl Magyarország Kft.	90
Propack Kereskedelmi Korlatolt Felelossegu Tarsasag	89
Silwell Kereskedelmi Korlátolt Felelösségü Társaság	88
Tecep Management Kereskedelmi Es Szolgaltato KFT. [iii]	86
Ireland	
Bunzl Finance Ireland Unlimited Company [ii]	91
Bunzl Ireland Limited	91
Thomas McLaughlin (Ireland) Limited	91
Yorse Ireland Unlimited Company	91
Israel	
M.S. Global Limited	92
Meichaley Zahav Packages Ltd	93
Silco (Utensils) A.S. Limited [iii]	92
Italy	
B2B Distribution Italy Holdings S.r.l.	94
Keenpac Italia S.R.L.	97
Neri S.p.A.	94
Secure Line S.r.l.	96
Secure Service S.r.l.	95
Workshop S.r.l.	95
Mexico	
Bunzl De Mexico SA de CV [ii]	98
Bunzl Servicios, SA. De CV	100
Cool Pak AG Packaging, S. de R. L. de C.V.	104
Cool Pak Exports S. de R.L. de C.V.	101
CP AG Servicios, S. de R.L. de C.V.	104
Diversified DS of Mexico, S. De R.L. De C.V.	105
Espomega S. de R.L. de C.V. [iii]	103
Proepta, S.A. DE C.V. [iii]	102
Steelpro S.A de C.V. [iii]	99

Subsidiary undertakings	Registered office address*
Netherlands	
Allshoes Benelux B.V.	106
Bunzl Outsourcing Services B.V.	111
Bunzl Verpakkingen Arnhem B.V.	108
Bunzl Verpakkingen B.V.	108
Bunzl Verpakkingsgroep B.V.	108
Conpax Belfort B.V.	109
De Ridder B.V.	110
King Benelux Holding B.V.	112
King Nederland B.V.	112
Majestic Products B.V.	107
Worldpack Trading B.V.	109
New Zealand	
Bunzl Food Processor Supplies (NZ) Limited	114
Bunzl Outsourcing Services NZ Limited	114
Corded Strap (NZ) Limited	114
ICB Cleaning Supplies Limited	113
Nelson Packaging Supplies Limited	114
Peru	
Vicsa Safety Peru S.A.C.	115
Puerto Rico	
Melissa Sales Corp.	116
Romania	
Bunzl Distributie SRL	117
Singapore	
LSH Industrial Solutions Pte. Ltd	118
Slovakia	
Eurobal, spol. s.r.o.	119
Spain	
Bunzl Distribution Spain, S.A.U.	121
Faru, S.L.U.	126
Granger Invest, S.L.U.	122
Guantes Juba, S.A.U.	128
Juba Personal Protective Equipment, S.L.U.	128
Lovilia Spain, S.L.U.	121
Marca Proteccion Laboral, S.L.U.	124
Marvel Proteccion Laboral, S.L.U.	125
Portchartain Inversiones, S.L.U.	127
Quirumed, S.L.U.	123
Tecnopacking, S.L.U.	120
Switzerland	
Distrimondo AG	133
Keenpac (Switzerland) SA	129
MMH Holding AG	133
Uehlinger AG	130
Weita AG	132
Weita Holding AG	132
WGS AG	131
Turkey	
Bursa Pazari İnşaat Sanayi Ve Ticaret Anonim Şirketi (80%)	134
İstanbul Ticaret Hırdavat Sanayi A.Ş.	135
İstanbul Ticaret İş Güvenliği ve Endüstriyel Ürünler A.Ş.	136
Kullanatmarket Elektronik Pazarlama Ticaret Anonim Şirketi (80%)	134
United Kingdom	
365 Healthcare Limited	139
Bunzl American Holdings (No.1) Limited	139
Bunzl American Holdings (No.2) Limited	139
Bunzl Australia Forex LLP	139
Bunzl Finance Public Limited Company [i]	139
Bunzl Group Services Limited [i]	139

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Related undertakings continued

Subsidiary undertakings	Registered office address*
Bunzl Overseas Holdings (No. 2) Limited (i)	139
Bunzl Overseas Holdings (No. 3) Limited (ii)	139
Bunzl Overseas Holdings (No.4) Limited	139
Bunzl Overseas Holdings Limited	139
Bunzl Pension Trustees Limited (i)	139
Bunzl Plastics Limited (i)	139
Bunzl Properties Limited (i)	139
Bunzl Retail & Healthcare Supplies Limited	139
Bunzl UK Limited	139
Classic Bag Company Holdings Limited	139
Continental Chef Supplies Limited	139
Dialene Limited	139
Greenham Trading Limited (i)	139
GrowModule 365 Limited	139
Guardsman Limited	139
Henares Limited (i)	139
Howper 800 Limited (iii)	139
Kingsbury Packaging (Limavady) Ltd	138
Lee Brothers Bilston Limited	139
Lightning Packaging Supplies Limited	139
Lockhart Catering Equipment Limited	139
London Bio Packaging Limited	139
Michael Davies and Associates Limited	139
P.O.S. Direct Limited	139
Packaging 2 Buy Limited	139
Pixel Inspiration Holdings Limited (85%)	139
Portabottle Limited	139
Portabrands Limited	139
Selectuser Limited (ii)	139
The Classic Printed Bag Company Limited	139
The Porta Group Limited	139
Thomas McLaughlin	137
Tri-Star Packaging Supplies Limited	139
Wavelength Handling & Distribution Services Limited	139
Woodway Packaging Limited	139
Woodway UK Limited	139
Woodway UK South Limited (iii)	139
Wycombe Marsh Paper Mills Limited (i)	139
Yorse No. 1 Limited	139
Yorse No. 3 Limited (i)	139
United States	
Arch Logistics, LLC	143
Bunzl Corporate Holdings, Inc.	143
Bunzl Distribution California, LLC	152
Bunzl Distribution Leasing, Inc.	151
Bunzl Distribution Midatlantic, LLC	153
Bunzl Distribution Midcentral, Inc.	143
Bunzl Distribution Northeast, LLC	143
Bunzl Distribution Oklahoma, Inc.	140
Bunzl Distribution Southeast, LLC	143
Bunzl Distribution Southwest, L.P.	147
Bunzl Distribution USA, LLC	152
Bunzl Finance L.L.C.	143
Bunzl Holdings Inc.	152
Bunzl International Services, Inc.	152
Bunzl Mexican Holdings II, LLC	143
Bunzl Mexican Holdings, LLC	143
Bunzl Midatlantic, LLC	143
Bunzl Minneapolis, LLC	151
Bunzl North American Holdings, Inc.	152
Bunzl Northeast, LLC	143
Bunzl Processor Distribution, LLC	143
Bunzl Retail, LLC	143
Bunzl Southwest Holdings, LLC	149
Bunzl US Holdings LLC	143
Bunzl USA Holdings LLC	149
Bunzl USA LLC	152
Bunzl Utah, LLC	148
Bunzl Western Holdings, Inc.	143
Cool-Pak, LLC	152
DDS Management, LLC	149
Destiny Packaging, LLC	152
Diversified Distribution Systems, LLC	149
Earthwise Bag Company, Inc.	144
Foodhandler Inc.	141
Green Source, LLC	143
Hi-Valu, LLC	143
International Sourcing Company Inc. (iii)	146
John Tillman Company	152
Keenpac, LLC	143
Keepsafe, LLC	142
M.L. Kishigo Manufacturing Company, LLC	149
Masteragents LLC	150
Papercraft Southwest, LLC	152
Prime Source, LLC	143
R3 Safety, LLC	143
R3, LLC	145
SAS Safety Corporation	152
Schwarz Paper Company, LLC	152
Steiner Industries, Inc.	150
TSN East, LLC	143
TSN West, LLC	143
U.S. Glove Co., Inc.	154
Uruguay	
Steelpro Safety S.A.	155

Other shareholdings	Registered office address*
Viner-Pack Gyarto Kereskedelmi Es Szolgaltato Korlatolt Felelossegu Tarsasag (20%) (iii)	87

* For the list of registered office addresses and principal places of business, refer to the following section headed 'List of registered office addresses' which forms part of these financial statements.

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

SHAREHOLDER INFORMATION CONTINUED

List of registered office addresses

Address	Key
Maipú 1300, piso 13, Ciudad de Buenos Aires, Argentina	1
34-48 Cosgrove Road, Enfield NSW 2136, Australia	2
55 Sarah Andrews Close, Erskine Park NSW 2759, Australia	3
Level 2, 700 Springvale Road, Mulgrave VIC 3170, Australia	4
Unit 1, 52 Fox Drive, Dandenong South VIC 3175, Australia	5
Diepoldsauer Straße 37, 6845, Hohenems, Austria	6
1 Rue du Bois des Hospices, 2émé étage, 7522 Tournai, Belgium	7
Avenue Sabin 23, 1300 Wavre, Belgium	8
Aarschotsesteenweg 114 3012 Leuven (Wilsele), Belgium	9
Oudenaardsesteenweg 19 9000 Ghent, Belgium	10
Rue du Cerf 190 1332 Genval, Belgium	11
Avenida Doutor Alberto Jackson Byington, 1435 Jardim Santa Fe, City of Osasco, São Paulo, CEP 06273-050, Brazil	12
Avenida Dr. Alberto Jackson Byington, 1435 Industrial Anhanguera, City of Osasco, São Paulo, CEP 06276-000, Brazil	13
City of Osasco, State of São Paulo, at Rua Padre Damaso, No. 173, Centro, 06016-010, Brazil	14
Estrada Velha de Guarulhos – São Miguel, 5135, Box 311 - Jardim Arapongas, Guarulhos, São Paulo, CEP 07210-250, Brazil	15
Rua Crepusculo, No 58 Bairro California, City of Belo Horizonte, Minas Gerais, CEP 30855-435, Brazil	16
Rua São Domingos da Prata, 200, Bairro Vila Barros, CEP 07193-160, Guarulhos, São Paulo, Brazil	17
3900-1 Place Ville-Marie, Montréal Québec H3B 4M7, Canada	18
7450 Pion Avenue, Saint-Hyacinthe QC J2R 1R9, Canada	19
77 King Street West, Suite 400, Toronto ON M5K 0A1, Canada	20
Dentons Canada LLP, 2900, 10180 - 101 Street, Edmonton AB T5J 3V5, Canada	21
SNR Dentons LLP, 77 King Street West, Suite 400, Toronto ON M5K 0A1, Canada	22
2920 Murray Street, Port Moody BC V3H 1X2, Canada	23
Antiguo Camino a Coquimbo S/N Lote 1-3/ 1-9, Colina, Sanitago, Chile	24
Av. Presidente Eduardo Frei Montalva 5151, Conchalí, 8550678 Santiago, Chile	25
Avenida Boulevard, Aeropuerto Norte #9649, Pudahuel, Santiago, Chile	26
2F, Building 4, No. 115 Lane 1276, Nanle Road, Songjiang District, Shanghai, China	27
3F, Building 4, No. 115 Lane 1276, Nanle Road, Songjiang District, Shanghai, China	28
Floor 9, Xinpeng Plaza, No. 200, Lane 91, E'shan Road, Pudong New Area , Shanghai, 200127, China	29
No. 181 Zhongshe Road, Maogag Town, Songjiang District, Shanghai, China	30
No. 301 Rongle East Road, Songjiang District, Shanghai, China	31
No. 9 Fuqian Road, Shandong Zhuang Town, Pinggu District, Beijing, China	32
Room 368, Part 302, No. 211 Fute North Road, Free Trade Zone, Shanghai, China	33
Room 850, No. 1111 Chang Shou Rd, Jingan District, Shanghai, China	34
Room 912, Central Business Tower, 88 Fuhua 1st Road, Futian, Shenzhen, China	35
Southwest of No.1 House, 3F, Building A, Tower 2, Xinhaiyi, No. 58 Heshun Road, Suzhou Industrial Park, Jiangsu, China	36
Carrera 30 No. 15-30, Bogota D.C., Colombia	37
Funza, (Cundinamarca), Colombia	38
Dolnokrčská 2029/54a, Krč, Praha 4, 140 00, Czech Republic	39
Přátelstvi 1011/17, Uhříněves, Praha 10, 10 400, Czech Republic	40
Greve Main 30, 2670 Greve, Denmark	41
Indkildevej 2 c, DK-9210, Aalborg SØ, Denmark	42
Kirkebjergvej 17, 4180 Sorø, Denmark	43
Vesterlundvej 5-7, DK-2730 Herlev, Denmark	44
11 C rue des Aulnes, 69410 Champagne-au-Mont-d'or, France	45
13 rue des Battants RN 20, 31140, Saint-Alban, France	46
140 rue Victor Hugo, 92300 Levallois-Perret, France	47
191-195 Avenue Charles de Gaulle, 9220 Neuillly-sur-Seine, Paris, France	48
2 Rue Paul Vaillant Couturier, 76120 Le Grand Quevilly, France	49
20 rue VEGA, 44470 Carquefou, France	50
26/28 rue Jean Perrin, 28300, Mainvilliers, France	51
29 avenue des Morillons, ZA des Doucettes, 95140 Garges les Gonesses, France	52
440 route de Rosporden, 29334 Quimper, France	53
5 avenue Gutenberg, ZA Pariwest, 78310 Maurepas, France	54
50 Avenue d'Allemagne, Rond Point de L'Europe ZA Albasud, 82000 Montauban, France	55
530 rue Jacqueline Auriol ZA de Saint Thudon, 29490, Guipavas, France	56
556 Chemin du Mas de Cheylon, CAP Delta 30941, Nimes, France	57
585, Rue Alain Colas, 29200 Brest, France	58
7 route de Villiers, 77780, Bourron-Marlotte, France	59
725 Route des Vernes Pringy, 74370, Annecy, France	60
Boulevard Francois-Xavier Faffeur, Zone Industrielle Lanollier, 11000, Carcassonne, France	61
Lieudit la Trentaine, 77690, La Genevraye, France	62
Parc d'activite Des Lacs, 22 rue Saint Exupery, 33 290 Blanquefort, France	63
Quai Louis Aulagne, 69 190 Saint Fons, France	64
Route Nationale 97, ZA Les Plantades, 83130 La Garde, France	65
Route Nationale, 57420, Louvigny, France	66
Rue Charles Remi Arnoult, 21700 Nuits Saint Georges, France	67
Rue de Pau, 40500 Saint-Server, France	68
Rue Edouard Branly, ZAC des Chamonds 58640, Varennes-Vauzelles, France	69
Rue Jean-Marie David, ZA la Teillais, 35740, Pacé, France	70
Rue Nungesser et Coli d2A Nantes Atlantique,, 44860 Saint-Aignan de Grand Lieu, France	71
Rue Pierre Pascal Fauvelle, 66000 Perpignan, France	72
ZI Maison Dieu RN 74, 21220 Fixin, France	73
ZI Val de Seine, 17 avenue Nobel, 92390 Villeneuve la Garenne, France	74
Zone Artisanale Maritime du Bassin de Thau, Route de Séte, 34540 Ballaruc Les Bains, France	75
Zone d'activite Sud Saint Jean, 57130 Jouy aux Arches, France	76
Bahnhofstrasse 72, 27404 Zeven, Germany	77
Elbestraße 1-3, 45768 Marl, Germany	78
Friedrichstrasse 2, 40699 Erkrath, Germany	79
Malteserstrasse 139-143, 12277, Berlin, Germany	80
Maysweg 11, 47918 Tönisvorst, Germany	81
11th Floor, One Pacific Place, 88 Queensway, Hong Kong, China	82
Room 1303, 13th Floor, Nan Fung Tower, 173 Des Voeux Road Central, Hong Kong	83
Room 2103, Futura Plaza, 111 How Ming Street, Kwun Tun, Hong Kong	84
Unit 3-4 18F Tower 6, China Hong Kong City, Tsim Sha Tsui, Kowloon, Hong Kong	85
2310 Szigetszentmiklos, Kantor ur.10, Hungary	86
2336 Dunavarsány, 071/33 hrsz, Hungary	87
H-1097 Budapest, Gyáli út 37/A, Hungary	88
H-2051 Biatobrágy, Vendel Park, Erdőalja út 3., Hungary	89
Vendel Park, Erdőalja út 3., 2051 Biatorbágy, Hungary	90
10 Earlsfort Terrace, Dublin 2, D02 T380, Ireland	91
4 Kinneret Street, POB 1139, Airport City, Ben Gurion Airport, 7019802, Israel	92
Emek Ha'Ela 250, Modi'in, P.O.B 553, LOD 7110601, Israel	93
Via 8 Marzo n. 6, 42025 Corte Tegge di Cavriago, Reggio Emilia, Italy	94
Via Brigata Reggio no. 24, Reggio Emilia, Italy	95
Via Guglielmo Marconi no. 35, Rozzano, Italy	96

SHAREHOLDER INFORMATION CONTINUED

List of registered office addresses continued

Address	Key
Via Pellicceria n. 10, 50123, Florence, Italy	97
Arzipe Valdes & Marco, Ave. Batallón de San Patricio #111, Piso 28, Despacho 2801, Colonia Valle Oriente, San Pedro Garza Garcia, Nuevo León, C.P. 66269, Mexico	98
Ave. Bonifacio Salinas 203, Col Central de Carga, CP67129, CD Guadalupe, Nuevo Leon, Mexico	99
Carretera Miguel Alemán KM21 Edificio 4C Prologis Park, Apodaca, N.L., México C.P, 66627, Mexico	100
Felipe Eugenio Marrón Montané, Avenida Pablo Neruda No. 2839, Colonia Providencia. C.P. 44630, Guadalajara, Jalisco, Mexico	101
Galileo # 11, Colonia Polanco V Secc., Delagación Miguel Hidalgo, 11560, Ciudad de México, Mexico	102
Pablo A. Gonzalez Garza Pte., 820, Chepevera, Monterrey, Nuevo Leon, 64030, Mexico	103
Pablo Neruda #2839, Colonia Providencia, 44639 Guadalajara, Jalisco, Mexico	104
Avenida Cafetales No. 1702, Interior 201, between streets Rancho Recoveco and Rancho Estopila, Hacienda de Coyoacán, Coyoacán, Mexico City, 04970, Mexico	105
Barnsteenstraat 1-A, 1812 SE Alkmaar, Netherlands	106
Curieweg 19, 3208, KJ Spijkenisse, Netherlands	107
Delta 2, 6825 MR Arnhem, Netherlands	108
Esp 125, 5633 AA Eindhoven, Netherlands	109
Oosterwerf 4, 1911 JB, Uitgeest, Netherlands	110
Rondebeltweg 82, 1329 BG Almere, Netherlands	111
Stephensonstraat 5, 4004JA Tiel, Netherlands	112
686 Rosebank Road, Avondale, Auckland, 1026, New Zealand	113
97 Sawyers Arm Road, Christchurch, 8052, New Zealand	114
Av. Santa Rosa 350. Ate., Lima, Peru	115
Corporate Creations Puerto Rico Inc., Urbanizacion Country Club, GS-31 Calle 206, Carolina PR 00982, Carolina County, Puerto Rico	116
Comuna Dragomiresti Vale, Sat Dragomiresti Deal, DE 287/1, Judetul Ilfov, Bucharest West Logistics Park, Cladirea C, Unitatea C01, Romania	117
1 Penjuru Close, 608617, Singapore	118
Na pantoch 18, 831 06 Bratislava, Slovakia	119
Calle Castilla-León, Parcela 45 Onda, 12200, Castellón, Spain	120
Calle Filats, 8 Polg. Industrial Prologis Park, Sant Boi de Llobregat, Barcelona, Spain	121
Calle las Palmeras 7, Polígono Industrial La Sendeilla, 28350 Ciempozuelos, Spain	122
Calle Moroder No3, Moncada, Valencia, Spain	123
Cartagena, Murcia, poligono industrial Cabezo Beaza, Avenida Bruselas, 30353, esquina calle Amsterdam, parcela R 100, Spain	124
Cartagena, Murcia, poligono industrial Cabezo Beaza, Avenida Luxemburgo, calle Artes y Oficios, nave B-3, Spain	125
Edificio Plaza, Nave 5, Ali-4 Plataforma Logistica de Zaragoza, 50197, Zaragoza, Spain	126
Parque Empresarial Las Mercedes, Edefficio 5, 3 Planta, Avenida de Aragon 330 , Madrid 28022, Spain	127
Santo Domingo De La Calzada, La Rioja, 26250, Carretera De Logrono, Spain	128
c/o ALR Fiduciaire Rummel SA, ch. Valmont 224, 1260, NYON, Switzerland	129
c/o Weita AG, Nordring 2, 4147 Aesch, Switzerland	130
Güterstrasse, 4313 Möhlin, Switzerland	131
Nordring 2, 4147 Aesch, Switzerland	132
Oberebenestrasse 53, CH-5620 Bremgarten, Switzerland	133
Akçaburgaz Mahallesi, 3137. Sokak, No.19, Esenyurt, İstanbul, Turkey	134
Tersane Cad. No:115 Karaköy, İstanbul, Turkey	135
Şerifali Mah. Turgut Özal Blv. B Blok No:170 Ümraniye, İstanbul, Turkey	136
72 Cathedral Road, Armagh, BT61 8AG, United Kingdom	137
Arthur Cox, Victoria House, Gloucester Street, Belfast, BT1 4LS, United Kingdom	138
York House, 45 Seymour Street, London, W1H 7JT, United Kingdom	139
406 South Boulder #400, Tulsa OK 74103, United States	140
Corporate Creations Network Inc., 15 North Mill Street, Nyeck NY 10960, United States	141
Corporate Creations Network Inc., 119 East Court Street, Cincinnati, OH 45202, United States	142
Corporate Creations Network Inc., 12747 Olive Boulevard, Suite 300, St. Louis, MO 63141, St. Louis County, United States	143
Corporate Creations Network Inc., 1430 Truxtun Avenue, 5th Floor, Bakersfield CA 93301, United States	144
Corporate Creations Network Inc., 1922 Ingersoll Avenue, Des Moines, IA 50309 IL, United States	145
Corporate Creations Network Inc., 205 Powell Place, Brentwood TN 37027, United States	146
Corporate Creations Network Inc., 2425 W Loop South #200, Houston TX, United States	147
Corporate Creations Network Inc., 2825 East Cottonwood Parkway #500, Salt Lake City UT 84121, United States	148
Corporate Creations Network Inc., 3411 Silverside Road Rodney Building #104, Wilmington DE 19810, United States	149
Corporate Creations Network Inc., 350 S. Northwest Highway #300, Park Ridge IL 60068, United States	150
Corporate Creations Network Inc., 5200 Willson Road #150, Edina MN 55424, United States	151
Corporate Creations Network Inc., 6802 Paragon Place #410, Richmond, VA 23230, Henrico, United States	152
Corporate Creations Network, Inc., 1001 State Street #1400, Erie PA 16501, United States	153
Corporate Creations Network, Inc., West 505 Riverside Avenue #500, Spokane WA 99201, United States	154
César Cortinas 2037, Montevideo, Uruguay	155

Financial calendar

	2018
Annual General Meeting	18 April
Results for the half year to 30 June 2018	28 August

	2019
Results for the year to 31 December 2018	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 2017 the Company had 4,895 (2016: 4,587) registered shareholders who held 335.9 million (2016: 335.6 million) ordinary shares between them, analysed as follows:

Size of holding	Number of shareholders	% of issued share capital
0 – 10,000	4,228	2
10,001 – 100,000	409	4
100,001 – 500,000	160	11
500,001 – 1,000,000	45	9
1,000,001 and over	53	74
	4,895	100

SHAREHOLDER INFORMATION CONTINUED

Registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Telephone +44 (0) 370 889 3257
Fax +44 (0) 370 703 6101
Email webqueries@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 confirmations.

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. 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. Shareholders who have elected to have their dividends paid by BACS and who have registered a valid email address with the registrar will be able to access their dividend confirmations electronically at www.investorcentre.co.uk. If no such email address has been registered, shareholders will receive their dividend confirmations by post.

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 with ticker BZLFY. 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 and at www.fca.org.uk/scamsmart. Details of any share dealing facilities that the Company endorses will be included in Company mailings.

Auditors

PricewaterhouseCoopers LLP

Stockbrokers

J.P. Morgan Cazenove
Citigroup

Company Secretary

Paul Hussey

Registered office

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Registered in England no. 358948

Forward-looking statements

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

FIVE YEAR REVIEW

	2017 £m	2016 £m	2015 £m	2014 £m	2013 £m
Revenue	**8,580.9**	7,429.1	6,489.7	6,156.5	6,097.7
Operating profit	**456.0**	409.7	366.5	341.8	332.1
Finance income	**10.6**	7.1	4.8	4.0	2.6
Finance expense	**(57.3)**	(53.9)	(48.6)	(46.0)	(44.8)
Profit before income tax	**409.3**	362.9	322.7	299.8	289.9
Income tax	**(98.8)**	(97.0)	(90.0)	(89.1)	(83.1)
Profit for the year attributable to the Company's equity holders	**310.5**	265.9	232.7	210.7	206.8
Basic earnings per share	**94.2p**	80.7p	71.0p	64.5p	63.5p
Alternative performance measures†					
Adjusted operating profit	**589.3**	525.0	455.0	429.8	414.4
Adjusted profit before income tax	**542.6**	478.2	411.2	387.8	372.2
Adjusted profit for the year	**393.4**	349.6	298.1	281.6	268.2
Adjusted earnings per share	**119.4p**	106.1p	91.0p	86.2p	82.4p

† See Note 2w on page 110 for further details of the alternative performance measures.

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