

Developing globally, delivering locally

Bunzl plc
Annual Report 2016



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Bunzl plc is a focused and successful international distribution and outsourcing group. We support businesses all over the world with a variety of products 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 business sectors in the Americas, Europe and Australasia. Our strategy is based on three key areas of focus:

Organic growth

→ Read more on [page 11](#)

Acquisition growth

→ Read more on [page 12](#)

Operating model improvements

→ Read more on [page 14](#)



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

Financial highlights

Adjusted earnings per share* 106.1p <small>(2015: 91.0p)</small>	Cash conversion[†] 99% <small>(2015: 97%)</small>	Dividend per share 42.0p <small>(2015: 38.0p)</small>
+6% ↗ <small>Growth at constant exchange rates (Actual exchange rates +17%)</small>		+11% ↗
Revenue €7,429.1m <small>(2015: €6,489.7m)</small>	Adjusted operating profit* €525.0m <small>(2015: €455.0m)</small>	Adjusted profit before income tax* €478.2m <small>(2015: €411.2m)</small>
+4% ↗ <small>Growth at constant exchange rates (Actual exchange rates +14%)</small>	+5% ↗ <small>Growth at constant exchange rates (Actual exchange rates +15%)</small>	+6% ↗ <small>Growth at constant exchange rates (Actual exchange rates +16%)</small>
Operating profit €409.7m <small>(2015: €366.5m)</small>	Profit before tax €362.9m <small>(2015: €322.7m)</small>	Basic earnings per share 80.7p <small>(2015: 71.0p)</small>
Actual exchange rates +12%	Actual exchange rates +12%	Actual exchange rates +14%

* Before customer relationships amortisation, acquisition related costs and the associated tax, where relevant (see Note 2w on page 102).

[†] See the Key performance indicator on page 17.

Growth at constant exchange rates is calculated by comparing the 2016 results to the results for 2015 retranslated at the average exchange rates used for 2016.

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.

* Before customer relationships amortisation and acquisition related costs.

◊ Restated to reflect the internal transfer of a business from Continental Europe to North America.

Where we operate

North America

- Revenue increased 3% at constant exchange rates.
- Adjusted operating profit* up 4% at constant exchange rates.
- Operating margin* unchanged at 6.6% at constant exchange rates.
- Return on operating capital up from 57.5%◊ to 57.8%.

Revenue

£4,362.1m

% of 2016 revenue

59%

Adjusted operating profit*

£289.6m

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

Market sectors



Foodservice

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



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.



Cleaning & hygiene

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



Safety

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

30%
of 2016 revenue

26%
of 2016 revenue

12%
of 2016 revenue

11%
of 2016 revenue

Continental Europe

- Revenue up 10% at constant exchange rates.
- Adjusted operating profit* up 13% at constant exchange rates.
- Improvement in operating margin* from 9.1% to 9.3% at constant exchange rates.
- Return on operating capital up from 55.9%[◊] to 58.8%.

Revenue

£1,355.1m

% of 2016 revenue

18%

Adjusted operating profit*

£126.6m

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

UK & Ireland

- Revenue decreased 2% at constant exchange rates.
- Adjusted operating profit* down 2% at constant exchange rates.
- Operating margin* unchanged at 7.7%.
- Return on operating capital up from 99.8% to 104.9%.

Revenue

£1,087.8m

% of 2016 revenue

15%

Adjusted operating profit*

£83.7m

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

Rest of the World

- Revenue up 11% at constant exchange rates.
- Adjusted operating profit* up 4% at constant exchange rates.
- Decrease in operating margin* from 8.0% to 7.5% at constant exchange rates.
- Return on operating capital down from 31.3% to 30.2%.

Revenue

£624.1m

% of 2016 revenue

8%

Adjusted operating profit*

£46.6m

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



Retail

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



Healthcare

Disposable 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.



Other

A variety of product ranges to other end user markets.



Market environment

Growth drivers

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

Competitive advantage

- No one does what we do, on our scale, across our international markets.
- Decentralised operational structure with experienced and knowledgeable management.
- Global sourcing capabilities.
- Strong financial discipline.
- Expertise in making successful acquisitions.

Customers

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

Chairman's statement

By continuing to focus on our strengths and consolidate the markets in which we compete, we have achieved another year of growth in earnings and dividends.

Philip Rogerson
Chairman



Results

I am pleased to report another good set of results against the background of mixed macroeconomic and market conditions across the countries in which we operate. Overall currency translation movements due to the weakening of sterling had a significant positive impact on the reported Group growth rates at actual exchange rates.

Group revenue increased 14% to £7,429.1 million (2015: £6,489.7 million) and adjusted operating profit before customer relationships amortisation and acquisition related costs was up 15% to £525.0 million (2015: £455.0 million). Adjusted earnings per share were 106.1p (2015: 91.0p), an increase of 17%.

At constant exchange rates, revenue increased by 4% and adjusted operating profit rose by 5%. The Group operating margin improved from 7.0% to 7.1% with adjusted earnings per share up 6% at constant exchange rates.

Return on average operating capital increased to 55.9% from 55.5% in 2015, driven by an improvement in the operating capital in the underlying business, partly offset by an adverse impact from exchange rate movements, a slightly lower underlying operating margin and the impact of the lower return on operating capital from acquisitions. Return on invested capital of 16.7% was down from 17.1% in 2015 principally due to the effect of acquisitions and limited organic growth.

Dividend

The Board is recommending a final dividend of 29.0p. This brings the total dividend for the year to 42.0p, up 11% compared to 2015. Shareholders will again have the opportunity to participate in our dividend reinvestment plan.

Strategy

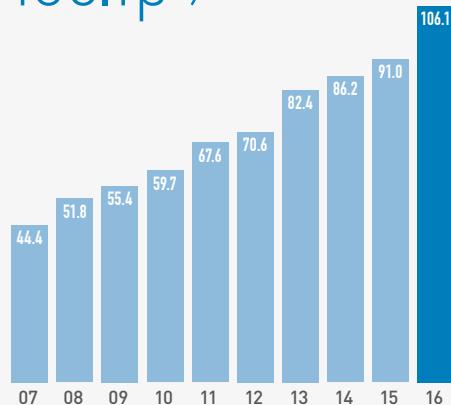
Our consistent and proven strategy of developing the business through organic growth, consolidating our markets through focused acquisitions and continuously improving our operations has delivered another successful year of growth for the Group.

We look to achieve organic growth by applying our resources and expertise to enable our customers to reduce or eliminate the hidden costs of sourcing and distributing a broad range of goods not for resale. 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.

Adjusted earnings per share* p

07-12 restated on adoption of IAS 19 (revised 2011)

106.1p ↑



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

Acquisition activity continued throughout 2016. Including Saebe Compagniet and Prorisk and GM Equipment, which we agreed to acquire in November 2016 and completed in January 2017, we made 14 acquisitions with a total committed spend of £184 million, thereby adding annualised revenue of £201 million. These acquisitions have helped to strengthen our position in many of the markets that we serve. In addition, the acquisition of Packaging Film Sales in the US was announced and completed at the beginning of 2017 and we are today announcing the purchase of LSH in Singapore. We now have operations in 30 countries.

Investment

Investment in the business to support our growth strategy and enhance our asset base is an ongoing process. We have continued to improve our facilities and open new ones, both as a result of acquisitions and by consolidating our warehouse footprint in order to make it more efficient. Systems are critical to our ability to serve our customers in the most effective way. We continuously upgrade our IT systems as we integrate new businesses into the Group's operations and increase the functionality of our existing systems. By doing so we are able to enhance our customer offering and retain a competitive advantage, thereby maintaining our leading position in the marketplace.

Corporate responsibility

We continue to focus on sustainable operating processes throughout our businesses while at the same time, through our one-stop-shop offering to our customers, also actively contribute to the sustainable footprint of our customers' businesses by consolidating their product deliveries. We work closely with our suppliers with a view to ensuring that they

also adopt corporate responsibility ('CR') policies similar to our own, while the quality assurance/quality control team in Shanghai undertakes audits of our key Asian suppliers to assist them in meeting our stringent standards. In addition, we continually look to add to our full range of environmentally friendly products. Integrity is at the heart of Bunzl's standards and we ensure that all relevant employees undertake CR training and that our whistleblowing programme is communicated throughout the Group.

Employees

Bunzl's decentralised business model drives local empowerment and fast decision making, thereby allowing us to demonstrate repeatedly our understanding of our customers' needs and deliver great service. Throughout our operations around the world, it is the enthusiasm with which our employees undertake their responsibilities, their commitment to improve our performance and their willingness to go the extra mile that allows us continually to delight our customers. I would like to thank them all for their achievements this year which have contributed greatly to the Group's continued success.

Board

After more than a decade in the role, Michael Roney retired as Chief Executive and stood down from the Board at the conclusion of the Annual General Meeting in April 2016. He was succeeded by Frank van Zanten who for the previous 10 years was Managing Director of the Continental Europe business area. The management transition has gone well with Frank's appointment providing continuity for the business as well as its customers and employees.

Following his appointment as Chief Executive of Brammer plc, Meinie Oldersma resigned as a non-executive director in August 2016.

David Sleath, who has served as a non-executive director since September 2007, will be retiring after the Company's Annual General Meeting in April 2017. During his time he has also served as Chairman of the Audit Committee and Senior Independent Director. His independent advice and significant contribution to our success have been greatly appreciated and he leaves the Board with our thanks and best wishes.

Today we are announcing the appointment of Lloyd Pitchford as non-executive director with effect from 1 March 2017. Lloyd is currently Chief Financial Officer of Experian plc and has extensive international business experience which will be of great value to Bunzl as we continue to expand and develop. Upon David Sleath's retirement at the Annual General Meeting, Lloyd will assume the role of Chairman of the Audit Committee and Vanda Murray will become the Senior Independent Director.

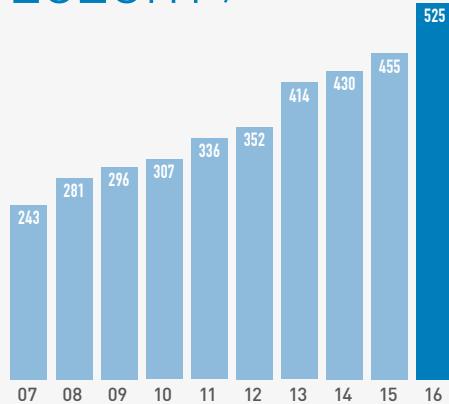
Philip Rogerson

Chairman
27 February 2017

→ Read our Corporate governance report on **page 50**

Adjusted operating profit* £m

£525m ↑



Share price range p

High 2,436p ↑
Low 1,735p ↑



Q&A

with Frank van Zanten

the Company's new Chief Executive who was appointed in April 2016 after a period of 10 years as the Managing Director of Continental Europe.

Q Who is Frank van Zanten?

“

I am 50 years old and I was born and raised in the Netherlands. I have spent almost 20 years with the Bunzl Group in a variety of different roles.

After completing my Master's degree in business, I took the opportunity to go into our family business, Hopa Disposables, assuming the role of Managing Director in 1991. In 1994, after an approach by Bunzl, we decided it was time to sell the business and Hopa became the first Bunzl business in Continental Europe. Following the acquisition I had the opportunity to work in Denmark, spend time in our German business and I also worked in the UK for two years.

Frank van Zanten
Chief Executive



In 2001, after seven years with Bunzl, I became the Chief Executive of a listed distribution company in the Netherlands. Bunzl approached me again in 2005 and I subsequently rejoined the Group as the Managing Director of the Continental Europe business area based in Amsterdam. At that time we had operations in only four countries but by 2015 had expanded to 14 countries, having doubled the size of the business to more than €1.5 billion in revenue and increased the operating profit almost five times to €144 million.

After 10 years managing Continental Europe I became Chief Executive of Bunzl plc in April 2016. It has been an incredible journey. I believe it is a great story for all the people in the Bunzl Group that if you work hard and you want to develop anything is possible."

Q When you first took over as Chief Executive what were your initial observations?

Having worked within the Group for a long time, it was not all new to me but I have spent a lot of time travelling around the world to visit many of our businesses. I strongly believe that Bunzl has an excellent business model with an experienced management team that is successfully executing a proven strategy."

Q Do you anticipate continuing the acquisition strategy that has contributed to the strong growth of the Group?

I am incredibly committed to the acquisition strategy. I compare our acquisition spend to capex in a manufacturing business; purchasing businesses and integrating them into our existing operations is part of our DNA. We often buy family owned businesses that require a trigger to sell, and therefore the timing of transactions is difficult to predict, but our strong balance sheet and consistently high cash conversion means we have the firepower to act quickly when the opportunities arise."

Q Will the Group continue to grow organically as well as by acquisition?

Yes, growing the Group organically continues to be a key part of our strategy. By partnering with market leading customers, we grow as the markets in which we operate grow. However, we also aim to increase our share of those markets by selling more products to our existing customers, what we call 'filling the gap', as well as by expanding our product ranges and winning new customers."

Q Do you have any other specific areas you want to focus on?

I have two areas I have spoken about before that I am particularly passionate about, namely our investment in IT and digital projects and the sharing of best practice across the Group. In the last couple of years, we have rolled out state-of-the-art digital platforms across Continental Europe and UK & Ireland which have enhanced our customers' experience when interacting with our businesses and we plan to make similar investments elsewhere in the near future. Intensifying the sharing of best practice across our businesses globally is also a key area of focus for me. We have successfully established a global forum across our fast growing safety business, bringing together the world leading industry knowledge of our management which includes many former business owners. I want to expand this type of collaboration to other businesses within the Group as the benefits to those involved can be significant."

Q What do you think is Bunzl's greatest asset?

I have to say that without any doubt it is our people. Across the Group in all areas of the business we have incredibly dedicated, loyal and hardworking employees. Some of them have been with us for a long time and some are new to the Group but their continued commitment to improving our business on a daily basis and servicing the needs of our customers is what makes Bunzl the fantastic business that it is."

Q In your opinion what makes Bunzl more than just a distribution business?

Our business model offers so much more than just a set of wheels. We not only partner with many leading global branded suppliers but through our Far East sourcing operations we are able to provide our extensive own brand product offering. Our field sales teams work with our customers across all of our sectors to identify specific products to suit their needs and we offer varying delivery solutions such as direct to store, cross-dock and warehouse replenishment. With our global sourcing and procurement capabilities, our international warehousing and distribution infrastructure and our range of delivery options, we are able to provide a comprehensive and complete one-stop-shop solution for all of our customers' non-food consumables requirements. By providing this consolidated offering we are able to simplify and improve the efficiency of their own supply chains."

→ Read the full Chief Executive's review on page 18

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

Business model and strategy

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

Our business model

Strength and resilience through our scale, balance and diversity

We have a geographically 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.



A one-stop-shop for non-food consumables

We source

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

We consolidate

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

We deliver

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

Our sources of competitive advantage

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.

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.

Strong financial discipline

Over many years we have delivered consistently good results with high returns on capital and cash conversion.

Global sourcing

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

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'.

→ Read more about our KPIs
on **pages 16 and 17**

Creating value for stakeholders

Customer benefits

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

Shareholder returns

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

Our strategy

1 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.

2 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.

3 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 projects and warehouse facilities as well as implementing and sharing best practice operational procedures.

→ Read more about our strategy
on **pages 11 to 14**

Employee benefits

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

Environmental awareness

Our continued focus on operational excellence allows us to reduce both our and our customers' environmental impact by reducing our warehouse footprint, introducing more sustainable products and business practices and providing a one-stop-shop consolidated product offering.



depth of knowledge



...breadth
of product





Organic growth

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



We build strong relationships with each of our customers to understand their needs and identify where we can support them, while continually looking for new ways to help make their businesses run more smoothly.

Larry Baker
North America

Building relationships

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

Acquiring new customers

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

Expanding our offering

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

Acquisition growth

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.



existing
markets

Since 2004 we have completed more than 130 acquisitions with a total committed spend of £2.5 billion and have expanded the Group's operations from 12 to 30 countries.

...new targets



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.

Key acquisition parameters

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

- that sell business to business ('B2B');
- with a consolidated not for resale product offering;
- in resilient and growing markets;
- 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.

Growth in new countries

We are a truly international business with operations in 30 countries but there are a number of potentially attractive countries where we do not yet have a presence. In evaluating whether to enter a new country through acquisition, we consider a number of different criteria. 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.

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.

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.

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.

Warehouse lighting

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

Global purchasing

With the annual cost of the goods we sell exceeding £5.6 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.

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.

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.

Digital capabilities

The implementation of a variety of digital projects throughout the Group, such as web-based ordering portals, has increased the efficiency of our operations while at the same time provided an enhanced experience for our customers when interacting with our businesses.

Through careful planning and by being flexible and working together efficiently as a team, we ensure that our customers get their orders where and when they need them.

Nick Howe
UK & Ireland



ordering online



...delivering
on time

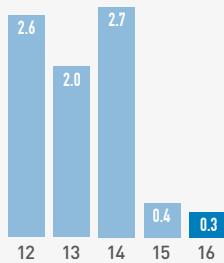
Key performance indicators

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

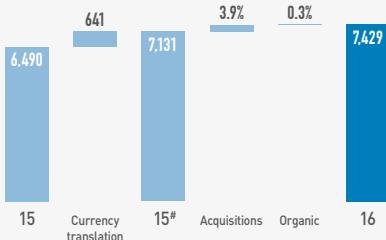
Organic growth

Organic revenue growth %

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



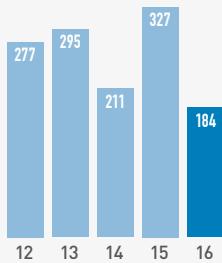
Reconciliation of revenue growth between 2015 and 2016 £m



Acquisition growth

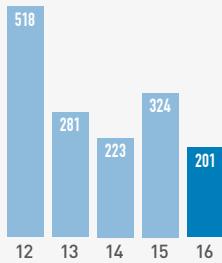
Acquisition spend £m

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



Annualised revenue from acquisitions £m

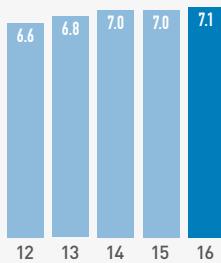
Estimated revenue which would have been contributed by acquisitions made or agreed to be made during the year if such acquisitions had been completed at the beginning of the relevant year (see Note 24 on page 129).



Operating model improvements

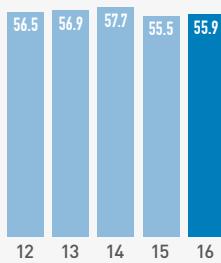
Operating margin %

Ratio of adjusted operating profit^A to revenue. Excluding the impact of acquisitions during the first 12 months of ownership, the 2016 operating margin was 6.9% compared to 7.0% in 2015 (restated at constant exchange rates).



Return on average operating capital %

Ratio of adjusted operating profit 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).



£184m

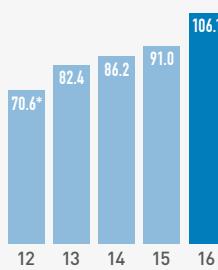
acquisition spend

→ Read more about our acquisition strategy on **pages 12 and 13**

Financial

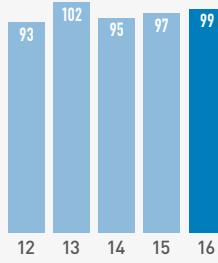
Adjusted earnings per share p

Adjusted profit for the year (being the profit for the year before customer relationships amortisation, acquisition related costs and disposal of business and the associated tax) divided by the weighted average ordinary shares in issue (see Note 7 on page 108).



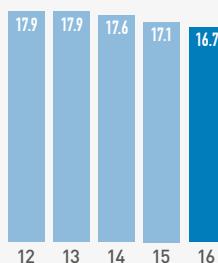
Cash conversion %

Operating cash flow, being cash generated from operations before acquisition related costs less net capital expenditure, as a percentage of adjusted operating profit (see Consolidated cash flow statement on page 96).



Return on invested capital %

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

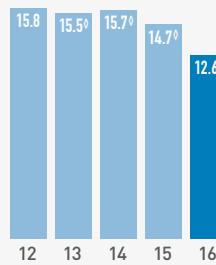


Non-financial

Scope 1 carbon emissions

Tonnes of CO₂ per £m revenue

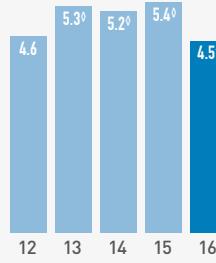
Measured in accordance with the Greenhouse Gas Protocol applying Defra conversion factors.



Scope 2 carbon emissions

Tonnes of CO₂ per £m revenue

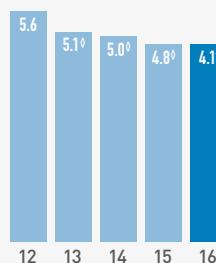
Measured in accordance with the Greenhouse Gas Protocol applying Defra conversion factors.



Fuel usage

Litres per £000 revenue

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



Δ Before customer relationships amortisation and acquisition related costs.

* At 2016 exchange rates.

* 2012 has been restated on adoption of IAS 19 (revised 2011)
'Employee Benefits'.

† Included in the external auditors' limited assurance scope referred to on page 46.

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

Chief Executive's review



Frank van Zanten
Chief Executive

 Bunzl's continued success is based on our extensive knowledge and experience of the markets in which we operate and a deep understanding of our customers' requirements. 

Highlights

→ North America

Improved organic growth as year progressed from additional business won and abatement of price declines on plastic products

→ Continental Europe

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

→ UK & Ireland

Operating margin maintained at 7.7% despite previously announced account loss and subdued market conditions

→ Rest of the World

Adjusted operating profit up 4%[†] as a result of acquisitions although margins remained under pressure due to market conditions

Operating performance

With more than 85% of the Group's revenue generated outside the UK, the weakening of sterling against most currencies has had a significant positive translation impact on the Group's reported results, increasing revenue, profits and earnings by approximately 10%. 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 2015 at the average rates used for 2016. 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 costs).

Revenue increased 4% (14% at actual exchange rates) to £7,429.1 million, principally due to the effect of recent acquisitions together with some organic growth. Although the level of organic growth at 0.3% was subdued for most of the year by the impact of some previously announced customer losses and price declines on plastic resin-based products, it started to improve during the fourth quarter to approximately 1.5% as a result of recent business wins and the abatement of the

[†] At constant exchange rates.

impact of such price declines. Operating profit was £525.0 million, an increase of 5% (15% at actual exchange rates). The percentage growth in operating profit was greater than that of revenue due to the impact of higher margin acquisitions, resulting in an improvement in the Group operating margin by 10 basis points at both constant and actual exchange rates to 7.1%.

In North America revenue rose 3% (15% at actual exchange rates) principally due to the impact of acquisitions completed in both 2015 and 2016, while operating profit increased 4% (16% at actual exchange rates) with the operating margin unchanged at both constant and actual exchange rates at 6.6%. Revenue in Continental Europe rose 10% (24% at actual exchange rates) as a result of organic revenue growth and the impact of acquisitions, with operating profit up 13% (27% at actual exchange rates) and the operating margin up 20 basis points at both constant and actual exchange rates to 9.3%. In UK & Ireland revenue was down 2% (down 1% at actual exchange rates) with a decline in organic revenue principally due to a previously announced account loss in our food retail business at the beginning of 2016. Operating profit also reduced 2% (down 1% at actual exchange rates) with the operating margin stable at both constant and actual exchange rates at 7.7%. In Rest of the World revenue increased 11% (21% at actual exchange rates) with operating profit up 4% (11% at actual exchange rates) due to the impact of acquisitions completed in 2015, particularly in Latin America. Margins came under pressure due to the challenging macroeconomic conditions and some adverse foreign exchange transaction impact of weaker local currencies in the relevant markets in both Latin America and Australasia, with the business area operating margin down 50 basis points (70 basis points at actual exchange rates) to 7.5%.

Basic earnings per share were 4% higher (14% at actual exchange rates) at 80.7p. Adjusted earnings per share, which excludes the effect of customer relationships amortisation and acquisition related costs, were 106.1p, an increase of 6% (17% at actual exchange rates).

The operating cash flow, which is before acquisition related costs, continued to be strong with cash conversion (the ratio of operating cash flow to adjusted operating profit) at 99%. The ratio of net debt to EBITDA calculated at average exchange rates decreased from 2.1 times as at the end of 2015 to 2.0 times, which is at the lower end of our target range of 2.0 to 2.5 times.

As a responsible business, Bunzl actively promotes sustainability and we continually challenge ourselves to reduce the environmental footprint of our operations, introduce more sustainable practices to the businesses we acquire and improve the safety of all our sites. We remain committed to reducing our impact on the environment and supporting the communities within which we operate. Once again a rigorous assessment of our supply chain with regard to social issues has been undertaken and in our Corporate responsibility report we seek to show the benefits of our collective endeavours on the lives of our people, suppliers and customers. During the year we undertook a detailed employee survey and were delighted that 82% of our employees took part and 93% of respondents 'enjoy the work they do'. Finally, our focus on collaboration and the sharing of best practice continues to bring opportunities for our colleagues to work together, contributing greatly to Bunzl's continued success.

Acquisitions

Acquisitions are a key component of the Group's growth strategy. Our committed spend in 2016 was £184 million from a total of 14 transactions, including Saebe Compagniet and Prorisk and GM Equipement which we agreed to acquire in November 2016 and completed in January 2017.

At the beginning of February we purchased Earthwise Bag, a distributor of reusable bags to supermarkets and other retailers in the US, which has expanded our offering of environmentally friendly products. Revenue in 2015 was £12 million. Bursa Pazari, which

had revenue of £31 million in 2015, was acquired at the end of March and represents our second step in Turkey, extending our operations there into the foodservice and healthcare sectors. It is engaged in the sale of a variety of packaging and other foodservice supplies and disposable gloves to wholesalers, retailers and hospitals throughout Turkey and also exports to a number of countries.

At the end of May we completed three further acquisitions. Inkozell and Mo Ha Ge are both engaged in the sale of healthcare related consumables, mainly incontinence products, to a variety of home end users and care homes throughout Germany. The aggregate revenue of the businesses in 2015 was £16 million. In the UK we purchased Classic Bag which develops and distributes bespoke retail packaging for non-food retailers in the UK, Hong Kong and elsewhere in Europe. It complements our existing retail supplies business in the UK, enhances our customer base and extends our presence in this market in Hong Kong. Revenue in 2015 was £7 million. Polaris Chemicals distributes cleaning & hygiene supplies to both redistributors and end users, including government and education establishments, retirement homes and



Chief Executive's review continued

cleaning companies, throughout the Brussels and Walloon regions of Belgium. The acquisition has brought additional scale to our cleaning & hygiene supplies business in Belgium. Revenue in 2015 was £3 million.

The purchase in July of Plus II and Apex, which had revenues in 2015 of £16 million and £6 million respectively, has further expanded our cleaning & hygiene supplies business in Canada which has grown significantly in recent years through acquisition. At the end of August we acquired Blyth, a Prague based distributor of a broad range of personal protection equipment to a variety of end user customers throughout the Czech Republic and Slovakia. Revenue in 2015 was £5 million.

In September we purchased three further businesses. Kingsbury Packaging, which is located in Northern Ireland and had revenue of £5 million in 2015, supplies food packaging related products to convenience stores and food retailers in Ireland. Silwell has provided additional scale to our business in Hungary by extending our operations there in the foodservice sector. Revenue in 2015 was £6 million. Tri-Star Packaging is also engaged in the distribution of food packaging and foodservice products, as well as some cleaning & hygiene consumables, to end user customers including 'food-to-go' retailers, contract caterers and food processors throughout the UK. Revenue in 2015 was £28 million.

At the end of December we acquired Woodway, a leading supplier of packaging products and solutions to a variety of end user customers in the UK. It specialises in supporting the e-commerce activities of retailers and had revenue in the year ended June 2016 of £31 million.

In November we entered into agreements to acquire Saebe Compagniet in Denmark and Prorisk and GM Equipement in France, both of which were completed in January 2017. Saebe Compagniet is a distributor of cleaning & hygiene related products to a variety of end user customers, particularly in the hotel, restaurant and catering sectors, in Denmark. Revenue in the year ended April 2016 was £13 million. Prorisk and GM Equipement, which together had aggregate revenue in 2015 of £6 million, are principally engaged in the sale of a variety of personal protection equipment and first aid related products to both end users and distributors throughout France.

Since the year end we have acquired two further businesses. In early January 2017 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 2015 was £5 million. Finally, today we are announcing the acquisition of LSH, a distributor of safety products, primarily to end users, based in Singapore which was completed at the end of January 2017. This represents our first step into Singapore and should provide a base from which to develop our operations in Asia. Revenue in 2016 was £5 million.

Prospects

Against the backdrop of mixed macroeconomic and market conditions, the combination of our strong competitive position, diversified and resilient businesses and ability to consolidate our fragmented markets further is expected to lead to continued growth. If exchange rates remain at their current levels, the significant weakening of sterling last year will have a further positive translation effect on the reported results in 2017, particularly in the first half.

In North America, the pick up in organic revenue growth towards the end of 2016 is expected to continue due to some additional business won, albeit at lower margins, and the abatement of the impact of price declines on plastic resin-based products. In Continental Europe we expect to see a good performance due to the benefit of acquisitions and organic growth. Despite ongoing uncertainty in some of our markets, UK & Ireland should make progress due to the impact of acquisitions and the benefit of a recent account win, although we continue to focus on mitigating the adverse foreign exchange transaction impact from the weakening of sterling. With many of the economies in Rest of the World showing less volatility and the major local currencies having strengthened, we expect to see a more stable trading performance from our businesses there.

The pipeline of potential acquisitions remains promising. We are in discussions with various targets and we expect to complete further transactions during 2017.

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

Frank van Zanten
Chief Executive
27 February 2017



Management

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



Brian May
Finance Director



Patrick Larmon
President and CEO North America



Julie Welch
Director of Group Human Resources



Andrew Tedbury
Managing Director UK & Ireland



Paul Hussey
General Counsel & Company Secretary



Paul Budge
Managing Director Continental Europe



Jonathan Taylor
Managing Director Latin America



Andrew Mooney
Director of Corporate Development



Kim Hetherington
Managing Director Australasia

Everyone at Bunzl makes a key contribution to the successful growth and development of the business through the application of their diverse skills and experiences and their dedication and commitment to see the Group progress.

Frank van Zanten
Chief Executive

North America

Highlights

	2016 £m	2015 [◊] £m	Growth at constant exchange
Revenue	4,362.1	3,784.2	3%
Adjusted operating profit*	289.6	249.0	4%
Operating margin*	6.6%	6.6%	

* Before customer relationships amortisation and acquisition related costs (see Note 2w on page 102).

◊ Restated to reflect the internal transfer of a business from Continental Europe (see Note 3 on page 104).

- Revenue increase from acquisitions and improved organic growth
- Growth in grocery from contract wins and expansion of business with existing customers
- Redistribution growth from category management programmes
- Safety impacted by downturn in oil and gas sector
- Strong growth in business serving food processor, convenience stores and agricultural sectors
- Further expansion of national distribution platform in Canada

In North America, revenue increased by 3% to £4,362.1 million due to the impact of the acquisitions completed in 2015 and 2016 as well as organic growth of 1%, the level of which improved relative to that achieved in 2015. The recent acquisitions have expanded our footprint in several of our market sectors while adding further products and services to our portfolio. Although we continued to face challenges in growing sales organically due to deflationary pressures on product prices and slow growth rates in several customer sectors, we saw a pick up during the fourth quarter of the year due to some additional business won and the abatement of the impact of price declines on plastic resin-based products towards the end of the year. Operating profit increased 4% to £289.6 million with the operating margin remaining unchanged at 6.6%.

Despite the deflationary pressures on product prices that persisted for most of the year, our largest business serving the grocery sector grew as a result of securing new contract wins and expanding business with existing customers. We have activated our 'pick-and-pack' services at several large customers to provide many new items and offer a wider range of products with the convenience of single source delivery. Additionally, the acquisition of Earthwise Bag, acquired in February 2016, has strengthened our offering in eco-friendly products through the supply of reusable bags that can be custom-branded for promotional purposes. Our expanded product offering combined with our flexible store delivery programmes allow us to

deliver unmatched service and improved asset utilisation for our customers. For our largest customer we have also agreed to take on the distribution of a range of additional items which are new to the business area and which we expect to offer to other customers operating in both the grocery and retail sectors.

Overall, our business serving the retail sector remained stable with the adverse impact of some lost accounts being offset by new business secured during the year. We have expanded our available products as well as enhanced our service capabilities by consolidating operations to provide faster deliveries. Our network of warehouses and fleet of trucks provide an attractive business model for large retailers with expansive footprints requiring distribution to multiple locations. We have continued to promote our material consolidation services, primarily used by our largest retail customer, to retailers with similar operations. Our materials management capabilities help retailers reduce costs and open or remodel stores faster so that they can begin generating revenue sooner.

In our business serving the redistribution sector, we have experienced growth through the implementation of category management programmes at new and already established foodservice distribution customers. These engagements often begin using innovative, proprietary digital tools to illustrate to both prospective and existing customers the substantial revenue generating opportunities that a complete redistribution programme has to offer.

 Our customers rely on our sourcing expertise, the depth and breadth of our product offering and the comprehensive service we provide from our extensive distribution facilities. 

Patrick Larmon
President and CEO
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 35 years the operations have grown substantially throughout the US while at the same time have expanded into Canada, Mexico and Puerto Rico to become the market-leading business that it is today with revenue of £4.4 billion.

Market sectors



Locations

168

Employees

5,478

We are expanding our sales of janitorial and sanitation ('jan-san') products in this sector and others through our central warehouse initiative. In support of this initiative, we opened a warehouse in the north east US for the stocking and distribution of jan-san products in the region and we have continued to enhance our central warehouse infrastructure and jan-san inventory in strategic US locations. We have also continued to drive sales through innovative products such as our proprietary oneSAFE single-use glove dispensing system.

Our business serving the safety sector experienced a difficult year with lower revenue and operating profit due to a downturn in the oil and gas industry as well as some weakness in the welding segment. Despite these factors, we have made gains in other areas, such as the automotive and industrial markets. We have taken steps to reduce operating costs while seeking new ways to expand our business. We have also continued to invest in the development of our own brand of personal protection equipment. These products contribute higher margins while at the same time allow us to offer added value to our customers when compared to branded alternatives.

In our business serving the food processor sector, although customer consolidation has continued, we have expanded our existing customer relationships and gained new business by offering a total plant operating supplies programme. This one-stop-shop solution encompasses 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.

We have also seen growth in our business that supplies the agricultural sector. The business is achieving greater levels of profitability after migrating all of our companies serving this sector onto a unified IT platform that includes a warehouse management system which has enhanced operational efficiencies across the business.

Our business serving the convenience store sector has grown strongly despite competition from non-traditional suppliers as well as some customer consolidation. We continue to execute our pull-through selling strategy by partnering with our primary wholesale customers to help them increase sales with convenience store retailers and we have expanded this business with the addition of other items carried by convenience stores. Our ability to manage our customers' inventory enables them to have the right products at the right time so that they can reduce their working capital and warehouse space needs. We have also improved our transportation efficiencies and inventory management capabilities in this sector.

Our business in Canada continues to operate successfully with all of the recent acquisitions continuing to perform well. In the second half of the year we acquired two further businesses, Apex in Toronto and Plus II in Montreal, which have allowed us to expand our jan-san products and services in the region as well as our e-commerce capabilities for our Canadian customers. We continue to leverage our national distribution platform and restructure our business as needed to enhance our operations serving all of our market sectors in Canada.

Finally, all of our businesses throughout North America are benefiting from a continuous improvement initiative which is focused on enhancing our operational capabilities. This includes a warehouse optimisation programme to ensure we have the most efficient infrastructure to support our customers as well as a routing system that maximises our truck fleet utilisation.

Continental Europe

Highlights

	2016 £m	2015 [◊] £m	Growth at constant exchange
Revenue	1,355.1	1,088.6	10%
Adjusted operating profit*	126.6	99.5	13%
Operating margin*	9.3%	9.1%	

* Before customer relationships amortisation and acquisition related costs (see Note 2w on page 102).

◊ Restated to reflect the internal transfer of a business to North America (see Note 3 on page 104).

→ Significant increase in revenue and profit, principally driven by acquisitions with operating margin* up 20bp

→ Return to growth in cleaning & hygiene in France

→ Performance in the Netherlands mixed

→ Strong growth in Germany and expansion in healthcare through acquisition

→ Increased sales and profit in Denmark

→ Strong performance in Spain and central Europe with increased levels of profitability

Continental Europe once again developed strongly with revenue rising by 10% to £1,355.1 million and operating profit up 13% to £126.6 million. Organic revenue growth of 2% improved on the level seen in 2015 with the results also boosted by the full year impact of the eight acquisitions made in 2015 and the part year contribution of the five acquisitions completed in 2016. While gross margins reduced slightly, ongoing management of the cost base enabled the business area to maintain its underlying profitability and, with the benefit of higher margin acquisitions, the business area operating margin rose by 20 basis points at constant exchange rates to 9.3%.

In France, sales at our cleaning & hygiene business returned to growth following investment in our e-commerce and telesales capabilities. Additional cost reductions offset margin pressures and operating profit again increased in the year. However, our personal protection equipment business recorded lower sales which could only partly be offset by lower costs. Ligne T, the specialist safety business acquired in May 2015, traded ahead of expectations and the acquisition of Prorisk and GM Equipment, which was completed at the end of January 2017, has further increased our scale in the French safety market and broadened our product range. Comatec, which was acquired in December 2015 and specialises in the distribution of high-end, innovative, single-use tableware to the hotel, restaurant and catering ('horeca') sector, also traded well ahead of expectations with growth both in the local French and export markets.

In the Netherlands, sales grew modestly with mixed performances across the sectors that we serve. The results were particularly impacted by De Ridder which delivered a weaker performance in 2016, having benefitted in the prior year from unusually high sales of products to government agencies.

In Belgium, sales continued to increase in the cleaning & hygiene sector as a result of additional business with a number of larger customers although this growth was partly offset by lower sales in the grocery and food processor sectors. Gross margins were stable but operating profit was impacted by higher temporary costs linked to the implementation of a new ERP system in one of the hygiene businesses.

In Germany, sales again grew well with both national and regional accounts and gross margins improved. Some cost reductions and efficiency gains following the 2015 implementation of a new ERP system also helped lead to a significant increase in operating profit. In May 2016 we acquired Inkozell and Mo Ha Ge, both active in the distribution of incontinence products to 'at home' end users and care homes. The businesses are integrating well with our other German operations.

In Switzerland, sales declined as a contraction in the horeca sector, linked to lower levels of tourism due to the continued strength of the Swiss franc, was not fully offset by gains in the retail and industry sectors. Sales to the medical sector were broadly flat. Competition from lower cost neighbouring countries in the Eurozone also put further pressure on margins resulting in operating profit being below that of the previous year.

Meier Verpackungen, which we acquired in September 2015 as our first business in Austria, grew well with an increase in sales of food and meat packaging products more than offsetting lower fruit and vegetable packaging sales which were disrupted by a poor local harvest due to extreme weather conditions in the spring.

In Denmark, revenue increased strongly, in particular due to higher sales to the horeca sector, food processors and redistributors as well as higher demand for personal protection equipment. Sales to customers serving the retail sector improved marginally while sales to customers in the public sector were flat following the loss of one major account. As a result of the overall revenue growth, the operating profit also increased. The acquisition of Saebe Compagniet was completed in early January 2017 and has further strengthened our cleaning & hygiene operations.



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

Market sectors



Locations

152

Employees

4,029

Our broad portfolio of operations across a variety of market sectors and countries means we are a balanced and resilient business that has delivered consistently good results over time.

Paul Budge
Managing Director
Continental Europe

In Spain, sales grew well in both the cleaning & hygiene and safety sectors due to a combination of customer wins and product range extension. The cleaning & hygiene business relocated to a new warehouse in Madrid to provide a platform for further growth and efficiency gains. Quirumed, the healthcare products business acquired in January 2015, saw lower sales but improved profitability due to cost reduction measures. Cemelim and Faru, both acquired in the last quarter of 2015, have integrated well with Cemelim now fully merged into our cleaning & hygiene business. Overall profitability in Spain increased significantly.

In Israel, sales have grown rapidly in the horeca sector and also increased in the bakery sector despite disruption caused by a warehouse relocation following a fire. Margins improved in both areas and careful cost control led to a substantial rise in operating profit.

In central Europe, revenue rose strongly in all of our local businesses from new customer wins as well as increased levels of activity with existing customers and underlying profits rose accordingly. In August we completed the acquisition of Blyth, a specialist distributor of personal protection equipment based in the Czech Republic, and in September we bought Silwell, which is based in Hungary and sells disposable foodservice items to the horeca sector. Both businesses are integrating well with our existing operations in those countries.

In Turkey, sales at our personal protection equipment business, Istanbul Ticaret which was acquired at the end of May 2015, grew strongly despite the uncertain environment in the country following the failed coup attempt in July. The weaker Turkish lira has, however, put pressure on margins. At the end of March 2016 we acquired Bursa Pazari, a distributor of packaging and other foodservice supplies and disposable gloves, which has subsequently traded ahead of expectations.

We continue to roll out our common e-commerce platform across the business area. After launching this at our first company in late 2015, a further five businesses went live on the system during 2016. This will be further rolled out in 2017, helping to drive both sales growth and cost efficiencies going forward.

UK & Ireland

Highlights

	2016 £m	2015 £m	Growth at constant exchange
Revenue	1,087.8	1,102.4	(2)%
Adjusted operating profit*	83.7	84.9	(2)%
Operating margin*	7.7%	7.7%	

* Before customer relationships amortisation and acquisition related costs (see Note 2w on page 102).

- Margin maintained despite lower revenue
- Improved profitability in safety in sluggish markets and good performance in cleaning & hygiene
- Food retail restructured following previously announced account loss; non-food retail performing well
- Hospitality impacted by lower investment by customers but should improve with recent contract win
- Solid growth in healthcare
- Excellent performance in Ireland across all sectors

In UK & Ireland revenue decreased by 2% to £1,087.8 million and operating profit was also 2% lower at £83.7 million. The previously announced loss of an account in food retail at the beginning of 2016 combined with subdued market conditions in the UK resulted in a weaker performance compared to 2015 with organic revenue declining by 3%. Although a significant amount of our products sold are essential everyday items, some uncertainty, which was seen in the run up to the EU referendum in June, continued across certain of our markets in the second half of 2016, most notably in relation to investment in the hospitality and construction sectors. We completed four acquisitions during the year which, due to the timing of their completion, will have a greater impact on the results in 2017.

Despite our safety business successfully winning new business with a number of major companies, it continues to operate in sluggish markets. This is particularly so in the construction sector where the lack of major government investment in infrastructure has delayed projects and in the oil & gas sector where production has been curtailed, in both cases resulting in reduced demand for protective clothing and equipment. The business undertook a restructuring at the end of 2015 to reduce its cost base further and has continued to develop its own label product offering which has resulted in increased levels of profitability. We have also continued to

invest in both people and technology to help drive operational efficiencies. Our cleaning & hygiene business has continued to perform well in a competitive marketplace and has similarly invested in additional technology, most notably in vehicle telematics and e-commerce enhancements, to improve our efficiency and enhance our levels of customer service.

The food retail business has been successfully restructured following the account loss at the start of 2016 and has recently won new business with a clearly defined value proposition supported by an improved suite of customer centric technology. The acquisition of Classic Bag in May complements our existing non-food retail business which has performed well during the year, growing with both existing and new customers, completing a re-brand and delivering innovative new packaging solutions to the high street retail sector. Our recent acquisition of Woodway in December has further strengthened our offering in high quality packaging products. It provides bespoke value-added services through a specialist technical services team that gives customers a complete solution for their distribution packaging needs, particularly relating to their e-commerce activities. Finally, our marketing services business has continued to develop its online marketing tools for customers alongside the fulfilment of point-of-sale products and has created capacity for further growth by opening an additional distribution centre.

 **By outsourcing the purchasing, consolidation and distribution of everyday essential items, our customers are able to focus on their core businesses, saving them time and money.**

Andrew Tedbury
Managing Director
UK & Ireland



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

Market sectors



Locations

99

Employees

3,641

The catering and hospitality sector has continued to be both competitive and challenging with many customers cutting back on future investments, particularly in kitchen design and heavy catering equipment. However, our proposition remains strong and we have managed to win a long term contract with a major contract caterer across a range of non-food areas, adding expertise and value to the customer offering. We have invested heavily in digital technology with both new web and app developments giving our customers sophisticated tools to help them run their businesses better. We continue to grow our exclusive brand product offering, creating new ranges that offer both quality and value and the addition of Tri-Star Packaging in September has further expanded our reach with 'food-to-go' retailers, contract caterers and food processors.

Although the UK healthcare market continues to be under pressure from ongoing government imposed spending constraints, our healthcare business has continued to grow in both the public and private acute sectors. Our business that is focused on own brand products has been challenged by both rapid commoditisation and the significant weakening of sterling in the wake of the EU referendum vote but has continued to develop new value-adding products and has also increased sales overseas. The care home supplies business continues to grow against a backdrop of an ageing UK population needing more care.

Our business in Ireland experienced excellent growth throughout the year and profitability improved as we continued to put a greater focus on margin improving initiatives. All sectors benefited, from catering, hospitality and retail through to cleaning & hygiene and safety. We are investing in a new purpose built warehouse in Northern Ireland to support future growth. Finally, the acquisition in September of Kingsbury Packaging has further expanded our product offering and extended our customer base in the foodservice and food retail sectors.

It is difficult to give a firm view as to the probable impact of the 2016 referendum result in the UK as the terms of leaving the European Union are not yet known. However, with more than 85% of our business based outside the UK, we do not currently expect the impact on the Group's overall operations to be significant.

Rest of the World

Highlights

	2016 £m	2015 £m	Growth at constant exchange
Revenue	624.1	514.5	11%
Adjusted operating profit*	46.6	42.1	4%
Operating margin*	7.5%	8.2%	

* Before customer relationships amortisation and acquisition related costs (see Note 2w on page 102).

→ Margins remained under pressure due to macroeconomic conditions and currency weakness

→ Significant benefit from 2015 acquisitions, particularly in Latin America

→ Latin America

- Underlying profit maintained in Brazil as market conditions show signs of stability
- Elsewhere overall business trading in line with our expectations

→ Australasia

- Market conditions remain challenging

In Rest of the World revenue increased 11% to £624.1 million and operating profit was up 4%. With no organic revenue growth, the results benefitted from the impact of acquisitions made in 2015, particularly in Latin America. Margins remained under pressure due to the challenging macroeconomic conditions and the impact of currency movements which affected those businesses that import large volumes of products. As a result, the business area operating margin reduced by 50 basis points at constant exchange rates to 7.5%.

In Brazil, the economic and political volatility has continued although the market has begun to show some signs of greater stability following the challenges faced during the Presidential impeachment process. Despite some of the sectors we serve experiencing ongoing market weakness, our diversified business portfolio enabled us to grow our underlying revenue and maintain operating profit. In our safety business, due to the continued impact of our customers postponing investments and higher levels of unemployment, sales and margins grew only slightly. Operating margins were impacted by the cost of restructuring measures undertaken during the year to reposition the business for the anticipated upturn. The challenging market conditions also affected Casa do EPI, acquired in November 2015, which performed below our expectations due to soft demand in Minas Gerais, particularly in the mining sector. Further steps were taken to integrate fully Casa do EPI with our Prot Cap business which is expected to

generate future synergies and strengthen our end user personal protection equipment offering.

The cleaning & hygiene sector in Brazil continued to be adversely affected by the difficult market conditions. Large account losses by several key contract cleaning customers reduced sales volumes while intense competition also impacted margins. To combat these declines, operating costs were reduced and we moved our São Paulo headquarters to a more efficient and lower cost location. A new online B2B platform was also developed and launched, the results of which have so far been very encouraging.

In contrast, our healthcare businesses in Brazil saw strong sales growth, particularly with imported products. The highly successful integration of Labor and Lamedid, which consolidated three warehouses into one, led to cost synergies with minimal business interruption and operating profits grew significantly. Dental Sorria, acquired in December 2015, has settled in well and towards the end of the year moved into new premises which will improve service levels and support further growth. We continue to see the growing healthcare sector in Brazil as one of the most attractive markets in which to invest.

In the rest of Latin America, the picture is more positive with our overall business trading in line with our expectations. In Chile, Vicsa grew sales and significantly improved its gross margins through product

ourcing. We source products from all over the world, liaising closely with our suppliers so that we are able to offer a full range of items which satisfy our customers' demands.

Jonathan Taylor
Managing Director
Latin America

Sharing best practice in the way we do business increases our efficiency, from achieving purchasing synergies to operating our warehouses in the most cost-effective way.

Kim Hetherington
Managing Director
Australasia



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

Market sectors



Locations

99

Employees

3,082

mix management. Tecno Boga, on the other hand, suffered from lower demand for its premium footwear products in the mining industry which impacted both sales and margins. New product lines were launched to reverse this trend and operating costs were reduced. DPS, our catering disposables business, traded in line with expectations but achieved higher operating margins due to strong purchasing initiatives.

In Colombia, our business grew sales well. Solmaq, acquired in June 2015, performed in line with our expectations and relocated its offices and warehouse to more suitable locations.

In Mexico, our safety business grew sales and operating profit through successful margin management initiatives combined with good cost control. The outcome of the US Presidential election resulted in a sharp devaluation in the Mexican peso towards the end of the year but the business was able to mitigate much of this impact with selling price adjustments. However, in the short term we expect more volatility and uncertainty in the Mexican market but our business is well prepared to react to these changing conditions.

In Australasia, the market conditions also remained challenging throughout the year. There were, however, some positive signs in the resources sector towards the end of the year with commodity prices improving. While our business in Australasia has a significant exposure to this sector, our business strategy continues to focus on

developing a sustainable position in more resilient market sectors to enable our operations to remain strong throughout all economic cycles.

Our largest business, Outsourcing Services, has been impacted by the market downturn and currency related margin pressure. However, the business is focused on the more resilient healthcare, cleaning, catering and retail sectors and is well placed to take advantage of changes to government funding for community healthcare. We are also continuing to work with new and existing customers to develop supply solutions. Part of this will come from the work we have underway with our new digital trading platform to create an efficient and easy to access online mobile customer portal. In addition, we migrated two of our recently acquired businesses onto the main ERP system and also consolidated the Newcastle warehouse operation into the larger and more efficient Enfield operation in Sydney. We will shortly relocate the Melbourne head office and distribution centre into a larger and more efficient facility in Dandenong and will also consolidate our two healthcare businesses in Victoria.

Our food processor business also faced a number of challenges throughout 2016. This was due mainly to a shortage of livestock as a result of severe drought conditions in some regions causing plant closures and reduced operating schedules which impacted our results in these areas. This sector should recover as the herds are replenished. The ongoing business strategy

has been to continue to diversify our presence across the wider food processor sector and, as such, we continue to make good progress with these endeavours. The business has had a number of major customer wins across Australia and New Zealand and we should see the benefit of this diversification through the coming year.

Our industrial and safety supplies business has again been the most impacted by the resources market downturn in Australia, particularly in the regions that support this sector. We have been working hard to widen our operations into sectors outside mining and have made solid progress developing new business opportunities in the construction, energy and government sectors. We have also continued to reduce costs by consolidating facilities and reorganising the business to fit the current market environment. By doing so we have been able to maintain our market presence by retaining our regional footprint to ensure that we are able to capitalise quickly as the market starts to improve. An upgrade of our ERP system in the industrial and safety businesses has been successfully completed. This forms part of our ongoing technology investment and will enable us to streamline our operational platform and processes to help drive productivity and enhance our competitive position. We will continue to evaluate opportunities across our national footprint and, where applicable, consolidate facilities and realign the business to the prevailing market conditions.

providing opportunities

...developing
skills





One of the main objectives of selling our family business to Bunzl was to give us access to their extensive knowledge, experience and resources in order to grow and develop our operations further.

Ecem Aykol
Continental Europe

The acquisition of businesses is a key part of our strategy to grow and develop and we are proud of our track record of retaining former owners and other key staff of the companies we acquire. We value highly their local knowledge and expertise which is essential to ensure that the successful ongoing customer relationships are maintained.

Valuing our people

Our decentralised organisation structure provides the framework for how we do business. Local autonomy, within a clearly defined Group strategy, underpins everything we do such that, despite our size, we retain the culture of a dynamic, local business for both our employees and customers with our teams incentivised to provide a high quality service and produce sustainable returns.

Providing development and training opportunities

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

Encouraging feedback and communication

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

Financial review



Brian May
Finance
Director

66 Our long term track record of strong cash generation has enabled us to pay a growing dividend over the past 24 years and to support our growth strategy by making acquisitions and reinvesting in the underlying business. 99

Highlights

→ Revenue and adjusted operating profit*

Good increases in revenue and adjusted operating profit* at constant exchange rates

Revenue

£7,429.1m +4%

(2015: £6,489.7m)

Adjusted operating profit*

£525m +5%

(2015: £455.0m)

→ Profit for the year

Up 4% at constant exchange rates

£265.9m +4%

(2015: £232.7m)

→ Cash conversion

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

99%

(2015: 97%)

→ Earnings

Adjusted earnings per share* up 6% at constant exchange rates

106.1p +6%

(2015: 91.0p)

→ Dividend

Long track record of dividend growth continues with an increase of 11%

42.0p +11%

(2015: 38.0p)

* Before customer relationships amortisation, acquisition related costs and associated tax, where relevant, [see Note 2w on page 102].

† Before acquisition related costs.

Group performance

With more than 85% of the Group's revenue generated outside the UK, the weakening of sterling against most currencies has had a significant positive translation impact on the Group's reported results increasing revenue, profits and earnings by approximately 10%.

Revenue increased to £7,429.1 million (2015: £6,489.7 million), up 4% at constant exchange rates and 14% at actual exchange rates, reflecting the benefit of acquisitions and some growth in the underlying businesses. Adjusted operating profit (being operating profit before customer relationships amortisation and acquisition related costs) increased to £525.0 million (2015: £455.0 million), an increase of 5% at constant exchange rates and 15% at actual exchange rates. At both constant and actual exchange rates, the adjusted operating profit margin increased from 7.0% to 7.1% due to the impact of higher margin acquisitions. Customer relationships amortisation and acquisition related costs increased £26.8 million to £115.3 million due to a £14.5 million increase in customer relationships amortisation and a £12.3 million increase in acquisition related costs. The net interest expense of £46.8 million was £3.0 million higher than in 2015 at actual exchange rates but down £0.8 million at constant exchange rates principally due to a reduction in the net interest expense associated with the Group's pension schemes. Adjusted profit before income tax (being profit before income tax, customer relationships amortisation and acquisition related costs) was £478.2 million (2015: £411.2 million), up 6% at constant exchange rates and up 16% at actual exchange rates, principally due to the growth in adjusted operating profit.

Tax

The tax rate on adjusted profit for the year was 26.9% (2015: 27.5%). The reduction in the rate compared with recent years is principally due to one-off benefits in 2016 which are not expected to be repeated in 2017. In addition, enacted changes in tax legislation will increase the taxable base which will increase the tax rate in the coming year. It is therefore expected that the tax rate on adjusted profit for 2017 will be between 1.5 and 2.0 percentage points higher than in 2016. This estimate does not seek to anticipate the impact of other potential changes for which legislation has not been published. As noted in the

Principal risks and uncertainties section on page 37 the Group is monitoring the development of proposals for tax reforms in the US. The reported tax rate on statutory profit before tax was 26.7% (2015: 27.9%).

Profit for the year

Profit after tax of £265.9 million was up £33.2 million, primarily due to a £43.2 million increase in operating profit offset by a £3.0 million increase in the net interest expense and a £7.0 million increase in the tax charge.

Earnings

The weighted average number of shares increased to 329.4 million from 327.6 million in 2015 due to employee share option exercises, partly offset by shares being purchased from the market for the Group's employee benefit trust. Earnings per share were 80.7p, up 4% on 2015 at constant exchange rates and 14% at actual exchange rates. After adjusting for customer relationships amortisation, acquisition related costs and the associated tax, adjusted earnings per share were 106.1p, an increase on 2015 of 6% at constant exchange rates and 17% at actual exchange rates.

Customer relationships amortisation, acquisition related costs and associated tax are items which are not taken into account by management when assessing the results of the business as they do not relate to the underlying operating performance. Accordingly, such items are removed in calculating the adjusted earnings per share on which management assesses the performance of the Group. For further details of this and other non-GAAP measures see Note 2w to the consolidated financial statements on page 102.

Dividends

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

	2016	2015	Growth
Interim dividend (p)	13.00	11.75	11%
Final dividend (p)	29.00	26.25	10%
Total dividend (p)	42.00	38.00	11%
Dividend cover (times)*	2.5	2.4	

* Based on adjusted earnings per share.

The Company's practice has been to pay a progressive dividend with the aim of delivering year-on-year increases in dividends, growing at approximately the same rate as the growth in adjusted earnings per share. The 2016 dividend is 11% higher than the 2015 dividend, compared to the adjusted earnings per share which have grown by 6% at constant exchange rates and 17% at actual exchange rates. Bunzl has sustained a growing dividend to shareholders over the past 24 years.

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

The risks and constraints to maintaining a growing dividend are principally those linked to the Group's trading performance and liquidity, as described in the Principal risks and uncertainties section on pages 35 to 37. 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 2016 Bunzl plc had sufficient distributable reserves to cover more than three years of dividends at the cost of the 2016 dividends, which is expected to be approximately £139 million.

Acquisitions

We completed 12 acquisitions and agreed to acquire two further businesses during the year ended 31 December 2016. The estimated annualised revenue and adjusted operating profit of the businesses acquired were £182.3 million and £21.5 million respectively. Including the two businesses agreed to be acquired during 2016 but which completed in January 2017, the estimated annualised revenue was £201.1 million. A summary of the effect of acquisitions is as follows:

	£m
Fair value of net assets acquired	86.4
Goodwill	51.0
Consideration	137.4
Satisfied by:	
cash consideration	124.4
deferred consideration	13.0
	137.4
Contingent payments relating to the retention of former owners	18.2
Net cash acquired	(1.0)
Transaction costs and expenses	6.8
Total committed spend in respect of acquisitions completed in the current year	161.4
Spend on acquisitions committed as at 31 December 2016	22.8
Total committed spend in respect of acquisitions agreed in the current year	184.2

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

	£m
Cash consideration	124.4
Net cash acquired	(1.0)
Deferred consideration in respect of prior year acquisitions	36.2
Net cash outflow in respect of acquisitions	159.6
Acquisition related costs*	17.0
Total cash outflow in respect of acquisitions	176.6

* Cash flow on acquisition related costs relates to £5.9 million of transaction costs paid and £11.1 million of payments relating to the retention of former owners.

Cash flow

Cash generated from operations before acquisition related costs was £546.7 million, an £81.7 million increase from 2015, primarily due to a £70.0 million increase in adjusted operating profit. The Group's free cash flow of £355.5 million was up £45.3 million from 2015, primarily due to the £81.7 million increase in cash generated from operations, partly offset by a £30.7 million increase in the cash outflow relating to tax. After payment of dividends of £125.4 million in respect of 2015 (2015: £116.1 million in respect of 2014), an acquisition cash outflow of £176.6 million (2015: £371.2 million) and a £37.5 million outflow on employee share schemes (2015: £29.5 million), the net cash inflow was £16.0 million (2015: £206.6 million outflow). The summary cash flow for the year was as follows:

	£m
Cash generated from operations*	546.7
Net capital expenditure	(24.8)
Operating cash flow*	521.9

	99%
Net interest	(43.2)
Tax	(123.2)
Free cash flow	355.5
Dividends	(125.4)
Acquisitions	(176.6)
Employee share schemes	(37.5)
Net cash inflow	16.0

* Before acquisition related costs.

† Before customer relationships amortisation and acquisition related costs.

Cash conversion (being the ratio of operating cash flow* to adjusted operating profit†) has been added as a Key Performance Indicator ('KPI') (see page 17), replacing the Free cash flow KPI. Cash conversion is a measure used by management to monitor the ongoing cash generation of our operating businesses and it is also reported monthly to the Board of Directors.

Financial review continued

Balance sheet

Return on average operating capital increased to 55.9% from 55.5% in 2015, driven by an improvement in the operating capital in the underlying business, partly offset by an adverse impact from exchange rate movements, a slightly lower underlying operating margin and the impact of the lower return on operating capital from acquisitions. Return on invested capital of 16.7% was down from 17.1% in 2015 principally due to the effect of acquisitions and limited organic growth.

Intangible assets increased by £301.5 million to £1,947.6 million due to an increase from exchange of £249.9 million, intangible assets arising on acquisitions in the year of £131.3 million and software additions of £7.3 million, partly offset by an amortisation charge of £87.0 million. The Group's net pension deficit of £84.1 million at 31 December 2016 was £44.1 million higher than at 31 December 2015, largely due to an actuarial loss of £42.4 million. The actuarial loss arose largely as a result of the impact of an £81.7 million increase in the present value of scheme liabilities from changes in assumptions, principally lower discount rates, partly offset by the actual return on scheme assets being £39.3 million higher than expected.

Net debt to EBITDA calculated at average exchange rates was 2.0 times (2015: 2.1 times). The movements in shareholders' equity and net debt during the year were as follows:

Shareholders' equity	£m
At 1 January 2016	1,016.3
Profit for the year	265.9
Dividends	(125.4)
Currency (net of tax)	207.7
Actuarial loss on pension schemes (net of tax)	(34.1)
Share based payments (net of tax)	15.8
Employee share options	(33.7)
At 31 December 2016	1,312.5

Net debt	£m
At 1 January 2016	(1,107.2)
Net cash inflow	16.0
Currency	(137.4)
At 31 December 2016	(1,228.6)

Net debt to EBITDA (times)	2.0
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Exchange rates

Average	2016	2015
US\$	1.36	1.53
Euro	1.22	1.38
Canadian\$	1.80	1.95
Brazilian real	4.74	5.10
Australian\$	1.82	2.03

Closing	2016	2015
US\$	1.24	1.47
Euro	1.17	1.36
Canadian\$	1.66	2.05
Brazilian real	4.01	5.90
Australian\$	1.71	2.03

Group tax strategy

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.

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 Group has a portfolio of competitively priced borrowing facilities to meet the demands of the business over time. 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 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 2016 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 borrowing facilities available comprising multi-currency credit facilities from the Group's banks and US private placement notes denominated in US dollars, sterling and euros. At 31 December 2016 the nominal total of US private placement notes outstanding was £1,251.1 million (2015: £1,001.9 million) with maturities ranging from 2017 to 2028. The Group's committed bank facilities mature between 2017 and 2022. At 31 December 2016 the available committed bank facilities totalled £954.2 million (2015: £969.0 million) of which £101.3 million (2015: £154.9 million) was drawn down.

Further details of the Group's capital management, policies and controls relating to external borrowings and the management of liquidity, interest rate, foreign currency and credit risks are set out in Note 13 on pages 113 to 118.

Brian May
Finance Director
27 February 2017

Principal risks and uncertainties

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

Risk overview

The effective identification, management and mitigation of risks and uncertainties across the Group are an integral part of successfully delivering the Group's strategic objectives. The 'Risk management and internal control' section of the Corporate governance report on page 54 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.

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

Using this framework, every business documents its key risks in a consistent reporting format which specifically identifies the mitigating activities, relevant controls and related assurance activities for each significant risk. Management then consolidates the risk information at both a business area and Group level using the same reporting format, culminating in the Group risk assessment. The Executive Committee then reviews the Group risk assessment, the relevant controls and other steps taken to mitigate the risks identified and the assurance procedures in place over such controls with a view to determining any further actions required in order to reduce the levels of risk to acceptable levels. The risk assessment is then submitted for review and approval by the Board. The Audit Committee also reviews the process for the management of risk and the assurance procedures over controls designed to manage key risks. Accordingly, the directors confirm that they have carried

out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

The risk profile

The Group operates in many business environments and across a number of geographies in which risks and uncertainties exist, not all of which are necessarily within the Company's control. The risks identified in the 2015 Annual Report remain those of most concern to the business at the end of 2016.

Although the principal risks affecting the Group are unchanged from the previous year, the Board is continuing to monitor the potential risks associated with the June 2016 referendum vote for the UK to leave the European Union. The position is presently unclear and it is too early to understand properly the impact that the UK leaving the European Union will have on the Group's operations. However these risks are most likely to relate to the impact of foreign exchange volatility, an economic slowdown in the UK and the imposition of trade tariffs. Of these risks, the first two have already been identified as principal risks for the Group, further details of which are set out below under 'Foreign exchange' and 'Economic environment'. The risk relating to trade tariffs is considered to be a Group risk but is not currently thought to be a principal risk.

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

Strategic report | Principal risks and uncertainties

Market risks		
Risk	Description	Mitigating factors
Competitive pressures	The Group operates in highly competitive markets and faces competition from international companies as well as national, regional and local companies in the countries in which it operates. Increased competition and unanticipated actions by competitors or customers could lead to an adverse effect on results and hinder the Group's growth potential. This could result from: customer pressure on sales volumes or margins; the loss of customers due to service or pricing issues; increased price competition; customers and suppliers dealing directly with one another; or unforeseen changes in the competitive landscape due to the introduction of disruptive technologies or changes in routes to market.	The Group seeks to remain competitive by maintaining high service levels and close contacts with its customers to ensure that their needs and demands are being met satisfactorily, developing a national presence in the markets in which the Group operates and maintaining strong relationships with a variety of different suppliers, thereby enabling the Group to offer a broad range of products to its customers, including own brand products, in a consolidated one-stop-shop offering. The Group also regularly reviews the competitive environment in which it operates.
Product price changes	The purchase price of products distributed by the Group can fluctuate from time to time, thereby potentially affecting the results of operations. There could be significant increases in the cost of specific products leading to a diminution in margins if cost increases cannot be passed on in full to customers or substitute products sourced from elsewhere. Potential causes could include changes in the input costs of products purchased through commodity price inflation. In addition, a period of commodity price deflation may lead to reductions in the price and value of the Group's products where sales prices are indexed or if competitors reduced their selling prices. If this was to occur, the Group's revenue and, as a result, its profits, could be reduced and the value of inventory held in stock may not be fully recoverable.	The Group endeavours, whenever possible, to pass on price increases from its suppliers to its customers and to source its products from a number of different suppliers so that it is not dependent on any one source of supply for any particular product. Increased focus on the Group's own import programmes and brands, together with the reinforcement of the Group's service and product offering to customers, helps to minimise the impact of price deflation. The Group also mitigates against the risk of holding overvalued inventory in a deflationary environment by managing stock levels efficiently and ensuring they are kept to a minimum. The Group uses its considerable experience in sourcing and selling products to manage prices during periods of both inflation and deflation in order to minimise the impact on operating margins.
Economic environment	The Group's business is partially dependent on general economic conditions in the US, the UK, the Eurozone and other important markets. A significant deterioration in these conditions could have an adverse effect on the Group's business and results of operations.	The Group's operations and its customer base are diverse, with a variable and flexible cost base, and many of the sectors in which it competes are traditionally, by their nature, relatively resilient to economic downturns.
Financial risks		
Risk	Description	Mitigating factors
Foreign exchange	The majority of the Group's sales are made and income is earned in US dollars, euros and other foreign currencies. The Group does not hedge the impact of exchange rate movements arising on translation of earnings into sterling at average exchange rates. As a result, movements in exchange rates may have a material translation impact on the Group's reported results. The Group is also subject to transaction exposures where products are purchased in one currency and sold in another. As a result, movements in exchange rates may also adversely impact both operating margins and the value of the Group's net assets.	The Group believes that the benefits of its geographical spread outweigh the associated risks. The majority of the Group's transactions are carried out in the functional currency of the Group's operations. As a result, transaction exposures are usually limited and exchange rate fluctuations have minimal effect on the quality of earnings unless there is a sudden and significant adverse movement of a foreign currency in which products are purchased which may lead to a delay in passing on to customers the resulting price increases. The Group undertakes some forward purchasing of foreign currencies for identified exposures to reduce the impact of short term volatility. The impact of changes in foreign exchange rates and related hedging activity is regularly monitored by senior management. The Group's approach to managing foreign exchange risk is reviewed annually by the Board.
Financial liquidity and debt covenants	The Group needs continuous access to funding in order to meet its trading obligations, to support investment in organic growth, to make acquisitions when appropriate opportunities arise, and to pay dividends to shareholders. There is a risk that the Group may be unable to obtain the necessary funds when required or that such funds will only be available on unfavourable terms. The Group's borrowing facilities include a requirement to comply with certain specified covenants in relation to the level of net debt and interest cover. A breach of these covenants could result from a significant and rapid deterioration in the business's performance, foreign exchange rate fluctuations or the failure to manage working capital levels. Ultimately this could result in a significant proportion of the Group's borrowings becoming repayable immediately.	The Group arranges a mixture of borrowings from different sources and continually monitors net debt and forecast cash flows to ensure that it will be able to meet its financial obligations as they fall due and that sufficient facilities are in place to meet the Group's requirements in the short, medium and long term. Compliance with the Group's biannual debt covenants is monitored on a monthly basis based on the management accounts. Sensitivity analyses using various scenarios are applied to forecasts to assess their impact on covenants. 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 composition minimises the impact of movements in foreign exchange rates on the ratio of net debt to EBITDA.

Financial risks continued

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

Operational risks

Risk	Description	Mitigating factors
Acquisitions	<p>A significant portion of the Group's historical growth has been achieved through the acquisition of businesses and the Group's growth strategy includes additional acquisitions. Although the Group operates in a number of fragmented markets which provide future acquisition opportunities, there can be no assurance that the Group will be able to make acquisitions in the future. There is also a risk that not all of the acquisitions made will be successful due to the loss of key people or customers after the acquisition, deterioration in the economic environment of the acquired business or the failure to perform adequate pre-acquisition due diligence or appropriately manage the post-acquisition integration of the business.</p> <p>In the longer term, if an acquisition consistently underperforms compared to its original investment case, there is a risk that this will lead to a permanent impairment in the carrying value of the intangible assets arising on that acquisition.</p>	<p>The Group's acquisition strategy is to focus on those businesses which operate in sectors where it has or can develop competitive advantage and which have good growth opportunities. The Group continually reviews acquisition targets and has established processes and procedures with regard to detailed pre-acquisition due diligence and post-acquisition integration.</p> <p>The Group endeavours to maximise the performance of an acquisition through the recruitment and retention of high quality 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.</p>
Business continuity	The Group would be adversely affected if any of its major distribution facilities was destroyed or damaged or there was a significant failure of its information systems resulting from either hardware failure or a cybersecurity breach.	The Group seeks to reduce the impact of destruction of, or damage to, facilities through the use of multi-site facilities with products stocked in more than one location together with appropriate insurance cover. The impact of information systems' failure is mitigated through regular renewal of hardware, layered security measures and disaster recovery plans which are periodically tested and which would be implemented in the event of any such failure.
Laws and regulations	<p>The international nature of the Group's operations exposes it to potential claims as the Group is subject to a broad range of laws and regulations in each of the jurisdictions in which it operates.</p> <p>In addition, the Group faces potential claims from customers in relation to the supply of defective products or breaches of their contractual arrangements. The sourcing of products from lower cost countries increases the risk of the Group being unable to recover any potential losses relating thereto from the relevant supplier.</p>	<p>Although the Group does not operate in particularly litigious market sectors, it has in place processes to report, manage and mitigate against third party litigation using external advisers where necessary.</p> <p>The use of reputable suppliers and internal quality assurance and quality control procedures reduces the risks associated with defective products.</p>

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

A close-up photograph of a worker's hands and torso. The worker is wearing a bright yellow safety vest over a white shirt, and yellow gloves. They are working on a large stack of light-colored, cylindrical pipes, possibly made of concrete or metal. A carabiner and a lanyard are attached to the worker's vest, indicating they are wearing a fall protection harness. The background is blurred, showing more of the pipe stack.

improving
safety

...responsible
sourcing

Corporate responsibility

Objective performance measures and structured monitoring of environmental, health & safety and other relevant metrics continues to be a focus in order to maintain high levels of corporate responsibility within our business.



Whether in the warehouse or on the road, our commitment to safety is paramount. We are all trained to use safe working practices and to make sure we look after both ourselves and our colleagues.

Ngoun Ngoeong
North America

Highlights

- Biennial employee survey completed with increased response rate
- Reduction targets for accident incidence and severity rates exceeded
- Analysis of social risk in worldwide supply chain completed and supplier management enhanced
- Enhanced reported Scope 3 carbon emissions

Business context

We are a focused and successful international distribution and outsourcing group with operations across the Americas, Europe and Australasia. By outsourcing the purchasing, consolidation and delivery of a broad range of everyday items, our customers are able to focus on their core businesses, achieve purchasing efficiencies and savings, free up working capital, improve distribution capabilities, reduce carbon emissions and simplify their internal administration.

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

Sourcing

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

Consolidation

We have an extensive footprint of warehouse facilities across four continents. Our broad range of products are therefore never far from where they need to be, allowing us to 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.

Corporate responsibility continued

Distribution

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

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

Strategy, framework and materiality

We believe that positive actions with respect to CR are not only desirable in their own right but are also of potential economic and commercial benefit to the Group. A strong reputation for CR can provide business advantage and contribute to shareholder value. Conversely, perceived weakness in CR may damage our reputation and cause risks. Bunzl's good practice in sustainability has 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;
- employees: engaging through clear communication using a variety of channels, as well as provision of training and development opportunities;
- health & safety: improving safety in our warehouses and on our vehicles and ensuring that everyone takes personal responsibility for this;
- environment/climate change: reducing our and our customers' impacts on the environment by reducing carbon emissions and promoting the reduction of waste and providing innovative products to meet our customers' needs, for example environmentally friendly packaging;

- suppliers: responsible sourcing, working as partners with our suppliers to encourage high levels of CR and ethical trading initiatives; and
- community: providing support by encouraging employee fundraising, donating to charitable projects that benefit our employees and the communities we work in and by donating stock and cash to charitable organisations and good causes.

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 2016. However, some minor incidents relating to employee conduct, such as theft or misuse of the Group's property, did occur and were dealt with during the normal course of business using Group human resources ('HR') policies and procedures. 16 (2015: 17) 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. In addition, we refreshed the posters which are displayed in all our locations to advertise 'Speak Up'.



Key performance indicators	Performance			What we said we would do in 2016	What we did	What we plan to do in 2017
	2014	2015	2016			
 Employees Engaging with our employees with clear communications and the provision of training and development opportunities						
Employee turnover: Voluntary <small>(Data for 2014 and 2015 has been amended to reflect a modified method of calculation).</small>	10.0%	10.3%	11.7%	Monitor turnover and take action where necessary.	We are seeing an increase in voluntary employee turnover in all our business areas. The movement in the levels of voluntary employee turnover tends to reflect changing economic conditions in the countries in which we operate 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	10%	11%	10%	Extend the training network further and encourage wider participation.	We continued to promote a women's development and training network across the Group.	Focus on career development and succession plans.
Employee engagement index score	74%	-	76%	Prepare to undertake the employee engagement survey either at the end of 2016 or during the first half of 2017.	We completed a further employee survey in 2016 covering all businesses within the Group. The response rate was 82%, an increase of 10% against the previous survey in 2014 and the engagement score was 76%, an increase of 2%. Details of the outcome of the survey have been distributed to the business area heads and the HR community for discussion with management in the individual businesses.	Detailed actions plans to be devised to address any significant issues raised.
 Health & safety Improving safety in our warehouses and on our vehicles						
Reduction in accident incidence rate (% change year-on-year)	-19%	-7%	-7%	Reduce the Group accident incidence rate by 5% from 2015.	The accident incidence rate reduced by 7% and the accident severity rate reduced by 31%. The accident incidence rate improved in UK & Ireland, Continental Europe and Latin America. In North America the significant improvement made in the previous year was partially offset by the performance of some recently acquired businesses. The accident severity rate decreased in North America, Continental Europe and UK & Ireland, where our focus on behavioural safety and assisted return to work programmes appears to be improving our performance. Although Latin America saw an increase in severity rate, their performance compares favourably with other business areas. Australasia's incidence and severity rates have both increased. While their incidence rate is only slightly above the Group average, their severity rate was adversely affected by two manual handling accidents accounting for 68% of their days lost.	Reduce the Group accident incidence rate by 5% from 2016.
Reduction in accident severity rate (% change year-on-year)	-3%	-16%	-31%	Reduce the Group accident severity rate by 5% from 2015. Establish programmes in each business area to identify behaviours that promote safety as a value.	We continue to enhance and extend our Safety Observations Programmes. North America launched a Fleet Safety Call – Drive for World Class and branch celebrations are held on sites with a history of zero accidents. In UK & Ireland 'Fleet Elite' drivers are recognised based on a history of good safe driving scores.	Reduce the Group accident severity rate by 5% from 2016.

Corporate responsibility continued

Key performance indicators	Performance			What we said we would do in 2016	What we did	What we plan to do in 2017			
	2014	2015	2016						
Environment/climate change									
Reducing our impact on the environment by reducing carbon emissions									
Carbon emissions: Scope 1 (Tonnes of CO ₂ e per £m revenue)	15.7	14.7	12.6	Reduce emissions by 29% against 2010 baseline data (reduce 3% from 2015).	<p>The 2016 figure represents a 38% reduction in emissions versus our 2010 baseline data (decrease of 15% from 2015). Our emissions are represented as an index against revenue and in 2016 the reduction in the index was affected by the weakening of sterling against the major currencies in the last quarter of the CR reporting year. We estimate that this exchange rate effect increased the reduction by c.4%.</p> <p>Fuel for transportation remains our highest source of CO₂e emissions contributing c.85% of Scope 1 and 62% of combined Scope 1 and 2 emissions. Despite an increasing number of vehicles, consumption by our commercial fleet decreased by more than 2%. Much of this was due to the decision by our business in Australasia to transfer to third party carriers in order to gain additional efficiencies and flexibility but also included increased fuel efficiencies.</p>	<p>Reduce emissions by 1% against 2016.</p> <p>(This reduction target excludes any foreign exchange translation effect on revenue numbers)</p>			
Carbon emissions: Scope 2 (Tonnes of CO ₂ e/£m revenue)	5.2	5.4	4.5	Reduce emissions by 13% against 2010 baseline data (reduce 2% from 2015).	<p>The 2016 figure represents a 26% reduction in emissions versus our 2010 baseline data (decrease of 16% from 2015). Our emissions are represented as an index against revenue and in 2016 the reduction in the index was affected by the weakening of sterling against the major currencies in the last quarter of the CR reporting year. We estimate that the exchange rate effect increased the reduction by c.4%.</p> <p>Increases resulting from acquisitions have been more than offset by the continued implementation of low energy lighting. In particular, projects within UK & Ireland reduced overall business area consumption by 11%.</p>	<p>Reduce emissions by 2% against 2016.</p> <p>(This reduction target excludes any foreign exchange translation effect on revenue numbers)</p>			
Total Scope 1 & 2 emissions (Tonnes of CO ₂ e/£m revenue)	20.9	20.1	17.1	Reduce emissions by 25% against 2010 baseline data.	<p>The 2016 figure represents a 35% reduction in emissions versus our 2010 baseline data (decrease of 15% from 2015). Our emissions are represented as an index against revenue and in 2016 the reduction in the index was affected by the weakening of sterling against the major currencies in the last quarter of the CR reporting year. We estimate that the exchange rate effect increased the reduction by c.4%.</p>	<p>Reduce emissions by 1% against 2016.</p> <p>(This reduction target excludes any foreign exchange translation effect on revenue numbers)</p>			
Suppliers									
Responsible sourcing, working as partners with our suppliers to encourage high levels of CR and ethical trading initiatives									
Asian supplier CR audits and assessments covering environmental and social standards (Number of audits/assessments carried out)	323	382	449	Undertake a supplier risk assessment in relation to enforced labour/slavery.	Our global sourcing audit team continued to refine its CR audit programme to categorise suppliers appropriately in relation to their standards and practices. The Risk Management Committee worked with consultants to complete a risk assessment of social risks in our global supply chain including forced labour/slavery.	<p>Launch a training programme covering social risks in our global supply chain.</p> <p>Refine supplier CR risk profiling.</p>			
Community									
Providing support to our local communities through employee fundraising, matched funding and donations of stock and cash to charitable organisations									
Charity donations (£000s)	572	631	712	Continue to support relevant charities.	Bunzl supported a variety of projects for charities supporting healthcare and the environment. For example, we continued to fund a mobile first aid vehicle for St John Ambulance and contributed towards the Defence and National Rehabilitation Centre in Loughborough and the Buglife Urban Buzz project at the Queen Elizabeth Hospital in Birmingham.	Continue to support relevant charities.			



Employees

Bunzl currently operates in 30 countries worldwide. We are a service provider, not a manufacturer and, as such, our business relies heavily on the skills and experience of our employees. We pride ourselves on the fact that we run our businesses locally with local managers. We do not unfairly discriminate and we respect human rights. We seek to recruit the right people who are passionate about our business and to provide opportunities for people to progress within the organisation on the basis of their skills, experience and aptitude. We believe that to get the best from people we need to respect each other and encourage honest, straightforward communication. Our acquisition pipeline continues to be a valuable source of management talent for the Group and the completion of a number of acquisitions during the year has brought further highly skilled people into Bunzl. Details of the Group's workforce diversity at 31 December 2016 are set out in the charts on the right.

Human rights

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



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. Regrettably in the 2016 reporting period there was one fatality (2015: two) when a motorcyclist died following a collision with a Bunzl car driver.

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, slipping and tripping and impact with equipment/objects remain the highest causes of accidents and days lost. Together these three hazards represent 90% of incidents and 92% of days lost. All our businesses are required to comply with Group policies issued through the Risk Management Committee which reviews Group 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. The Head of Internal Audit has joined the Risk Management Committee to integrate CR further into our broader risk management processes.

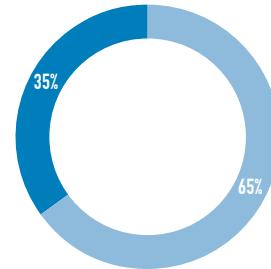
Following a successful pilot project, the use of telematics has been extended across France Hygiene's commercial fleet which is our largest fleet in Continental Europe. The majority of commercial vehicles now have on-board telematics that enable us to improve safety. UK & Ireland have completed 37% of the project to fit commercial vehicles 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. They have also introduced a Safe Urban Driving course comprising practical cycling and a classroom based session designed to provide our commercial drivers with first-hand experience of being a vulnerable road user.

Our safety awareness programmes are management led within the business areas. France Hygiene, which had the highest incidence and severity rate in the Group, held a meeting of logistics directors and managers to brainstorm ways to improve safety and strengthen the focus on their

Total workforce

Gender split at 31 December 2016

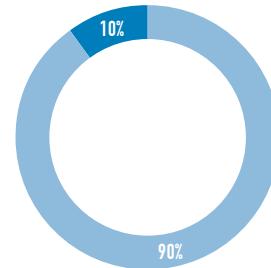
- Male (10,775)
- Female (5,802)



Senior management

Gender split at 31 December 2016

- Male (376)
- Female (40)



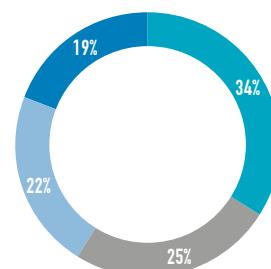
Board composition

6 male, 2 female

Average number of employees

By business area

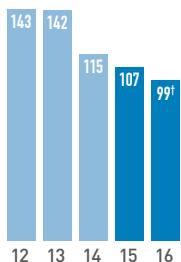
- North America (5,478)
- Continental Europe (4,029)
- UK & Ireland (3,641)
- Rest of the World (3,082)



Corporate responsibility continued

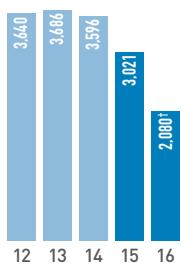
Incidence rate

Average number of incidents per month per 100,000 employees



Severity rate

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



[†] Included in the external auditors' limited assurance scope referred to on page 46. 2015 and 2014 data was also assured as detailed in the 2015 and 2014 Annual Reports respectively.

high risk groups of workers. Initiatives identified at the meeting are being implemented across the business. The root cause of many incidents is shown to be a failure to implement established safe working practices. Our Safety Observation Programme, providing ongoing feedback to our employees on both good and poor safety performance, continues to be extended across the business. In North America a number of sites are evaluating pre-shift stretching programmes as a way to reduce manual handling injuries. Investment in additional Environment, Health & Safety ('EHS') management resource has occurred in North America and Continental Europe. During the year we have implemented our upgraded web-based EHS reporting system in order to provide improved analysis and management reports. The system includes an improved audit system which enables progress on corrective actions to be tracked by the EHS managers.

Details of our performance from 2012 to 2016 are provided in the bar charts above. The accident data provided covers more than 99% of the Group by revenue as it excludes the most recent acquisitions whose employee numbers are not included when calculating the index.



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 2016.

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

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

All acquisitions made prior to the 2016 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.

The requirements of the EU Energy Efficiency Directive have been implemented in all relevant businesses across Continental Europe and UK & Ireland. A number of locations in UK & Ireland, Australasia and Continental Europe have renewed their ISO 14001 accreditation. Currently, measured by revenue, approximately 26% of the Group's operations are ISO 14001 accredited. Accreditation 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 Securite has become MASE certified to reflect the requirements of its customer base. This certification encompasses continuous improvement in EHS performance and is externally assessed.

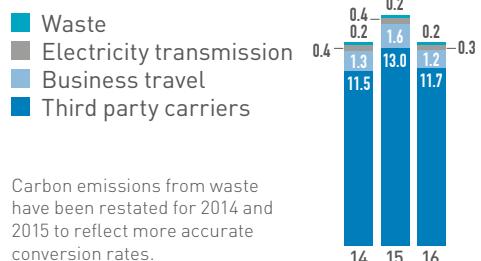
Waste

Tonnes per £m revenue



Scope 3 carbon emissions

Tonnes of CO₂ per £m revenue



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

	Tonnes of CO ₂ e	2015	2016 [†]
	Base year 2010	2015	2016 [†]
Scope 1	95,249	92,645	89,186
Scope 2	28,757	33,843	32,201
Total gross emissions	124,006	126,488	121,387
Total carbon emissions per £m revenue	26.3	20.1	17.1

[†] Included in the external auditors' limited assurance scope referred to on page 46. The data for 2015 was also assured as detailed in the 2015 Annual Report.

Scope 1: Fuel for transportation remains our highest source of CO₂e emissions contributing c. 85% of Scope 1 and 62% 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 4% improvement in fuel efficiency during the year. At Group level diesel consumed by our commercial fleet decreased by more than 2%. Increases in Continental Europe and Latin America resulting from acquisitions have been offset by decreases in North America, UK & Ireland and Australasia. In Australasia the need for greater flexibility of transport methods and efficiency in distribution has resulted in the decision to transfer distribution to third party carriers. This is an ongoing process. 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. Consumption of gas during the year fell by 11% primarily as a result of the relatively mild winter.

Scope 2: Electricity consumption has decreased by 1% despite an increase in warehouse space due to acquisitions and organic growth of the business. 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 13 projects to upgrade lighting providing annualised savings of approximately 2.1 million kWh of electricity.

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.

Scope 3: We are continuing to refine the data for our Scope 3 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 opposite shows that third party carriers produce the largest part 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 subject to authorisation by senior management. Reduction and segregation of waste continues to be an area of focus and the data provided covers approximately 95% of the Group by revenue, although accurate waste measurement remains challenging. Despite including this in our Scope 3 calculation, we have for transparency continued to provide waste data separately as well.



Suppliers

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

To assist the business areas, we have our own quality assurance/quality control department based in Shanghai which performs regular audits of our suppliers in Asia to ensure that they meet international standards, as well as testing the factories' production capabilities and their quality assurance and quality control systems. Employees' terms and conditions of work, customer service capabilities, hygiene management systems and their policies and practices on environmental issues are also checked. Our policy is that all our suppliers meet internationally recognised minimum requirements for workers' welfare and conditions of employment, as defined by the International Labour Organization or the Ethical Trading Initiative. During 2016 the team has continued to grow and has further refined its CR audit programme to categorise suppliers appropriately in relation to their standards and practices.

Suppliers who are unable to meet all the requirements after an initial assessment/audit are given the opportunity to comply fully within a period which is deemed appropriate for the circumstances. If a serious breach is identified following assessment, an action plan is documented and the supplier is expected to commit to addressing all the areas where discrepancies have been identified. The process of improvement via this method is principally reliant on the commitment of the supplier's management team/owner/agent to ensure that all areas are addressed.

Corporate responsibility continued

If we have reason to believe that the supplier is not making sufficient or committed progress, this could lead to a suspension in the relationship until such time that we are confident that all areas are being satisfactorily addressed. Bunzl companies reserve the right to cease a relationship with a supplier if it is found that unacceptable practices are being employed at any sites used for producing or sourcing Bunzl products. Such practices include use of child labour, forced or bonded labour as well as physical abuse or discipline and intimidation, illegal discrimination, wages not meeting local minimum requirements and not providing adequate days of rest. Since 2015, in order to enhance the processes further, any suppliers that are being monitored and assessed due to identification of a serious breach are now reported to and reviewed by the Board. 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 is an ongoing project but we are satisfied that those suppliers assessed as high risk and who are currently supplying Bunzl are covered by our audit programme.

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.



Community

Although Bunzl's operations are international, our strength is in the local nature of our businesses. In keeping with this ethos, we particularly support the fundraising activities championed by our employees locally. This is supplemented by donations made at Group level to charities predominantly in the fields of healthcare and the environment to support projects often in the communities where our operations are based. Where possible and appropriate, Bunzl also looks to donate stock free of charge ('in-kind'). Group wide, Bunzl donated a total of £712,000 to charitable causes during 2016 (2015: £631,000). This does not include in-kind donations or employee fundraising.

We continue to support our employees in their charitable fundraising, for example a triathlon challenge raising money for childrens' medical research, as well as supporting projects for healthcare and environmental charities, such as sponsoring Buglife who improve parks and green spaces within big cities to create natural habitats for invertebrate insects which play a big part in our ecosystem.

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

External assurance

We engaged PricewaterhouseCoopers LLP ('PwC') to undertake a limited assurance engagement, reporting to Bunzl plc only, using International Standard on Assurance Engagements ('ISAE') 3000 (Revised): 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' and ISAE 3410: 'Assurance Engagements on Greenhouse Gas Statements' over the three KPIs on page 17 and the data on pages 44 and 45, in each case that has been highlighted with the symbol '†'. They have provided an unqualified opinion in relation to the relevant KPIs and data and their full assurance opinion is also available in the Responsibility section of our website, www.bunzl.com.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. In order to reach their opinion, PwC performed a range of procedures including making enquiries of relevant Bunzl management, and evaluating the design of the key structures, systems, processes and controls for managing, recording and reporting the selected information. This included analysing and testing over 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 and multiple sites across North America and 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.

Risks

The Principal risks and uncertainties section on pages 35 to 37 details the principal risks and uncertainties which could have a material impact on the Group's business, financial condition or results of operations. Although many CR risks are not seen as principal risks to the Group, as part of the Group risk analysis a number of CR risks which could impact the Group's business have been identified and these are set out below together with the steps taken by management to mitigate such risks.

CR risks		
Risk	Description	Mitigating factors
CR compliance failures	Lack of adherence to the Group's CR policies could result in a variety of issues including those relating to inappropriate business practices, accidents at work and increased levies due to levels of waste or carbon emissions.	The Group has comprehensive CR policies and procedures (including those relating to anti-bribery and corruption) in place throughout the business as well as an established reporting framework. Regular training in all areas of CR takes place using our suite of e-training modules.
Loss of key employees	The Group is not capital intensive but the business is based on strong customer and supplier relationships which are built up locally. Stability of key relationship roles amongst the Group's employees is therefore important.	The Group seeks to secure key staff with appropriate incentive packages, development opportunities and career progression. Voluntary staff turnover and sickness absence is measured on a monthly basis and employee age profiles are reviewed annually. 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 has multi-site facilities with products stocked in more than one location, as a result of which the Group usually has the ability to distribute products from nearby facilities. Business continuity plans are in place to minimise the impact of any such issues.
Suppliers' non-compliance with good CR practices	The Group is not a manufacturer and has many international suppliers across the world. The failure of one of the Group's key suppliers to adhere to recognised CR standards could affect the Group's reputation.	The Group's key suppliers are principally publicly owned multinational organisations with high standards of operations. Suppliers are monitored by the Group's purchasing departments and the quality assurance/quality control department based in China audits key suppliers throughout Asia. The top 50% of suppliers by value of Bunzl spend are made aware of the Group's CR aspirations.

These risks are seen to be outweighed by a variety of opportunities that arise as a consequence of CR and its impact on the business environment as previously outlined in this report.

Sustainability has been at the heart of our business for many years. Segregation of waste is embedded in our everyday working practices, while we work hand-in-hand with our customers on packaging reduction ideas.



Board of directors

Good governance overseen by a strong independent Board is essential to the long term sustainability and success of the Group.

1 Philip Rogerson # (Age 72)

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 held a number of non-executive directorships and was Chairman of Aggreko plc from 2002 to 2012 and Carillion plc from 2005 until 2014. He is currently Chairman of De La Rue plc.

2 Frank van Zanten # (Age 50)

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.

3 Patrick Larmon (Age 64)

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.

4 Brian May (Age 52)

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.

5 David Sleath *†#• (Age 55)

Non-executive director

Non-executive director since 2007, Senior Independent Director and Chairman of the Audit Committee. Formerly a Partner and Head of Audit and Assurance for the Midlands region of Arthur Andersen, he subsequently became Finance Director of Wagon plc before joining SEGRO plc, the European industrial property group, where he was Group Finance Director from 2006 and has been Chief Executive since 2011. He will retire from the Board following the Annual General Meeting on 19 April 2017.

6 Eugenia Ulasewicz *†#• (Age 63)

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 and Vince Holding Corp.

7 Jean-Charles Pauze *†#• (Age 69)

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.

8 Vanda Murray OBE *†#• (Age 56)

Non-executive director

Non-executive director since 2015, Chair of the Remuneration Committee and will become Senior Independent Director upon the retirement of David Sleath on 19 April 2017. 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 Exova Group plc.

9 Lloyd Pitchford *†#• (Age 45)

(not pictured)

Non-executive director

Appointed as a non-executive director with effect from 1 March 2017 and will become Chairman of the Audit Committee upon the retirement of David Sleath on 19 April 2017. Having previously held a number of senior finance positions with BG Group plc, latterly 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.

* Member of the Audit Committee

† Member of the Remuneration Committee

Member of the Nomination Committee

• Independent director



66 Our Board has continued to focus on overseeing the implementation of a consistent and proven strategy which has successfully built the business and created shareholder value. 66

Philip Rogerson
Chairman

Corporate governance report

Chairman's introduction

Good governance is absolutely key to the effective management of the Company and its long term sustainability and continued success. The Board is therefore committed to maintaining the highest standards of corporate governance and, as Chairman, it is my role to ensure that we continue to do so. Although we are a decentralised Group which gives management autonomy to take decisions relating to our operations locally, our governance framework allows the Board to lead the Company in the right direction as we develop and pursue our future strategy, while ensuring that the tone of the Group's culture and values is set from the top and that the standards established by the Board are maintained throughout the Group.

One of the key aspects of good governance by any Board is to plan for future management succession. As I reported last year, following an extensive search and selection process, we appointed Frank van Zanten to succeed Michael Roney as Chief Executive following Mike's decision to retire from the Board in April 2016 after more than 10 years in the role. Frank, who was formerly an owner of a business we acquired in 1994 and the Managing Director of our Continental Europe business area from 2005 until earlier last year, has extensive knowledge and experience of our business gained over many years. This, together with his successful track record of implementing our strategy for developing and expanding the Group both organically and by acquisition, meant that he was ideally placed to take on the role.

The latest edition of the UK Corporate Governance Code (the 'Code'), which is published by the Financial Reporting Council and a copy of which is available at www.frc.org.uk, 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 report that follows provides an overview of the work undertaken by the Board and its Committees in fulfilling our governance responsibilities and describes how the principles of the Code have been applied by the Company during the year ended 31 December 2016. An updated version of the Code was published in April 2016 and will apply to the Company for the year ending 31 December 2017. The Company

has already taken account of the small number of changes required and will report formally in accordance with the revised edition of the Code in the 2017 Annual Report. However all references to the Code in this report relate to the 2014 edition of the Code.

Philip Rogerson

Chairman

27 February 2017

Compliance statement

It is the Board's view that for the year ended 31 December 2016 the Company has been fully compliant with all of the relevant provisions set out in the Code applicable to this reporting period. The Company's auditors, PricewaterhouseCoopers LLP, are required to review whether this statement reflects the Company's compliance with those provisions of the Code specified for their review by the Listing Rules of the Financial Conduct Authority and to report if it does not reflect such compliance. No such report has been made.

Board composition

As at 31 December 2016, the Board was made up of eight members comprising a Chairman, a Chief Executive, two other executive directors and four non-executive directors. Frank van Zanten was appointed to the Board on 1 February 2016 in anticipation of Michael Roney's retirement on 20 April 2016 and Meinie Oldersma resigned from the Board on 22 August 2016. As announced today, an additional non-executive director, Lloyd Pitchford, will join the Board on 1 March 2017 and David Sleath, who has been a non-executive director since September 2007, will retire from the Board following the Company's Annual General Meeting on 19 April 2017. Brief biographical details of the directors are given on page 48. None of the Company's non-executive directors had any previous connection with the Company or its executive directors on appointment to the Board and all of them are considered by both the Board and the criteria set out in the Code to be independent. The Chairman and each of the non-executive directors have a breadth of strategic, management and financial experience gained in each of their own fields in a range of multinational businesses. In accordance with the terms of the Code each of the directors, with the exception of David Sleath who retires at the conclusion of the Annual General Meeting, will be subject to re-election at the forthcoming Annual General Meeting.

The role of the Board

To ensure directors maintain overall control over strategic, financial and operational and compliance issues, the Board meets regularly throughout the year and has formally adopted a schedule of matters which are required to be brought to it for decision. Key aspects of the Board's role include:

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

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

- the primary job of the Chairman is to be responsible for the leadership of the Board and ensuring its effectiveness in all aspects of its role while the Chief Executive is responsible for the leadership and the operational and performance management of the Company within the strategy agreed by the Board.
- the Chairman is viewed by investors as the ultimate steward of the business and the guardian of the interests of all the shareholders.
- the Chairman:
 - takes overall responsibility for the composition and capability of the Board and its Committees;
 - consults regularly with the Chief Executive and is available on a flexible basis to provide advice, counsel and support to the Chief Executive; and
 - ensures corporate governance is conducted in accordance with current best practice, as appropriate to the Group.
- the Chief Executive:
 - manages the executive directors and the Group's management and day-to-day activities;
 - prepares and presents to the Board the strategy for growth in shareholder value;

- sets the operating plans and budgets required to deliver the agreed strategy;
- ensures that the Group has in place appropriate risk management and control mechanisms; and
- communicates with the Company's shareholders and analysts on a day-to-day basis as necessary (subject to an overview of such matters by the Chairman).

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

Following David Sleath's retirement, Vanda Murray will become the 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.

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

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

Information and support

Board agendas are set by the Chairman in consultation with the Chief Executive and with the assistance of the Company Secretary, who maintains a rolling programme of items for discussion by the Board to ensure that all matters reserved for the Board and other key issues are considered at the appropriate time.

The Board is supplied with full and timely information, including detailed financial information, to enable the directors to discharge their responsibilities. To enable informed decision making, briefing papers are prepared and circulated to directors approximately one week before the scheduled Board meeting. All directors have access to the advice and services of the Company Secretary who is tasked with ensuring that Board procedures are complied with and the Board is fully briefed on relevant legislative, regulatory and corporate governance developments. Directors may also take independent professional advice at the Company's expense where they judge this to be necessary in the furtherance of their duties to discharge their responsibilities as directors.

The Board meets formally at least seven times a year and the Board calendar is planned to ensure that the directors discuss a wide range of topics throughout the year. Normally at least two Board meetings a year are held at or near Group locations in the UK and overseas where the directors have the opportunity to meet and interact with senior executives from different businesses within the Group's portfolio as well as observe the operations in situ. During 2016 a number of the Group's senior executives made presentations to the Board about a variety of different and diverse topics including reviews of potential acquisition opportunities, the post-acquisition performance of businesses acquired in prior years, the Group's financing facilities and treasury policies, cybersecurity risks and controls, supplier audits carried out and health and safety performance metrics.

In addition to regular Board meetings, the directors meet annually to review and discuss the Group's overall strategy. As part of this process, presentations are made by the Chief Executive and the heads of the business areas together with the Director of Corporate Development.

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

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

Conflicts of interest

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

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

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

Audit Committee

The Audit Committee comprises all of the independent non-executive directors and is currently chaired by David Sleath who, as Chief Executive and formerly Group Finance Director of SEGRO plc and as a fellow of the ICAEW, is considered by the Board to have recent and relevant financial experience as required by the Code. Following David Sleath's retirement, Lloyd Pitchford, who, as mentioned above, is joining the Board as a non-executive director on 1 March 2017, will become the Chairman of the Audit Committee. He is the Chief Financial Officer of Experian plc and, as such, also has recent and relevant financial experience. While the other directors are not members of the Committee, they normally attend meetings of the Committee by invitation together with the Head of Internal Audit and representatives from the external auditors. The Secretary to the Committee is Paul Hussey, Company Secretary. Further details about the Audit Committee and the work undertaken by it during the year and prior to the publication of the Group's results for 2016 are set out in the Audit Committee report on pages 56 to 59. Members' attendance at the Committee meetings held during the year is set out in the table on page 52. The terms of reference of the Committee, which were reviewed and revised by the Board during the year following a recommendation made by the Committee, are available on the Company's website, www.bunzl.com.

Corporate governance report continued

Remuneration Committee

The Remuneration Committee comprises all of the independent non-executive directors and is currently chaired by Vanda Murray. 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. Further details of the Remuneration Committee, the Company's remuneration policy and how it is applied are set out in the Directors' remuneration report on pages 60 to 87. Members' attendance at the Committee meetings held during the year is set out in the table below. The terms of reference of the Committee, which were reviewed by the Board during the year, are available on the Company's website.

Nomination Committee

Composition

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

Role

The Committee's principal role is to consider, and make recommendations to the Board concerning, the composition of the Board and its Committees including proposed appointees to the Board, whether to fill any vacancies that may arise or to change the number of Board members. It is the Committee's role to ensure that the Board and its Committees maintain the appropriate balance of skills, knowledge, experience and diversity to ensure their continued effectiveness.

The Committee's responsibilities include:

- reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and making recommendations to the Board with regard to any proposed changes;

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

The Committee meets as necessary throughout the year to discharge its responsibilities. An external search consultancy which does not have any other connection with the Company is retained by the Company to assess potential candidates to be considered as prospective non-executive directors and, when appropriate, executive directors. This process was adopted both in relation to the appointment of Frank van Zanten on 1 February 2016 to succeed Michael Roney as Chief Executive with effect from 20 April 2016 and the appointment of Lloyd Pitchford as a non-executive director with effect from 1 March 2017. Details of the process followed in relation to Frank van Zanten's appointment are set out in the Corporate governance report included in the 2015 Annual Report and further information relating to the appointment of Lloyd Pitchford is set out below.

Activities

The Committee met on three occasions during 2016. Members' attendance at those meetings is set out in the table below.

One of the Committee's main responsibilities during the year related to the process of identifying and selecting a new non-executive director. 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 a detailed specification for the role and appointed an external search consultancy, The Zygos Partnership, to assist them in the recruitment process. The Zygos Partnership does not provide any other services to, or have any connection with, the Company. In particular the Committee was keen to find a successful senior business executive with extensive international management experience. As a potential non-executive director, it was important that the chosen candidate was 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 director could provide wise counsel and independence of mind and to challenge management constructively by offering impartial, independent and objective advice. The Committee carried out

Board and committee attendance

The following table shows the attendance in 2016 of directors at Board meetings and at meetings of the Board Committees of which they were members:

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

Notes:

* Michael Roney retired as a director on 20 April 2016 having attended all of the Board and relevant Committee meetings held between 1 January 2016 and that date.

† Frank van Zanten was appointed as a director on 1 February 2016 and attended all of the Board and relevant Committee meetings held between that date and the end of the year.

° Meinie Oldersma resigned as a director on 22 August 2016 having attended all of the Board and Committee meetings held between 1 January 2016 and that date.

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 the recommendation was made to the Board in February 2017, which was subsequently unanimously approved, that Lloyd Pitchford be appointed as a non-executive director with effect from 1 March 2017. The Board also accepted the Committee's recommendation that he be appointed to each of the three Board Committees and that he should assume the role of Chairman of the Audit Committee upon David Sleath's retirement in April 2017.

During the year the Committee also reviewed and took account of the balance of skills, knowledge, experience and diversity of the Board, the time commitment expected of the non-executive directors and the conclusions of the formal evaluation process which was carried out when considering and recommending the nomination of directors for re-election at the 2016 Annual General Meeting. In particular the Committee reviewed the performance of David Sleath, who was appointed to the Board in September 2007. The Committee believed that he continued to be effective and to demonstrate strong independence in character and judgement in the manner in which he was discharging his responsibilities as a director. Consequently the Committee was satisfied that, despite his length of tenure, he remained independent. As mentioned above, David Sleath is due to retire following the conclusion of the Annual General Meeting to be held on 19 April 2017 and accordingly he will not be subject to re-election at the meeting.

The Chief Executive presented his annual management succession plan to the Committee. The Company recognises that having the right directors and senior management is crucial for the Group's success and it is a key task of the Committee to ensure that the Company has a robust and continuous succession planning process over both the medium to long term to ensure that there is the right mix and skills available as the Company evolves.

As part of the review of the composition of the Board and the succession planning process, both the Board and the Committee recognise the importance of gender diversity throughout the Group. As at the date of this report, two of the eight Board members and one of the five Executive Committee members are female. The Committee aims to have a Board with a broad range of skills, backgrounds, experience and diversity and, while the Committee will continue to follow a policy of

ensuring that the best people are appointed for the relevant roles, the Committee recognises the benefits of greater diversity and will continue to take account of this when considering any particular appointment. However, the primary responsibility of the Committee in selecting and recommending candidates to the Board when making new appointments is to ensure the strength of the Board's composition and the overriding aim is to always select and recommend the best candidate for the position. Further information about the Company's workforce diversity is set out on page 43.

The terms of reference of the Committee, which were reviewed and amended by the Board in 2016, are set out on the Company's website.

Performance evaluation

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

In accordance with the requirements of the Code an external performance evaluation was first carried out in 2012 and the results were subsequently presented to the Board. The facilitator of the external evaluation, Lintstock, does not provide any other services to, or have any other connection with, the Company. Although the Code only requires that the evaluation of the Board and its Committees should be externally facilitated at least every three years, the Board has decided to appoint Lintstock to carry out an annual performance evaluation and accordingly external evaluations have been completed each year since 2012. By doing so, the Board is able to ensure that there is consistency and continuity in the evaluation process and the presentation of the results from one year to the next. Following the evaluation which was carried out in 2016, the Board once again identified a number of key priorities in order to improve the Board's performance, including:

- 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;
- providing ongoing support to the new Chief Executive as appropriate;
- continuing the focus of the Nomination Committee on the management succession plans for the Group, including in particular maintaining the Board's exposure to the Group's senior management below Board level; and
- the successful recruitment and subsequent appointment of an additional non-executive director and overseeing the induction and integration of such director.

As a result of the overall performance evaluation process carried out in 2016, the Board concluded that both it and its Committees are operating effectively.

Financial and business reporting

The responsibilities of the directors in respect of the preparation of the Group and parent company financial statements are set out on page 139 and the auditors' report on pages 140 to 145 includes a statement by the external auditors about their reporting responsibilities. As set out on page 97, the directors are of the opinion that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

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

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

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

Corporate governance report continued

Risk management and internal control

The directors acknowledge that they have overall responsibility for identifying, evaluating, managing and mitigating the principal risks faced by the Group and for monitoring the Group's risk management and internal control systems. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. In accordance with Principle C.2 of the Code and the related guidance, the Company has established the procedures necessary to ensure that there is an ongoing process for identifying, evaluating, managing and mitigating the principal risks faced by the Group and for determining the nature and extent of the principal risks it is willing to take to achieve its strategic objectives. The directors confirm that such procedures have been in place for the year ended 31 December 2016 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.

A summary of the principal control structures and processes in place across the Group is set out below and further information relating to how the directors maintain overall control over all significant strategic, financial, operational and compliance issues is set out in 'The role of the Board' section on pages 50 and 51.

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;
- an annual self-assessment of the status of internal controls measured against a prescribed list of minimum standards is performed by every business and action plans are agreed where remedial action is required;
- the Audit Committee, which comprises all of the independent non-executive directors of the Company, meets regularly throughout the year. Further details of the work of the Committee, which includes a review of the effectiveness of the Company's internal financial controls and the assurance procedures relating to the Company's risk management system, are set out in the Audit Committee report on pages 56 to 59;
- regular meetings are held with insurance and risk advisers to assess the risks throughout the Group;
- a management committee, which oversees issues relating principally to environment, health & safety, insurance and business continuity planning matters, sets relevant policies and practices and monitors their implementation;
- risk assessments, safety audits and a regular review of progress against objectives established by each business area are periodically carried out; and
- developments in tax, treasury and accounting are continually monitored by Group management in association with external advisers.

The directors confirm that they have reviewed the effectiveness of the Company's risk management and internal control systems in operation during 2016.

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

Assessment of the prospects of the Company and its viability statement

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

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

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

- Bunzl has a geographically balanced and diversified business portfolio operating in 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 2019.

How the prospects of the Company and its longer term viability have been assessed

In making a viability statement, the directors are required to consider the Company's ability to meet its liabilities in full as they fall due, taking into account the Company's current position and principal risks. The Company has significant financial resources including committed and uncommitted banking facilities and US private placement notes, further details of which are set out in Note 13 to the consolidated financial statements.

As a result, the directors believe that the Company is well placed to manage its business risks successfully.

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

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

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

Confirmation of longer term viability

Taking into account the Company's current position and principal risks and the assessment performed of the prospects of the Company, the directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period to 31 December 2019.

Relations with shareholders

As required by the relevant law and regulations, the Company reports formally to shareholders twice a year with the half year results announced normally at the end of August and the annual results announced normally at the end of February. In addition, 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 Annual General Meeting is sent to shareholders at least 20 working days before the meeting. All shareholders are encouraged to participate in the Annual General Meeting, are invited to ask questions at the meeting and are given the opportunity to meet all of the directors informally. Shareholders unable to attend are encouraged to vote using the proxy card mailed to them or electronically as detailed in the Notice of Meeting. Shareholders are given the option to withhold their vote on the proxy form. As in previous years, at the forthcoming Annual General Meeting each of the resolutions put to the meeting will be taken on a poll rather than on a show of hands as directors believe that a poll is more representative of shareholders' voting intentions because shareholder votes are counted according to the number of shares held and all votes tendered are taken into account. The results of the poll will be publicly announced and made available on the Company's website as soon as practicable following the Annual General Meeting.

On behalf of the Board

Paul Hussey
Secretary
27 February 2017

Audit Committee report



David Sleath
Chairman of
the Audit
Committee

Statement from David Sleath, Chairman of the Audit Committee

On behalf of the Board, I am pleased to present our Audit Committee report for 2016, the purpose of which is to give shareholders an overview of the role of the Committee and to report on the work it has carried out during the past year.

The UK Corporate Governance Code (the 'Code') issued by the Financial Reporting Council includes a number of provisions relating to the role and reporting requirements of audit committees and accordingly this report has been prepared in accordance with the relevant provisions of the 2014 edition of the Code which applied to the financial year ended 31 December 2016.

As in previous years, the Committee's primary focus has been centred on the integrity of the Company's financial reporting together with the related internal controls. The Committee has a clearly defined role in the corporate governance

framework of listed companies and acts independently of management to ensure that the interests of our shareholders are properly protected through the Committee's oversight of the Company's financial management and its reporting processes and procedures. There are a number of key aspects to this including the use of appropriate accounting policies and practices, supported by the implementation of a robust assurance framework in which the risk management and internal control systems, the internal and external audit functions and the regular internal reporting of the Company's performance against budgets, forecasts and prior year results are all very important. In particular this year the Committee has considered the impact of the EU Audit Directive and Regulation that came into effect on 17 June 2016 which has resulted in changes to the audit regime for EU public interest entities such as the Company. The new legislation introduces mandatory rotation of auditors and tighter restrictions on the provision of non-audit services, as well as setting out requirements in relation to the responsibilities and composition of audit committees.

The significant accounting matters considered by the Committee in relation to the 2016 financial statements were the accounting for business combinations, the carrying value of goodwill and customer relationships intangible assets, defined benefit pension schemes, taxation and supplier rebates. These are discussed in detail in the report that follows and the Committee is satisfied that these matters have been properly recorded in the Company's books and records and accounted for appropriately.

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

Role

The Committee's principal role is to ensure that the Company has effective governance over the Group's financial reporting, including the adequacy of related disclosures, the performance of both the internal and external audit functions and the

66 The Committee has a key role to play in overseeing the interests of shareholders by focusing on the integrity of our financial reporting and ensuring that the Company maintains clearly defined and established risk management and internal control processes and procedures. **99**

management of the Group's systems of internal control, business risks and related compliance activities. In particular the Committee is responsible for:

- monitoring and reviewing the integrity of the financial statements of the Group and the significant financial reporting judgements contained in them;
- reviewing the effectiveness of the Company's internal financial controls;
- reviewing the process for the management of risk and reviewing the assurance procedures over controls designed to manage key risks;
- overseeing the Company's internal audit activities;
- making recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditors;
- reviewing the appropriateness of the Company's relationship with the external auditors, including monitoring the auditors' independence and objectivity;
- agreeing the scope of, and the terms of engagement and fees for, the statutory audit;
- initiating and supervising a competitive tender process for the external audit as may be required from time to time; and
- developing and implementing a policy on the engagement of the external auditors to supply non-audit services.

The Committee is solely responsible for negotiating and agreeing the external auditors' fee, the scope of the statutory audit and initiating and supervising a competitive tender process for the external audit where it is appropriate to do so and to make recommendations to the Board as to the external auditors' appointment pursuant to any such process. The current version of the Committee's terms of reference, which were reviewed by both the Committee and the Board in 2016, is available on the Company's website, www.bunzl.com.

In the performance of its duties, the Committee has independent access to the services of the Company's internal audit function and to the external auditors and may obtain outside professional advice as necessary. Both the Head of Internal Audit and the external auditors have direct access to me as the Chairman of the Committee and I held a number of meetings with each of them during the year outside formal Committee meetings.

Activities

As Chairman of the Committee, I hold preparatory discussions with the Company's senior management, the Head of Internal Audit and the external auditors prior to Committee meetings to discuss the items to be considered at the Committee meetings. In addition, separate discussions are held between the Committee and the Head of Internal Audit and the external auditors without management present. I also attend the Annual General Meeting to respond to any shareholder questions that might be raised on the Committee's activities. The Committee met on four occasions during the year and members' attendance at those meetings is set out in the table on page 52.

The Committee's activities in 2016 included:

- making recommendations to the Board concerning the re-appointment of the external auditors and approving the remuneration and terms of engagement of the auditors including the audit strategy and planning process for the current financial year;
- receiving and considering reports from management and the external auditors in relation to the half yearly financial report and the annual financial statements;
- reviewing the half yearly financial report and the annual financial statements and the formal announcements relating thereto;
- receiving and considering reports from the Head of Internal Audit in relation to the work undertaken by the internal audit function and reviewing and approving the internal audit work programme for the year;
- receiving and considering a report from the Chartered Institute of Internal Auditors relating to an external assessment of the internal audit function;
- reviewing the effectiveness of the Company's internal financial controls and the assurance procedures relating to the Company's risk management systems;
- reviewing the arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and receiving periodic reports relating to the matters raised through such arrangements;
- reviewing the Committee's terms of reference;
- reviewing the Committee's effectiveness following an externally facilitated performance evaluation;

- reviewing the effectiveness of both the external auditors and the internal audit function following completion of detailed questionnaires by both the Board and senior management within the Company;
- reviewing and approving the level and nature of non-audit work which the external auditors performed during the year, including the fees paid for such work;
- reviewing and amending the policy for the provision of non-audit services by the external auditors;
- reviewing the principal tax risks applicable to the Company and the steps taken to manage such risks; and
- reviewing and updating the Company's internal audit charter in accordance with international internal auditing standards.

Following each Committee meeting, I report any significant findings to the Board and copies of the minutes of the Committee meetings are circulated to all of the directors and to the external auditors.

During the year the Financial Reporting Council's Corporate Reporting Review Team ('CRRT') carried out a review of the Annual Report for the year ended 31 December 2015. The response by the Company to the request for information was discussed with me in my capacity as Chairman of the Audit Committee prior to responding to the CRRT. Details of both the enquiries raised by the CRRT and the Company's response thereto were also considered by the Committee. The CRRT have closed their enquiries with no requirements to restate any disclosures. However, undertakings were given to enhance certain disclosures in the future in response to the CRRT review. The Committee is satisfied that the enhancements proposed to, and agreed with, the CRRT have been appropriately incorporated in the 2016 Annual Report.

Financial statements and significant accounting matters

During the year and prior to the publication of the Group's results for 2016, the Committee reviewed the 2016 half yearly financial report and related news release, the 2016 Annual Report (including the financial statements), the 2016 annual results news release and the reports from the external auditors on the outcomes of their half year review and the audit relating to 2016.

Audit Committee report continued

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

Accounting for business combinations

For business combinations, the Group has a long-standing process for the identification of the fair values of the assets acquired and liabilities assumed including separate identification of intangible assets using external valuation specialists where required. The Committee reviewed this process and discussed with management and the external auditors the methodology and assumptions used to value the assets and liabilities of the acquisitions completed in 2016. 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.

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 reviewed an assessment prepared by management of the composition of the Group's CGUs, which were last formally reviewed in 2010. Having done so, the Committee was satisfied with the proposed revisions to the CGUs as they reflected adjustments required from the addition of approximately 100 businesses and consequential changes to management oversight and responsibility. 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 existing and revised CGUs (including the sensitivity of the outcome of impairment testing to the use of different discount rates) and considered the external auditors' testing thereof. After due consideration, 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 based on either CGU allocation. 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 increase 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 and, having done so, was satisfied with the key judgements and proposed disclosures related to tax made by management.

Supplier rebates

The Group has various rebate arrangements with a number of suppliers. Some of these arrangements are based on the volume of products purchased and others are based on the volume of products sold. The recognition of supplier rebate income from the arrangements which are based on the volume of products purchased may, for a limited number of arrangements, involve the requirement for some estimates to be made about whether certain conditions related to such rebate income have been, or will be, met. In reviewing the consolidated financial statements, the Committee considered a report from management in relation to the value of the different types of rebates in the income statement for the year and the value of supplier rebate income receivables at the year end. This report showed that substantially all of the supplier rebates were unconditional and non-judgemental. The Committee discussed the findings of the external auditors in this area and, having done so, concluded that it was satisfied with the accounting for the Group's supplier rebates for the year including the value of rebate income recognised.

External auditors' independence and effectiveness

The Committee ensures that the external auditors remain independent of the Company and receives written confirmation from the external auditors as to whether they consider themselves independent within the meaning of their own internal and the relevant regulatory and professional requirements. Key members of the audit team rotate off the Company's audit after a specific period of time.

In order to ensure that the objectivity and independence of the external auditors is not compromised, the Company has a detailed policy relating to the provision of non-audit services by the external auditors which is overseen by the Committee. As mentioned in my introduction, following the implementation of the EU Audit Directive and Regulation with effect from 17 June 2016 the rules relating to non-audit services have been changed. The new rules introduce a statutory cap on the level of non-audit fees which may be billed by the external auditors and include a 'blacklist' of prohibited services that the external auditors are not allowed to provide. As a result, as part of the 2016 review of both its terms of reference and the Company's policy for the provision of non-audit services by the external auditors, the Committee approved appropriate amendments to ensure that such terms of reference and policy are fully compliant with the new regulations. 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 2016 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 2016 was 17%.

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

The Committee discussed the findings of the survey and their overall assessment of the work of the auditors. Having done so, the Committee confirmed that it was satisfied with the effectiveness of the external audit process. The Committee will carry out a similar effectiveness review in 2017 in relation to the audit of the financial statements for the year ended 31 December 2016.

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 to replace KPMG Audit Plc who, together with their predecessor firms, had been the external auditors since 1986.

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 2017 be put to shareholders at the forthcoming Annual General Meeting.

Internal control and risk management

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

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

Internal audit

The Company has an internal audit department which comprises nine in-house auditors, including the Head of Internal Audit who reports jointly to me, in my capacity as Chairman of the Audit Committee, and the Finance Director. The scope of work of the internal audit function covers all systems and activities of the Group. Work is prioritised according to the Company's risk profile with the annual audit plan being approved by the Committee each year. Internal audit reports are regularly

provided to the Committee which include details of the audit findings, and the relevant management actions required in order to address any issues arising therefrom, as well as updates on the progress made by management in addressing any outstanding recommendations from previously reported findings. In addition, the internal audit function reports on any significant issues relating to the processes for controlling the activities of the Group and the adequacy and effectiveness of such processes. 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.

A review by the Committee of the effectiveness of the internal audit function was carried out during the year. The Committee considered the results of a detailed questionnaire completed by each of the directors and those members of the senior management team who interact with the internal audit department and discussed generally the work of the internal audit department, the adequacy of resources and the skills and capabilities of the internal audit team. In order to benchmark the internal audit department against best practice, during 2016 the quality and effectiveness of the function was also externally assessed by the Chartered Institute of Internal Auditors. Following both of these assessments, the Committee concluded that the internal audit function continued to be effective, efficient and appropriately resourced.

David Sleath

Chairman of the Audit Committee
27 February 2017

Directors' remuneration report



Vanda Murray
Chairman of the
Remuneration
Committee

66 Our remuneration policy is a key element in enabling us to continue to drive our high performance culture which focuses on building shareholder value. 99

This report has been prepared on behalf of, and has been approved by, the Board. It complies with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the 'Regulations'), the UK Corporate Governance Code and the Financial Conduct Authority Listing Rules and takes into account the accompanying Directors' Remuneration Reporting Guidance and the relevant policies of shareholder representative bodies.

The report is presented in three main sections: an annual statement from the Chairman of the Committee; the directors' remuneration policy to be approved by shareholders at the 2017 Annual General Meeting ('AGM'); and the annual report on remuneration for 2016.

In accordance with the Regulations, at the 2017 AGM we will be asking shareholders to vote on two separate remuneration resolutions as follows:

- the binding triennial vote on the directors' remuneration policy which describes the Company's forward looking directors' remuneration policy which will, subject to shareholder approval, become formally effective as at the date of the 2017 AGM (and is set out on pages 62 to 74); and
- an advisory vote on the annual report on remuneration as set out on pages 74 to 87 which provides details of the remuneration earned by directors for performance in the year ended 31 December 2016.

Statement from Vanda Murray, Chairman of the Remuneration Committee

I am pleased to present the Directors' remuneration report for the year ended 31 December 2016.

Role of the Remuneration Committee

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 shareholders' interests. The Committee considers both market practice and stakeholders' views when setting the Group's performance-related incentives to ensure that they are based on challenging and robust performance targets which are aligned to the Group's strategic goals and which drive profitable growth, while complying with UK corporate governance good practice.

Performance and remuneration for 2016

Michael Roney retired as Chief Executive in April 2016 after a long and successful tenure of more than 10 years, during which time the Group achieved strong and sustainable performance. Michael's successor as Chief Executive is Frank van Zanten, an internal appointment made after an extensive internal and external search process.

The business strategy has remained constant during 2016 with the Group continuing to grow both organically and by acquisition while continuously improving the quality of our operating model.

The key performance metrics for the annual bonus are the Group's adjusted earnings per share and return on average operating capital and for Patrick Larmon there are 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). Performance against these metrics has resulted in an annual bonus for Frank van Zanten of 65% of the maximum opportunity, which equates to 75% of his annual salary for 2016, initially as a director from 1 February until 19 April 2016 and then as Chief Executive from 20 April to the end of the financial year.

The annual bonuses for Brian May and Patrick Larmon are 77% and 66% 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. In addition, 100% of the executive share options and 82% of the performance shares vested under the Company's Long Term Incentive Plan ('LTIP') for the performance periods that ended in 2016.

Review of remuneration policy and shareholder consultation

As we approach our 2017 AGM and the triennial binding vote on our directors' remuneration policy, we have undertaken a thorough review of the policy and have consulted on the proposed changes with our largest shareholders and with proxy voting advisers. The existing policy was strongly supported by shareholders when voted on in 2014 and the key elements of that policy remain at the core of our proposed remuneration policy.

Over recent years, the Group has grown and expanded internationally through a series of acquisitions, extending our geographic footprint across 30 countries. 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 building shareholder value.

The current remuneration policy has not been changed in the last three years and the annual bonus opportunity has remained unchanged for eight years. In light of the Group's expansion and its development over many years, the Committee has reviewed whether the current remuneration arrangements remain appropriate. Having completed this review, we are proposing some amendments to the policy to bring it in line with current best practice and to drive performance for the Company's next stage of development.

Remuneration arrangements for the 2017 financial year and beyond

Executive directors' base salaries have been increased by 2%, effective 1 January 2017, below that of the workforce average of 2.8%. Frank van Zanten's base salary was set at £800,000 on his appointment as Chief Executive compared to £922,000 for his predecessor. Similarly, his pension contribution of 25% of base salary is lower than the 30% paid to Michael Roney.

The proposed directors' remuneration policy sets the annual bonus maximum level at the FTSE 100 market median of 180% of base salary. However, for the 2017 financial year, the Chief Executive's maximum annual bonus opportunity will be set at 150% of base salary, 30 percentage points below the

FTSE 100 median and the proposed policy maximum (currently set at 115% of base salary). For the other executive directors, the 2017 maximum annual bonus will be limited to 125% of base salary, currently 115% for Brian May and 110% for Patrick Larmon also significantly below the relevant FTSE 100 market median. The on-target bonus for the Chief Executive for 2017 will be 75% of base salary, currently 70%, and 70% for the other executive directors, which is unchanged. The threshold and target bonus as a percentage of the maximum will reduce as these will remain fixed as a percentage of salary.

Annual bonus awards will continue to be based on growth in adjusted earnings per share and return on average operating capital. These metrics remain key to the business strategy and the target levels are stretching without encouraging inappropriate levels of risk. Threshold, target and stretch performance levels will be disclosed in the remuneration report for the relevant year.

Despite the absolute maximum levels of LTIP awards permitted under the policy falling below the FTSE 100 median, we are not proposing to increase these. We are proposing to set the normal award limits for the performance share element of the LTIP at 150% of base salary and leave the limits for share option awards under the LTIP unchanged. The resulting LTIP award limits are materially lower than the FTSE 100 median.

We will continue to set robust and challenging performance conditions for the LTIP awards. These awards are subject to earnings per share growth targets and, in addition, in the case of the performance shares, a relative total shareholder return condition. We propose to use the capacity in the LTIP policy conservatively, with the award levels for 2017 held at 2016 levels. For LTIP awards made after the 2017 AGM and subsequently, a post-vesting holding period will be introduced for executive directors. This holding period will continue if they leave employment during the holding period. The remuneration policy will also increase the Chief Executive's shareholding requirement to 250% of base salary in line with the FTSE 100 median. Excluding the value of his transitional international relocation package, following these proposed changes the 2017 total on-target remuneration for Frank van Zanten will remain below that of the previous Chief Executive.

Conclusions

As a result of these policy changes there will be a greater emphasis on performance related remuneration for all of the executive directors. I very much hope that you will support the remuneration resolutions at the AGM. This balanced and prudent set of proposals is intended to ensure that we continue to drive and reward performance and maintain alignment with shareholders' interests.

Vanda Murray OBE

Chairman of the Remuneration Committee
27 February 2017

Directors' remuneration policy – summary of proposed changes at a glance

- Recognising the feedback received from shareholders in 2016, going forward the Committee will apply time proration to performance shares in the event that an executive director retires.
- Increased Chief Executive's shareholding requirement to 250% of base salary (currently 200%).
- Introduction of a two year post-vesting holding requirement on LTIP awards from the 2017 AGM onwards.
- The annual bonus maximum level set at 180% of base salary with the 2017 maximum capped at 150% of base salary for Frank van Zanten (currently 115%) and 125% for other executive directors (currently 115% and 110% of base salary for Brian May and Patrick Larmon).
- Annual bonus performance targets disclosures enhanced.
- Pension contributions or cash allowances for new executive director appointments capped at 25% of base salary (currently 30%).
- Notice periods for new executive director service contracts equalised to 12 months from both the Company and employee (previously six months from employee and 12 months from employer).
- Malus and clawback provisions strengthened for both the annual bonus, including the cash element, and the LTIP.
- The existing variable pay structure maintained but with an increased focus on above target performance.

The absolute maximum LTIP awards permitted under the current policy are not increasing, despite being below the market median, and actual LTIP award levels for 2017 will remain at the same level as 2016, significantly below the policy maximum.

The total remuneration for Frank van Zanten with these changes will remain below that of his predecessor (excluding the value of the transitional relocation package).

Directors' remuneration report continued

Directors' remuneration policy

We continue to pursue our well defined strategy of developing the business through profitable 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 earnings per share 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.

Overview

Our directors' remuneration policy has been reviewed during the year and is submitted for approval in the required triennial vote at the 2017 AGM. The overall approach to remuneration adopted by the Company has been in place for many years and the key elements of this policy are very little changed from those approved by shareholders in 2014.

Our current directors' remuneration policy, which is effective subject to our new policy being approved by shareholders at our 2017 AGM, is set out in our 2014 and 2015 Annual Reports and is also available on our website at www.bunzl.com.

The proposed policy set out below is submitted to be approved by shareholders at our 2017 AGM and will formally take effect from the date of the AGM with the exception of the annual bonus where the policy will apply for the full financial year in 2017.

The proposed policy is 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; and
- to align pay with the strategic objectives of the Company and the interests of our 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 this way the Committee facilitates alignment between the interests of shareholders and the total remuneration paid to the executive directors.

The table below summarises how the proposed policy compares with the current policy:

	Summary of key features of current policy	Summary of key features of proposed policy
Pension	Defined contribution to pension or cash allowance of equivalent value. Only base salary is pensionable. Maximum of 30% of base salary.	Pension contributions or cash allowance for new joiners will be capped at 25% of base salary.
Annual bonus opportunity	Maximum 115% of base salary for Chief Executive and Finance Director and 110% for Patrick Larmon.	Policy maximum of 180% of base salary. For 2017, maximum of 150% of base salary for Chief Executive and 125% of base salary for Finance Director and Patrick Larmon.
	Target bonus 70% of base salary (61% of maximum for Chief Executive and Finance Director and 64% of maximum for Patrick Larmon).	Target bonus 75% of base salary (reduces to 50% of 2017 maximum) for the Chief Executive and remains at 70% of base salary for the Finance Director and Patrick Larmon (which is 56% of maximum).
	Clawback provisions apply for misstatement for deferred bonus.	Clawback to be strengthened and a malus provision to be added for both the cash bonus and the deferred shares element.
Long Term Incentive Plan ('LTIP')	The policy states that the normal award limits will be up to 200% of base salary (share options) and 112.5% of base salary (performance shares).	The normal award limits can be up to 200% of base salary (share options) and 150% of base salary (performance shares). However, award levels in 2017 will be no higher than in 2016.
	No post-vesting holding period.	Two year post-vesting holding period (net of sales to settle tax) to apply to awards made of share options and performance shares after the 2017 AGM and subsequently. Time proration of performance shares on retirement.
	Clawback provisions apply for misstatement and error.	Clawback to be strengthened and a malus provision to be added.
Shareholding requirement	Executive directors are required to build up a shareholding of 200% of base salary.	To be increased to 250% for the Chief Executive and remain at 200% for the other executive directors.
Service Contracts	Executive directors are normally employed on contracts that provide for 12 months' notice from the Company and six months' notice from the executive.	Contracts for new executive directors will provide for an equal notice period from the Company and the executive of a maximum of 12 months' notice.

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 proposed remuneration policy for the executive directors, explaining how each element operates and links to the corporate strategy. The policy will be formally effective following shareholder approval at the 2017 AGM with the annual bonus policy applying for the full financial year. If approved, this policy supersedes that approved by shareholders in 2014.

Salary

Purpose	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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 2016 and 2017 are on pages 75 and 83 respectively
Performance metrics	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • incentivise the attainment of annual corporate targets • retain high performing employees • align with shareholders' interests
Operation	<ul style="list-style-type: none"> • 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

Annual bonus continued

Maximum potential value	<ul style="list-style-type: none"> 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 2017 performance year for Frank van Zanten the maximum annual bonus will be limited to 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 for the 2017 performance year for Brian May and Patrick Larmon the maximum annual bonus will be limited to 125% of base salary with the on-target bonus remaining at the current 70% of base salary the current threshold levels of bonus for Frank van Zanten and Brian May are 49% of base salary and 31% of base salary for Patrick Larmon. As the maximum bonus percentage increases, these threshold levels will remain fixed as a percentage of base salary and thereby reduce as a percentage of the maximum any further increase during the policy period, within the policy maximum, will be subject to Company performance
Performance metrics	<ul style="list-style-type: none"> metrics will be set each year by the Committee aligned to the Company's key strategic objectives <p>For the 2017 performance year, the principal metrics are as follows:</p> <ul style="list-style-type: none"> growth at constant exchange rates in the Company's earnings per share adjusted to exclude items which do not reflect the Company's underlying financial performance ('eps') against the relevant target the bonus derived from constant exchange rate eps performance will be increased or decreased according to the Company's performance against the target return on average operating capital ('RAOC'), referred to as the RAOC modifier the use of eps and RAOC measures are seen as appropriate as they are two of the Company's Key Performance Indicators ('KPIs'). The use of eps growth aligns the executive directors' interests with those of the shareholders and the RAOC modifier ensures the continued focus on the management of capital employed together with profit growth bonus awards are at the Committee's discretion and may take into account performance on environmental, social and governance matters as appropriate Patrick Larmon has additional measures based on the profit before interest, tax, customer relationships amortisation and acquisition related costs ('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 at the start of the year by reference to the Group's annual budget. No elements of the bonus are guaranteed. As in previous years, the specific targets will not be disclosed while still commercially sensitive

Long term incentives

Purpose	<ul style="list-style-type: none"> incentivise growth in longer term eps and TSR align with shareholders' interests recruit and retain senior employees
Operation	<ul style="list-style-type: none"> 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	<p>Executive share options</p> <ul style="list-style-type: none"> 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 <p>Performance shares</p> <ul style="list-style-type: none"> 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 2017 grants, awards will not exceed 112.5% of base salary
Performance metrics	<p>Performance and service conditions must be met over a three year performance period</p> <p>Executive share options</p> <ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> 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 79. <p>Performance shares</p> <ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> 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 80.

All employee share plans	
Purpose	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> service conditions apply

Retirement benefits	
Purpose	<ul style="list-style-type: none"> provision of competitive retirement benefits retain executive directors
Operation	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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% on salary up to the national pensionable salary cap (from 6 April 2017 £154,200 per annum)
Performance metrics	<ul style="list-style-type: none"> Not applicable

Other benefits	
Purpose	<ul style="list-style-type: none"> provision of competitive benefits which helps to recruit and retain executive directors
Operation	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Not applicable

Directors' remuneration report continued

Shareholding requirement	
Purpose	<ul style="list-style-type: none"> strengthen the alignment between the interests of the executive directors and those of shareholders
Operation	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Not applicable

Note

A description of how the Company will operate the policy in 2017 is detailed within the remuneration policy summary as set out on pages 64 to 68.

Performance measures and targets

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

- Eps is one of 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 period.
- Relative TSR provides an external assessment of the Company's performance against similar sized companies listed in the UK. It also aligns the rewards received by executives with the returns received by shareholders.

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

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

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 29 people) are granted both executive share option and performance share awards. Approximately 414 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, US and UK. In France employees take part in profit sharing arrangements in accordance with local regulations.

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

Statement of consideration of employment conditions elsewhere in the Group

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

In 2017 the majority of employees across the Group have received salary increases in the range of 2.2%–3.4%, 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 much higher. The actual increases received by employees have been based on each individual's contribution and performance as well as the market competitiveness of the salary.

The 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 a regular employee survey.

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	
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	Treatment will normally fall between the two treatments described in the previous columns, subject to the discretion of the Committee and the terms of any termination agreement.
Annual bonus 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	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
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	

Notes

- a) For share options granted under Part A of the 2004 LTIP, any unvested executive share options which are subject to the discretion of the Committee may vest in full on the termination date and be exercisable for the following 12 months after which any unexercised options will lapse.
- b) The Committee will have the authority to settle any legal claims against the Company, e.g. for unfair dismissal etc, that might arise on termination.

Discretions retained by the Committee in operating the incentive plans

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

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

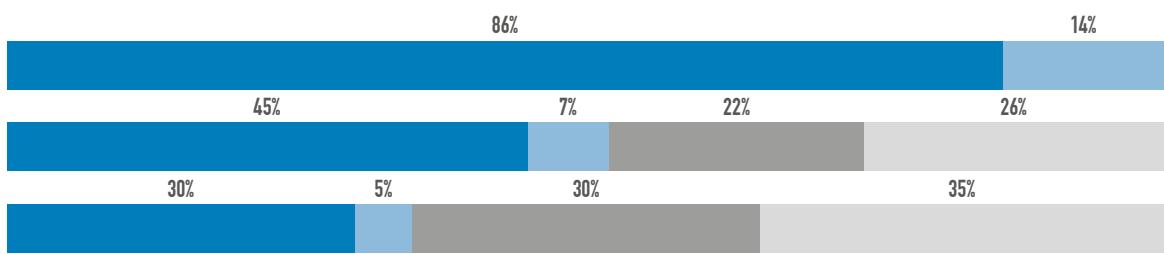
Directors' remuneration report continued

2017 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 2017, in line with the new remuneration policy, is illustrated in the bar charts below.

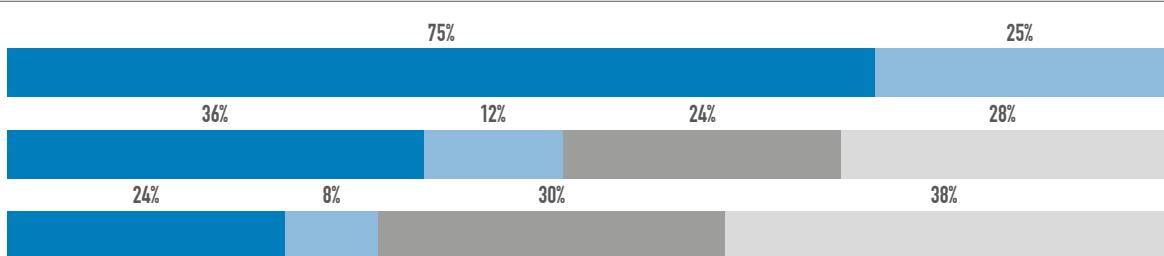
Frank van Zanten

Below threshold performance
(Total £1,431,321)



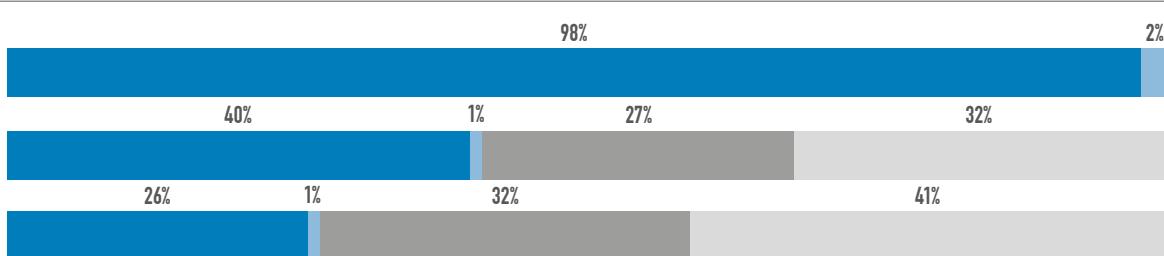
Brian May

Below threshold performance
(Total £739,991)



Patrick Larmon

Below threshold performance
(Total £919,972)



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

Notes

- a) Salary represents annual salary for 2017. Benefits such as a car or car allowance and private medical insurance have been included based on 2016 figures. In the case of Frank van Zanten, benefits also include the transitional international relocation package including accommodation, which are gross amounts before taxes, referred to on page 75. Patrick Larmon's salary is paid in US dollars and has been translated at the 2016 year end closing exchange rate of £1: US\$1.24.
- b) Pension represents the cost of pension accrued in 2016 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 through the Defined Contribution Senior Executive Retirement Agreement ('SERA'), further details of which are shown on page 79.
- c) Below threshold performance comprises salary, benefits and pension only with no bonus awarded and no LTIP awards vested.
- d) Target performance comprises annual bonus awarded at target level (i.e. for 2017 an on-target bonus of 75% of base salary for Frank van Zanten and 70% 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 2017, the maximum annual bonus will be limited to 150% of base salary for Frank van Zanten and 125% 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 which will deliver 30% of their face value in gain to the executives.

Legacy arrangements

The directors' remuneration policy first approved by shareholders at the 2014 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 2017 AGM
Philip Rogerson	1 January 2010	20 April 2016	7 years 3 months
David Sleath*	1 September 2007	20 April 2016	9 years 7 months
Eugenia Ulasewicz	1 April 2011	20 April 2016	6 years
Jean-Charles Pauze	1 January 2013	20 April 2016	4 years 3 months
Meinie Oldersma**	1 April 2013	20 April 2016	n/a
Vanda Murray	1 February 2015	20 April 2016	2 years 2 months
Lloyd Pitchford	1 March 2017	n/a	1 month

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

**Meinie Oldersma retired from the Board on 22 August 2016.

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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> determined in light of market practice and with reference to time commitment and responsibilities associated with the roles annual fees are paid in 12 equal monthly instalments during the year the Senior Independent Director and Chairman of the Audit and Remuneration Committees are paid an extra fee to reflect their additional responsibilities the NEDs and the Chairman are not eligible to receive benefits and do not participate in pension or incentive plans. Expenses incurred in respect of their duties as directors of the Company are reimbursed the NEDs' fees are reviewed annually in January each year and the Chairman's fee is reviewed biennially, the last date being February 2016 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> not eligible to participate in any performance related elements of remuneration

Statement of consideration of shareholder views

The Committee considers shareholder feedback received in relation to the AGM each year and guidance from shareholder representative bodies more generally. In addition the Committee consults proactively with its major shareholders prior to making significant changes to its policy. The Committee has consulted with major shareholders and proxy voting groups with regard to the proposed changes to the remuneration policy to be submitted for approval at the 2017 AGM.

Directors' remuneration report continued

Annual report on remuneration for 2016

Committee remit and membership

The following independent non-executive directors were members of the Committee during 2016:

	Date of appointment to the Committee	Meetings eligible to attend	Meetings attendance
David Sleath	5 December 2007	4	4
Eugenia Ulasewicz	20 April 2011	4	4
Jean-Charles Pauze	1 January 2013	4	3
Meinie Oldersma*	1 April 2013	2	2
Vanda Murray	1 February 2015	4	4

*Meinie Oldersma retired from the Board on 22 August 2016.

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 2016, both the Chief Executive and the Chairman were consulted and invited to attend meetings of the Committee but were not present during any part of the meeting when their own remuneration was under consideration.

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

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

Advisers to the Remuneration Committee

In carrying out these responsibilities, the Committee seeks external remuneration advice as necessary. During the year the Committee received advice from PwC and Aon Hewitt. PwC 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: £12,700 (PwC) and £34,170 (Aon Hewitt) respectively for such work undertaken in 2016. In addition to the work undertaken on behalf of the Committee, PwC, who are the Company's external auditors, also provided a limited amount of non-audit services to the Company as set out in Note 4 to the consolidated financial statements. Looking forward, any other non-audit services required by the Company will, in the main, be provided by other firms to ensure the independence of PwC's work as auditors.

Statement of voting at the 2016 AGM for the remuneration report and at the 2014 AGM for the remuneration policy

The remuneration report and remuneration policy received the following shareholder votes in 2016 and in 2014 respectively, 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 (2016 AGM)	273,654,330	201,947,243	73.80	71,707,087	26.20	296,109
Remuneration policy (2014 AGM)	264,349,297	258,510,901	97.79	5,838,396	2.21	600,455

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.

c) Following the voting outcome at the 2016 AGM, the Committee has considered the views of shareholders that were raised in relation to the remuneration report for the year ended 31 December 2015 and addressed the question of treatment of long term incentive awards for executive directors who retire in its policy review and consultation with shareholders this year. The new remuneration policy introduces time proration of performance shares on retirement.

Single total figure of remuneration 2016 (audited information)

Executive directors

	Salary £000	Taxable benefits £000	Bonus £000	LTIP £000	Pension £000	Total £000
	2016	2015	2016	2015	2016	2015
Michael Roney	274.6	922.0	5.1	16.7	—	680.4
Frank van Zanten	652.0	—	369.5	—	490.8	—
Brian May	530.0	515.0	17.0	16.7	406.0	380.1
Patrick Larmon	779.4	677.1	27.7	18.9	512.4	369.0
Total	2,236.0	2,114.1	419.3	52.3	1,409.2	1,429.5
					4,657.0	4,292.0
					440.5	475.2
					9,162.0	8,363.1

Non-executive directors

	Board fees £000		Committee Chair/SID fees £000		Total £000	
	2016	2015	2016	2015		
Philip Rogerson	340.0	325.0	—	—	340.0	325.0
David Sleath	67.5	66.0	32.0	26.3	99.5	92.3
Eugenia Ulasewicz	67.5	66.0	—	—	67.5	66.0
Jean-Charles Pauze	67.5	66.0	—	—	67.5	66.0
Meinie Oldersma	43.8	66.0	—	—	43.8	66.0
Vanda Murray	67.5	60.5	16.0	10.6	83.5	71.1
Total	653.8	649.5	48.0	36.9	701.8	686.4

Notes

- a) Michael Roney retired as Chief Executive on 20 April 2016 and left the employment of the Company on 30 April 2016; an amount of £52,357 was paid to him in respect of his employment for the period from 20 April until 30 April 2016.
- b) Frank van Zanten was appointed to the Board on 1 February 2016 and became Chief Executive upon Michael Roney's retirement on 20 April 2016 at a salary of £800,000 per annum.
- c) 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 2015 deferred bonus were awarded in 2016 as shown in the table on page 84 and the shares relating to the 2016 deferred bonus will be awarded in 2017.
- d) 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 a transitional international relocation package from Amsterdam to London following his appointment as Chief Executive in April 2016 which are grossed up for taxes. This includes assistance with accommodation, removal costs and school fees. In addition Patrick Larmon's club fees are paid by the Company.
- e) The long term incentives are in the form of awards under the 2004 LTIP which were granted in April and October 2013 and February 2014 and under the 2014 LTIP granted in August 2014. Long term incentive figures exclude any gain from the purchase of shares by Patrick Larmon through the ESPP described on page 67.
- f) The figures shown in relation to 2015 for the LTIP have been restated from those figures shown in the 2015 Annual Report to reflect the difference between the relevant grant price and the value of the LTIP awards on the actual date of vesting on 28 February 2016 and 30 August 2016 at the closing mid-market share price of 1,935p and 2,413p respectively.
- g) 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\$1.36 in respect of 2016 and £1: US\$1.53 in respect of 2015.
- h) The value of the LTIP award for Frank van Zanten for 2016 relates to vesting of awards that were granted prior to becoming Chief Executive.
- i) £977,005 of the LTIP amount shown in 2016 for Michael Roney relates to exercises of LTIP awards which vested during 2016 after the termination of his employment as an executive director.
- j) As Meinie Oldersma resigned from the Board on 22 August 2016, the 2016 fees of £43,800 have been paid until this date. No payments were or are to be made to former directors in respect of loss of office and no payments were made to former directors during the year other than as expressed in Note a) and i) above. In addition to the remuneration paid to directors in 2015 shown above, Peter Johnson, who retired as a non-executive director during the year, received remuneration of £28,400 in respect of the period 1 January 2015 to 15 April 2015, the date of his retirement.

Executive directors' annual salary (audited information)

Executive directors' salaries were reviewed with effect from 1 January 2016 in accordance with normal policy and were increased taking into account the average salary increases for employees across the Group.

	Salary from 1 January 2016	Salary from 1 January 2015	Increase in salary 2015 to 2016
Michael Roney	£922,000	£922,000	0%
Frank van Zanten	£800,000	—	—
Brian May	£530,000	£515,000	2.9%
Patrick Larmon	US\$1,060,000	US\$1,036,000	2.3%

Notes

- a) Michael Roney's base salary was £922,000 and was paid until his termination date of 30 April 2016.
- b) 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 2017 and the increases awarded are shown on page 83.

Directors' remuneration report continued

Executive directors' external appointments

Michael Roney served as a non-executive director of Brown-Forman Corporation throughout 2016 and from 1 January 2016 until the termination of his employment with the Company on 30 April 2016 retained fees of US\$73,216. Frank van Zanten served as a non-executive director of Grafton Group plc throughout 2016 and during the year retained fees of €70,000. Brian May served as a non-executive director of United Utilities Group PLC throughout 2016 and during the year retained fees of £78,066. Patrick Larmon served as a non-executive director of Bodycote plc from 13 September 2016 and during the remainder of the year retained fees of £16,039. In addition, he has also served as a non-executive director of Huttig Building Products, Inc. throughout 2016 and retained fees of US\$109,664 which included US\$57,644 worth of deferred shares which vested in 2016.

Non-executive directors' fees (audited information)

The Chairman's fee is reviewed every two years with the most recent review having taken place with effect from 1 January 2016. The fees for the non-executive directors were reviewed with effect from 1 January 2016 in accordance with normal policy.

	With effect from January 2016	Fees paid in 2015	Increase in fees 2015 to 2016
Chairman's fee	£340,000	£325,000	4.6%
Non-executive director fee	£67,500	£66,000	2.3%
Supplements:			
Senior Independent Director	£16,000	£16,000	0%
Audit Committee Chairman	£16,000	£15,000	6.7%
Remuneration Committee Chairman	£16,000	£15,000	6.7%

The non-executive directors' fees were reviewed with effect from 1 January 2017 and the increases awarded are shown on page 83.

Performance against annual bonus targets (audited information)

The annual bonus plan and DASBS currently operate as set out in the policy section on pages 61 and 62 of the 2015 Annual Report. For Frank van Zanten, the bonus opportunity for 2016 was split between performance in terms of PBITA and RAOC based on the Continental Europe ('CE') business area from 1 February 2016 to 19 April 2016 and the performance of the Group from 20 April 2016 on his appointment to Chief Executive. His bonus opportunity as Chief Executive was based on 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. All of Brian May's and 25% of Patrick Larmon's bonus potential in 2016 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 2016 against the targets set were as follows:

Group performance	On-target bonus opportunity as % salary	Threshold eps	Target eps	Stretch eps	Primary		Performance against targets	
					% actual constant exchange rate eps relative to target	2016 bonus as % of salary before modifier applied	RAOC for the Group relative to target (55.5%)	2016 bonus award as % of salary
Frank van Zanten	70%	89.7p	94.2p	103.6p	101.1% of target performance	74.8%	1.023	76.6%
Brian May	70%	89.7p	94.2p	103.6p	101.1% of target performance	74.8%	1.023	76.6%
Patrick Larmon	17.5%	89.7p	94.2p	103.6p	101.1% of target performance	19.1%	1.023	19.5%
('CE') performance	On-target bonus opportunity as % salary		Target CE PBITA	% PBITA of CE businesses relative to target	Bonus as % of salary before modifier applied	% RAOC for the CE businesses relative to target		
Frank van Zanten	60%		€150.6m	102.6%	66.5%	1.005	66.8%	
('NA') performance	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 budget			
Patrick Larmon	52.5%		US\$398.3m	98.9% of target performance	44.7%	1.034	46.2%	

Notes

a) For the Group performance table above the annual on-target bonus opportunity for Frank van Zanten and Brian May is 70% of salary with a threshold award of 49% of salary and a maximum award of 115% of salary and for Patrick Larmon is 70% of salary with a threshold award of 31% of salary and a maximum award of 110% of salary.

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

- b) The bonuses derived from the primary measures shown above are increased, decreased or remain unchanged according to the actual performance against the relevant RAOC modifier. The modifier is unlikely to change the bonus determined by the primary measure by more than 5% up or down.
- c) Frank van Zanten's bonus award is shown for both Group and CE performance.
- d) In accordance with his departure terms, no bonus payment was made to Michael Roney for the 2016 financial year (see page 82).
- e) At target exchange rates the adjusted eps for 2016 was 95.2p.

Accordingly the total payments under the annual bonus plans were:

	Total bonus payment (cash and deferred shares) as a % of salary				
	2016 %	2015 %	2014 %	2013 %	2012 %
Michael Roney	—	73.8	98.0	104.2	77.0
Frank van Zanten	75.3	—	—	—	—
Brian May	76.6	73.8	98.0	104.2	77.0
Patrick Larmon	65.7	54.5	69.7	85.3	85.9

The monetary values of the bonus payments for 2016 and 2015 are included in the table on page 75.

LTIP grants/awards with performance periods ending in 2016 (audited information)

Executive share option awards – LTIP Part A

Executive share option awards, granted three years previously, are due to vest on 27 February 2017 and 29 August 2017. The Committee assessed the relevant performance of the Company against the performance conditions:

LTIP Part A – 27 February 2014 awards

Performance measure	Vesting schedule	RPI growth (Dec 2013 to Dec 2016)	Target growth (3% p.a. above RPI growth)	Actual eps growth	% vesting (max 100%)
Eps growth relative to RPI (over three year period to 31 December 2016)	100% vesting for target performance	5.4%	14.7%	28.8%	100%

LTIP Part A – 29 August 2014 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 2016)	25% vesting for target performance, 100% vesting for maximum performance	15.8%	26.0%	28.8%	100%

	Date of grant	Number of shares granted	Vesting outcome	Estimated value of award vesting
Michael Roney	27 February 2014	43,000	100%	£245,100
	29 August 2014	54,600	100%	£270,270
Frank van Zanten	27 February 2014	16,200	100%	£92,340
	29 August 2014	18,800	100%	£93,060
Brian May	27 February 2014	22,500	100%	£128,250
	29 August 2014	29,000	100%	£143,550
Patrick Larmon	27 February 2014	25,500	100%	£145,350
	29 August 2014	35,500	100%	£175,725

Note

Included in the single total figure of remuneration table on page 75 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 2016 (2,136p).

Directors' remuneration report continued

Performance shares – LTIP Part B

Awards of performance shares were made to the executive directors on 5 April 2013 and 7 October 2013 with the three year TSR performance periods being completed during the financial year on 31 March 2016 and 30 September 2016 respectively. The Committee subsequently assessed the performance of the Company against the relevant performance conditions:

LTIP Part B – 5 April 2013 and 7 October 2013 awards

Performance measure	Vesting schedule	RPI growth (Dec 2012 to Dec 2015)	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 2015)	25% vesting for threshold performance, 100% vesting for maximum performance	5.6%	18.1%	38.7%	28.9%	32.2%
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 2013 to 31 March 2016	25% vesting for threshold performance, 100% vesting for maximum performance	12.3% 22nd out of 43	53.075% 11th out of 43	61.7% 5th out of 43	50.0%
	1 October 2013 to 30 September 2016		15.9% 19th out of 38	48.8% 10th out of 38	81.0% 4th out of 38	50.0%
	Date of grant	Number of shares granted	Vesting outcome – eps	Vesting outcome – TSR	Value of award vesting	
Michael Roney	5 April 2013 7 October 2013	38,500 37,000	32.2%	50%	£640,774	
Frank van Zanten	5 April 2013 7 October 2013	15,000 13,500	32.2%	50%	£249,652	
Brian May	5 April 2013 7 October 2013	20,000 19,500	32.2%	50%	£332,870	
Patrick Larmon	5 April 2013 7 October 2013	23,000 22,000	32.2%	50%	£382,800	
				50%	£420,221	

Note

Included in the single total figure of remuneration table on page 75 is the value of these vested awards at the closing mid-market share price on the dates of vesting, 5 April 2016 and 7 October 2016, which were 2,025p and 2,324p 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 2016	Total pension 2016
Michael Roney	–	–	–	£83,748	£83,748
Frank van Zanten	–	–	–	£158,295	£158,295
Brian May	60	–	£68,515	£113,910	£182,425
Patrick Larmon	65	–	–	£16,120	£16,120

Notes

- a) Michael Roney received a pension allowance of 30% of basic salary and retired as Chief Executive on 20 April 2016 and left the employment of the Company on 30 April 2016.
- b) As Chief Executive Frank van Zanten receives a pension allowance of 25% of base salary. Prior to this his pension allowance was 20% of basic salary.
- c) 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 £150,600 for tax year 2016/17 and £149,400 for tax year 2015/16. The employee contribution rate is currently 10% of pensionable salary.
- d) 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.
- e) 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 2016 of £7,352 (2015: £6,536).

f) 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 2016 (2015 : US\$45,007).

g) Patrick Larmon also participates in the Bunzl USA, LLC Deferred Savings (401k) Plan. The Company makes matching contributions to this Plan. During 2016 contributions for Patrick Larmon amounted to £8,768 (2015: £7,794).

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 2016 and performance share awards were granted in April and October 2016 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	03.03.16	77.5% of salary	313.8	100%	16,135	31.12.18
	2014 LTIP Part B	11.04.16	50% of salary	212.7	25%	10,369	31.03.19
	2014 LTIP Part A	02.09.16	124.5% of salary	996.0	100%	42,636	31.12.18
	2014 LTIP Part B	11.10.16	68.09% of salary	544.7	25%	23,428	30.09.19
Brian May	2014 LTIP Part A	03.03.16	95% of salary	503.5	100%	25,887	31.12.18
	2014 LTIP Part B	11.04.16	52.5% of salary	278.2	25%	13,566	31.03.19
	2014 LTIP Part A	02.09.16	95% of salary	503.5	100%	21,553	31.12.18
	2014 LTIP Part B	11.10.16	52.5% of salary	278.2	25%	11,967	30.09.19
Patrick Larmon	2014 LTIP Part A	03.03.16	95% of salary	716.0	100%	36,810	31.12.18
	2014 LTIP Part B	11.04.16	52.5% of salary	394.5	25%	19,235	31.03.19
	2014 LTIP Part A	02.09.16	95% of salary	757.1	100%	32,411	31.12.18
	2014 LTIP Part B	11.10.16	52.5% of salary	449.6	25%	19,338	30.09.19

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 3 March 2016 and on 2 September 2016 at a value of 1,945p and 2,336p per share respectively. Performance shares were awarded under the 2014 LTIP Part B on 11 April 2016 and on 11 October 2016 at a value of 2,051p and 2,325p per share respectively.

Performance conditions for 2016 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 2016 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%

Directors' remuneration report continued

Performance share awards – LTIP Part B

The extent to which half of the awards may vest is subject to a performance condition based on the Company's eps growth (adjusted to exclude items which do not reflect the Company's underlying financial performance) over three years, based on the following sliding scale:

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

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

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

The applicable comparator group for the 2016 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 67. 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 2016
10% in any rolling 10 year period	2.2%
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 2016, all executive directors and their connected persons have a shareholding as follows:

	Actual share ownership as a percentage of salary at 31 December 2016 at the closing mid-market price (£,109p)
Frank van Zanten	185%
Brian May	419%
Patrick Larmon	345%

Note

Under the terms of the Company remuneration policy 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 (which is proposed to increase to 250% under the new remuneration policy to be proposed at the 2017 AGM). In his previous role, he was not required to meet a shareholding requirement.

Interests in shares and share options

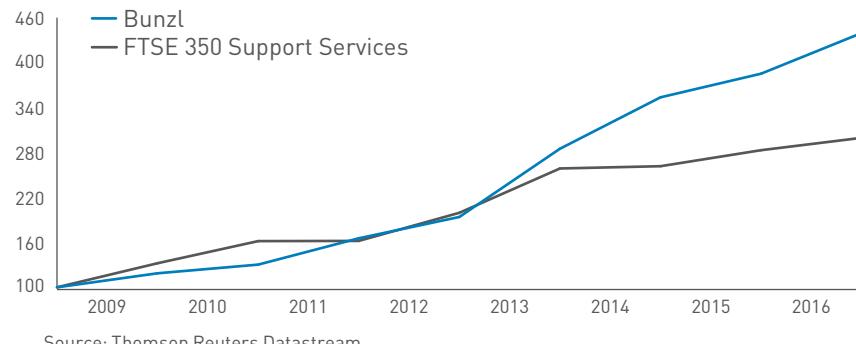
The interests of the directors, and their connected persons, in the Company's ordinary shares and share options to 31 December 2016 were:

	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	Options (LTIP Part A and Sharesave)	Total interests held
Frank van Zanten	57,261	25,732	79,034	126,467	1,642	18,000	308,136
Brian May	105,240	38,650	88,221	153,441	2,173	24,500	412,225
Patrick Larmon	127,623	38,542	117,807	201,160	–	130,000	615,132
Philip Rogerson	10,000	–	–	–	–	–	10,000
David Sleath	4,000	–	–	–	–	–	4,000
Eugenia Ulasewicz	4,000	–	–	–	–	–	4,000
Jean-Charles Pauze	2,500	–	–	–	–	–	2,500
Meinie Oldersma*	2,500	–	–	–	–	–	2,500
Vanda Murray	3,000	–	–	–	–	–	3,000

* As Meinie Oldersma resigned from the Board on 22 August 2016, the above represents 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 an eight year period. The Company's TSR performance against the FTSE 350 Support Services Sector over an eight year period commencing on 1 January 2009 is shown to the right.



Chief Executive's pay in last eight 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 2016 and the previous seven years.

	2009	2010	2011	2012	2013	2014	2015	2016
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	3,718.3
Annual variable element award rates against maximum opportunity	45%	71%	99%	67%	91%	85%	64%	45%
Long term incentive vesting rates against maximum opportunity	LTIP Part A (options)	100%	100%	100%	100%	100%	100%	100%
	LTIP Part B (performance shares)	84%	65%	29%	45%	62%	89%	82%

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 have been granted to Frank van Zanten since he became Chief Executive on 20 April 2016 have vested during 2016.
- e) The single total figure of remuneration in relation to 2015 has been restated from the figure shown in the 2015 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 2016 on page 75.

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 2016 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 (2016 vs 2015)	Percentage change (2016 vs 2015)
Salary		-13%	2%
Benefits		1%	3%
Bonus		-10%	22%

Notes

- a) Salary percentage change based on Michael Roney's salary of £922,000 for 2015 and Frank van Zanten's salary of £800,000 on appointment to Chief Executive on 20 April 2016.
- b) Benefits are annualised and exclude the 2016 international relocation package benefit for Frank van Zanten of £353,191.
- c) Bonus amount is lower for the newly appointed Chief Executive, Frank van Zanten, compared to the former Chief Executive, Michael Roney.
- d) US and UK management population includes any promotional increases that occurred during either year.
- e) 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 2016 and 2015 (as stated in Note 21 and Note 17 to the consolidated financial statements on pages 127 and 122 respectively).

£ million unless otherwise stated	2016	2015	Percentage change
Overall expenditure on pay	647.3	558.1	16.0%
Dividend paid in the year	125.4	116.1	8.0%

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 2015 to 2016, the background to which is referred to in the Chief Executive's review on page 18 and in the Financial review on page 32.

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

Michael Roney retired from the Board on 20 April 2016 and left the Group on 30 April 2016. His departure terms, as determined by the Committee within the terms of the Company's remuneration policy approved at the 2014 AGM, were set out in the 2015 Annual Report and were as follows:

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

2017 Remuneration (audited information)

The current remuneration policy was implemented with effect from the 2014 AGM and continues to apply until the 2017 AGM when the new policy is submitted to shareholders for approval.

Salary

The salary increases for the executive directors for 2017, which are in line with increases that have been implemented for other employees in the Group as discussed on page 69, are as follows:

	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%

Notes

a) As reported on page 75 Frank van Zanten's salary was £800,000 from his appointment as Chief Executive on 20 April 2016.

b) The average sterling : dollar exchange rate for 2016 was £1: \$1.36.

2017 bonus targets

The structure for Frank van Zanten's, Brian May's and 25% of Patrick Larmon's annual bonus for 2017 is described on pages 64 and 65. The threshold for bonus payments on growth in constant exchange rate eps has been set at the actual result achieved in 2016 on a constant exchange rate basis. For Patrick Larmon the other 75% of his bonus will relate to the attainment of PBITA performance of NA relative to budget which will be modified, positively or negatively, by the achievement of NA'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 Group's 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 2017

Grants of executive share options and performance shares awarded to executive directors and senior executives in 2017 will be subject to the same performance conditions as those executive share options and performance share awards granted in 2016 as detailed on pages 79 and 80.

Chairman's and non-executive directors' fees for 2017 (audited information)

The Chairman's fee is reviewed every two years with the most recent review having taken place with effect from 1 January 2016. The non-executive directors' fees are reviewed annually and were most recently reviewed with effect from 1 January 2017. The current fee structure for the Chairman and the non-executive directors is shown below:

	With effect from 1 January 2017	Fees paid in 2016	Increase in fees 2016 to 2017
Chairman's fee	£340,000	£340,000	-
Non-executive director basic 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%

Directors' remuneration report continued

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 2016

The outstanding awards granted to each director of the Company and any director with an interest in the Company during 2016 under the DASBS are set out in the table below. Further information relating to the deferred bonus is provided on page 64.

	Shares held at 1 January 2016	Shares awarded during 2016	Shares vested during 2016	Total number of award shares at 31 December 2016	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	–	–
	7,976	–	–	7,976	01.03.18	1,896	–	–
	–	8,190	–	8,190	01.03.19	1,933	–	–
Michael Roney	25,575	–	25,575	–	01.03.16	1,272	1,969	504
	28,815	–	–	28,815	01.03.17	1,573	–	–
	23,130	–	–	23,130	01.03.17	1,896	–	–
	–	17,600	–	17,600	01.03.17	1,933	–	–
Brian May	14,165	–	14,165	–	01.03.16	1,272	1,969	279
	15,898	–	–	15,898	01.03.17	1,573	–	–
	12,921	–	–	12,921	01.03.18	1,896	–	–
	–	9,831	–	9,831	01.03.19	1,933	–	–
Patrick Larmon	21,045	–	21,045	–	01.03.16	1,272	1,969	414
	16,003	–	–	16,003	01.03.17	1,573	–	–
	12,061	–	–	12,061	01.03.18	1,896	–	–
	–	10,478	–	10,478	01.03.19	1,933	–	–

Notes

The deferred element of the 2016 annual bonus plan as shown on page 75 is not included in the table above as the appropriate number of shares have not yet been awarded. No shares lapsed during the year. Frank van Zanten did not receive a share award under the DASBS in 2013 which would have vested on 1 March 2016.

LTIP

The tables below show the number of executive share options and performance shares held by the executive directors under the LTIP during 2016.

Executive share options – LTIP Part A

	Options at 1 January 2016	Grant date	Exercise price p	Options exercisable between	Options at 31 December 2016
Frank van Zanten	20,000	28.02.13	1,240	28.02.16-27.02.23	–
	18,000	30.08.13	1,375	30.08.16-29.08.23	18,000
	16,200	27.02.14	1,566	27.02.17-26.02.24	16,200
	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
	–	03.03.16	1,945	03.03.19-02.03.26	16,135
	–	02.09.16	2,336	02.02.19-01.02.26	42,636
Total	105,696				144,467
Michael Roney	53,000	28.02.13	1,240	28.02.16-27.02.23	–
	47,500	30.08.13	1,375	30.08.16-28.02.17	–
	43,000	27.02.14	1,566	27.02.17-26.08.17	43,000
	54,600	29.08.14	1,641	29.08.17-28.08.18	54,600
	48,100	26.02.15	1,920	26.02.18-25.02.19	48,100
	54,653	27.08.15	1,687	27.08.18-26.08.19	54,653
Total	300,853				200,353
Brian May	27,500	28.02.13	1,240	28.02.16-27.02.23	–
	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
	–	03.03.16	1,945	03.03.19-02.03.26	25,887
	–	02.09.16	2,336	02.02.19-01.02.26	21,553
Total	158,001				177,941
Patrick Larmon	41,500	02.09.11	813	02.09.14-01.09.21	–
	36,000	01.03.12	962	01.03.15-28.02.22	36,000
	34,000	31.08.12	1,116	31.08.15-30.08.22	34,000
	31,500	28.02.13	1,240	28.02.16-27.02.23	31,500
	28,500	30.08.13	1,375	30.08.16-29.08.23	28,500
	25,500	27.02.14	1,566	27.02.17-26.02.24	25,500
	35,500	29.08.14	1,641	29.08.17-28.08.24	35,500
	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
	–	03.03.16	1,945	03.03.19-02.03.26	36,810
	–	02.09.16	2,336	02.02.19-01.02.26	32,411
Total	303,439				331,160

Notes

a) Executive share options were exercised during 2016 by:

- (i) Frank van Zanten on 15 March 2016 in respect of 20,000 ordinary shares at an exercise price of 1,240p, at a market price of 1,985p, resulting in a gain of £149,000;
- (ii) Michael Roney on 11 March 2016 in respect of 53,000 ordinary shares at an exercise price of 1,240p, at a market price of 1,978p, resulting in a gain of £391,140. In addition Michael Roney exercised share options on 5 September 2016 in respect of 47,500 ordinary shares at an exercise price of 1,375p, at a market price of 2,380p, resulting in a gain of £477,375;

(iii) Brian May on 29 June 2016 in respect of 27,500 ordinary shares at an exercise price of 1,240p, at a market price of 2,201p, resulting in a total gain of £264,275; and

(iv) Patrick Larmon on 23 March 2016 in respect of 41,500 ordinary shares at an exercise price of 812.5p, at a market price of 1,985p, resulting in a gain of £486,590.

b) The mid-market price of an ordinary share on 31 December 2016 was 2,109p and the range during 2016 was 1,735p to 2,436p.

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

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

Directors' remuneration report continued

Performance shares – LTIP Part B

	Awards (shares) held at 1 January 2016	Conditional shares awarded during 2016	Award date	Market price per share at award p	Lapsed awards (shares) during 2016	Exercised awards (shares) during 2016	Market price per share at exercise p	Value at exercise £000	Awards (shares) held at 31 December 2016
Frank van Zanten	15,000	–	05.04.13	1,277	2,672	12,328	2,010	248	–
	13,500	–	07.10.13	1,325	2,405	11,095	2,339	260	–
	12,150	–	04.04.14	1,606	–	–	–	–	12,150
	12,300	–	06.10.14	1,597	–	–	–	–	12,300
	10,200	–	02.04.15	1,840	–	–	–	–	10,200
	10,587	–	05.10.15	1,804	–	–	–	–	10,587
	–	10,369	11.04.16	2,025	–	–	–	–	10,369
	–	23,428	11.10.16	2,325	–	–	–	–	23,428
Total	73,737	33,797			5,077	23,423			79,034
Michael Roney	38,500	–	05.04.13	1,277	6,857	31,643	2,010	636	–
	37,000	–	07.10.13	1,325	6,590	30,410	2,342	712	–
	31,500	–	04.04.14	1,606	–	–	–	–	31,500
	31,600	–	06.10.14	1,597	–	–	–	–	31,600
	28,200	–	02.04.15	1,840	–	–	–	–	28,200
	28,749	–	05.10.15	1,804	–	–	–	–	28,749
Total	195,549	–			13,447	62,053			120,049
Brian May	20,000	–	05.04.13	1,277	3,562	16,438	2,019	332	–
	19,500	–	07.10.13	1,325	3,473	16,027	2,345	376	–
	16,500	–	04.04.14	1,606	–	–	–	–	16,500
	16,500	–	06.10.14	1,597	–	–	–	–	16,500
	14,700	–	02.04.15	1,840	–	–	–	–	14,700
	14,988	–	05.10.15	1,804	–	–	–	–	14,988
	–	13,566	11.04.16	2,025	–	–	–	–	13,566
	–	11,967	11.10.16	2,325	–	–	–	–	11,967
Total	102,188	25,533			7,035	32,465			88,221
Patrick Larmon	23,000	–	05.04.13	1,277	4,097	18,903	2,010	380	–
	22,000	–	07.10.13	1,325	3,919	18,081	2,342	423	–
	18,500	–	04.04.14	1,606	–	–	–	–	18,500
	20,900	–	06.10.14	1,597	–	–	–	–	20,900
	20,000	–	02.04.15	1,840	–	–	–	–	20,000
	19,834	–	05.10.15	1,804	–	–	–	–	19,834
	–	19,235	11.04.16	2,025	–	–	–	–	19,235
	–	19,338	11.10.16	2,325	–	–	–	–	19,338
Total	124,234	38,573			8,016	36,984			117,807

Notes

a) The closing mid-market price of the Company's ordinary shares as at the vesting dates on 5 April 2016 and 7 October 2016 were 2,025p and 2,324p respectively.

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

All employees share scheme

Sharesave Schemes

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 67.

	Options at 1 January 2016	Grant date	Exercise price p	Options exercisable between	Options at 31 December 2016
Frank van Zanten	678 –	01.04.15 29.03.16	1,536 1,556	01.05.18-31.10.18 01.05.21-31.10.21	678 964
Michael Roney	1,948 585	27.03.12 20.03.15	770 1,536	30.04.16-31.10.16 30.04.16-31.10.16	– –
Brian May	1,197 976	21.03.14 20.03.15	1,253 1,536	01.05.19-31.10.19 01.05.20-31.10.20	1,197 976

Vanda Murray OBE

Chairman of the Remuneration Committee
27 February 2017

Other statutory information

Annual General Meeting

The Annual General Meeting will be held at The Park Suite, The Dorchester, Park Lane, London W1K 1QA on Wednesday 19 April 2017 at 11.00 am. The Notice convening the Annual General Meeting is set out in a separate letter from the Chairman to shareholders which explains the items of business which are not of a routine nature.

Dividends

An interim dividend of 13.00p was paid on 3 January 2017 in respect of 2016 and the directors recommend a final dividend of 29.0p, making a total for the year of 42.0p per share (2015: 38.0p). Dividend details are given in Note 17 to the consolidated financial statements. Subject to approval by the shareholders at the Annual General Meeting on 20 April 2016, the final dividend will be paid on 3 July 2017 to those shareholders on the register at the close of business on 26 May 2017.

Share Capital

The Company has a single class of share capital which is divided into ordinary shares of 32½p each which rank pari passu in respect of participation and voting rights. The shares are in registered form, are fully paid up and are quoted on the London Stock Exchange. In addition, the Company operates a Level 1 American Depository 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 Depository Receipts.

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

Substantial shareholdings

As at 31 December 2016 the directors had been notified by the following shareholders that they were each interested in 3% or more of the issued share capital of the Company.

As at 27 February 2017 no further notifications have been received since the year end.

Bunzl Group General Employee Benefit Trust

Bunzl Employee Trustees Limited is trustee of the Bunzl Group General Employee Benefit Trust ('the EBT') which holds shares in respect of employee share options and awards that have not been exercised or vested. The current position is that the EBT abstains from voting in respect of these shares. The trustee has agreed to waive the right to dividend payments on shares held within the EBT. Details of the shares so held are set out in Note 16 to the consolidated financial statements.

Rights and obligations attaching to shares

Subject to the provisions of the Companies Act 2006 and without prejudice to any rights attached to any existing shares, the Company may resolve by ordinary resolution to issue shares with such rights and restrictions as set out in such resolution or (if there is no such resolution or so far as it does not make specific provision) as the Board may decide. Subject to the provisions of the Companies Act 2006 and of any resolution of the Company passed pursuant thereto and without prejudice to any rights attached to existing shares, the Board is duly authorised to issue and allot, grant options over or otherwise dispose of the Company's shares on such terms and conditions and at such times as it thinks fit. If at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class may be varied or abrogated by special resolution passed at a separate general meeting of such holders. Subject to the rights attached to any existing shares, rights attached to shares will be deemed to be varied by the reduction of capital paid up on the shares and by the allotment of further shares ranking in priority in respect of dividend or capital or which confer on the holders more favourable voting rights than the first-mentioned shares, but will not otherwise be deemed to be varied by the creation or issue of further shares.

Power to issue and allot shares

The directors are generally and unconditionally authorised under the authorities granted at the 2016 Annual General Meeting to allot shares or grant rights to subscribe for or to convert any security into shares of the Company up to a maximum nominal amount of £35.92 million. At the same meeting authority was also granted to the directors to allot the Company's shares for cash, up to a maximum nominal amount of approximately £5.39 million, without regard to the pre-emption provisions of the Companies Act 2006. No such shares were issued or allotted under these authorities in 2016, nor is there any current intention to do so, other than to satisfy share options under the Company's share option schemes and, if necessary, to satisfy the consideration payable for businesses to be acquired.

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

Restrictions on transfer of shares

Dealings in the Company's ordinary shares by its directors, persons discharging managerial responsibilities, certain employees of the Company and, in each case, any persons closely associated with them, are subject to the Company's 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 shares; and
- in favour of not more than four transferees.

Shareholder	Date of notification	Number of shares	% of issued share capital
Massachusetts Financial Services Company	27.12.16	33,540,043	9.99
Cascade Investment L.L.C.	15.10.15	23,503,182	7.02
Invesco Limited	26.08.14	16,645,696	4.97
BlackRock, Inc.	12.12.16	16,370,044	4.87
APG Asset Management N.V.	24.06.15	10,265,263	3.06

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

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

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

Restrictions on voting rights

A member shall not be entitled to vote, unless the Board otherwise decides, at any general meeting or class meeting in respect of any shares held by them if any call or other sums payable remain unpaid. Currently, all issued shares are fully paid. In addition, no member shall be entitled to vote if he has been served with a restriction notice after failure to provide the Company with information concerning certain interests in the Company's shares required to be provided under the Companies Act 2006. Votes may be exercised in person or by proxy. The Articles currently provide a deadline for submission of proxy forms of 48 hours before the relevant meeting, 24 hours before a poll is taken if such poll is taken more than 48 hours after it was demanded or during the meeting at which the poll was demanded if the poll is not taken straight away but is taken not more than 48 hours after it was demanded.

Purchase of own shares

At the 2016 Annual General Meeting, shareholders gave the Company authority to purchase a maximum of 33,520,000 ordinary shares. During the year ended 31 December 2016 the Company did not purchase any of its own shares pursuant to

this authority or the authority granted at the 2015 Annual General Meeting and no shares have been purchased between 31 December 2016 and 27 February 2017. The Company is therefore currently authorised to buy back 33,520,000 of its own shares pursuant to the existing shareholders' authority which is due to expire at the conclusion of the forthcoming Annual General Meeting. The directors again propose to seek the equivalent authority at such Annual General Meeting.

Directors

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

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

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

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

- is prohibited by law from being a director; or
- ceases to be a director by virtue of any provisions of company law or is removed from office pursuant to the Articles.

Biographical details of all the directors who served throughout the year are set out on page 48. Lloyd Pitchford has been appointed to the Board with effect from 1 March 2017. Notwithstanding the retirement by rotation provisions in the Articles, each of the directors will retire and offer themselves for re-election at the forthcoming Annual General Meeting in accordance with the UK Corporate Governance Code apart from David Sleath who retires from the Board at the conclusion of the Annual General Meeting.

Directors' interests in ordinary shares are shown in Note 19 to the consolidated financial statements. None of the directors was materially interested in any contract of significance with the Company or any of its subsidiary undertakings during or at the end of 2016. Information relating to the directors' service agreements and their remuneration for the year and details of the directors' share options under the Company's share option schemes and awards under the Long Term Incentive Plan and Deferred Annual Share Bonus Scheme are set out in the Directors' remuneration report on pages 60 to 87.

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 2016 and remain in force as at the date of this report under which the Company has agreed to indemnify the directors and the Company Secretary, in addition to other senior executives who are directors of subsidiaries of the Company, to the extent permitted by law and the Articles in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities as a director or officer of the Company or any of its subsidiaries.

Other statutory information continued

Amendment of articles

Any amendments to the Articles may be made in accordance with the provisions of the Companies Act 2006 by way of special resolution of the Company's shareholders.

Environmental and social responsibility

The directors recognise that the Company is part of a wider community and that it has a responsibility to act in a way that respects the environment and social and community issues. Further information relating to the Company's approach to these matters is set out in the Corporate responsibility report on pages 38 to 47.

Employment policies

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

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

Significant agreements

The Company's wholly owned subsidiary, Bunzl Finance plc, has a number of bilateral loan facilities with a range of different counterparties, all of which are guaranteed by the Company, are in substantially the same form and are prepayable at the option of the lender in the event of a change of control of the Company. Similar change of control provisions in relation to the Company are included in the US dollar, sterling and euro US private placement notes which have been entered into by Bunzl Finance plc and the Company and are also guaranteed by the Company.

Political donations

During 2016 no contributions were made for political purposes.

Disclosures required under UK listing rule 9.8.4

Apart from the dividend waiver which has been issued in respect of shares held by the Bunzl Group General Employee Benefit Trust referred to in Note 16 to the consolidated financial statements on page 120, there are no disclosures required to be made under UK Listing Rule 9.8.4.

External auditors

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

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

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

Resolutions are to be proposed at the forthcoming Annual General Meeting for the re-appointment of PricewaterhouseCoopers LLP as auditors of the Company at a rate of remuneration to be determined by the directors.

Strategic report and Directors' report

Pages 1 to 47 inclusive consist of the Strategic report and pages 48 to 90 inclusive consist of the Directors' report. These reports have been drawn up and presented in accordance with, and in reliance upon, applicable English company law and any liability of the directors in connection with these reports shall be subject to the limitations and restrictions provided by such law.

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

The Strategic report and the Directors' report were approved by the Board on 27 February 2017.

On behalf of the Board

Paul Hussey
Secretary
27 February 2017

Financial statements

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Consolidated income statement

for the year ended 31 December 2016

	Notes	2016 £m	2015 £m
Revenue	3	7,429.1	6,489.7
Operating profit	3	409.7	366.5
Finance income	5	7.1	4.8
Finance expense	5	(53.9)	(48.6)
Profit before income tax		362.9	322.7
Income tax	6	(97.0)	(90.0)
Profit for the year attributable to the Company's equity holders		265.9	232.7
 Earnings per share attributable to the Company's equity holders			
Basic	7	80.7p	71.0p
Diluted	7	79.7p	70.2p

Non-GAAP measures[†]			
Operating profit	3	409.7	366.5
Adjusted for:			
Customer relationships amortisation	3	81.3	66.8
Acquisition related costs	3	34.0	21.7
Adjusted operating profit		525.0	455.0
Finance income	5	7.1	4.8
Finance expense	5	(53.9)	(48.6)
Adjusted profit before income tax		478.2	411.2
Tax on adjusted profit	6	(128.6)	(113.1)
Adjusted profit for the year		349.6	298.1
 Adjusted earnings per share	7	106.1p	91.0p

[†]See Note 2w on page 102 for further details of the non-GAAP measures.

The Accounting policies and other Notes on pages 97 to 131 form part of these consolidated financial statements.

Consolidated statement of comprehensive income

for the year ended 31 December 2016

	Notes	2016 £m	2015 £m
Profit for the year		265.9	232.7
Other comprehensive (expense)/income			
Items that will not be reclassified to profit or loss:			
Actuarial (loss)/gain on defined benefit pension schemes	20	(42.4)	27.0
Tax on items that will not be reclassified to profit or loss	6	8.3	(6.7)
Total items that will not be reclassified to profit or loss		(34.1)	20.3
Items that may be reclassified to profit or loss:			
Foreign currency translation differences on foreign operations		267.0	(77.8)
Loss taken to equity as a result of effective net investment hedges		(59.7)	(13.5)
Gain recognised in cash flow hedge reserve		2.6	9.6
Movement from cash flow hedge reserve to income statement		(1.5)	(10.6)
Tax on items that may be reclassified to profit or loss	6	(0.7)	(0.4)
Total items that may be reclassified subsequently to profit or loss		207.7	(92.7)
Other comprehensive income/(expense) for the year		173.6	(72.4)
Total comprehensive income attributable to the Company's equity holders		439.5	160.3

Consolidated balance sheet

at 31 December 2016

	Notes	2016 £m	2015* £m	2014* £m
Assets				
Property, plant and equipment	8	123.3	112.6	107.7
Intangible assets	9	1,947.6	1,646.1	1,490.3
Defined benefit pension assets	20	—	5.4	—
Derivative financial assets		14.9	16.5	16.3
Deferred tax assets	15	2.3	—	3.9
Total non-current assets		2,088.1	1,780.6	1,618.2
Inventories	10	960.9	794.2	705.3
Income tax receivable		5.7	0.7	0.7
Trade and other receivables	11	1,157.5	947.5	869.8
Derivative financial assets		12.5	17.2	12.6
Cash at bank and in hand	23	282.4	281.8	298.6
Total current assets		2,419.0	2,041.4	1,887.0
Total assets		4,507.1	3,822.0	3,505.2
Equity				
Share capital	16	107.9	107.7	107.6
Share premium		167.5	163.9	160.3
Translation reserve		27.7	(179.1)	(87.2)
Other reserves		21.1	20.2	21.0
Retained earnings		988.3	903.6	782.2
Total equity attributable to the Company's equity holders		1,312.5	1,016.3	983.9
Liabilities				
Interest bearing loans and borrowings	23	1,283.6	1,058.8	913.3
Defined benefit pension liabilities	20	84.1	45.4	70.3
Other payables		30.5	20.8	18.5
Provisions	14	31.0	25.3	20.9
Derivative financial liabilities		1.7	—	—
Deferred tax liabilities	15	124.9	112.8	116.0
Total non-current liabilities		1,555.8	1,263.1	1,139.0
Bank overdrafts	23	155.7	231.1	244.3
Interest bearing loans and borrowings	23	86.0	120.8	35.8
Income tax payable		82.9	74.8	64.6
Trade and other payables	12	1,297.8	1,096.4	1,018.4
Derivative financial liabilities		8.1	10.0	8.5
Provisions	14	8.3	9.5	10.7
Total current liabilities		1,638.8	1,542.6	1,382.3
Total liabilities		3,194.6	2,805.7	2,521.3
Total equity and liabilities		4,507.1	3,822.0	3,505.2

Approved by the Board of Directors of Bunzl plc (Company registration number 358948) on 27 February 2017 and signed on its behalf by Frank van Zanten, Chief Executive and Brian May, Finance Director.

* Revised to reflect a change in the presentation of Cash at bank and in hand and Bank overdrafts and a reclassification of software assets from Property, plant and equipment to Intangible assets (see Note 1(i)).

Consolidated statement of changes in equity

for the year ended 31 December 2016

	Share capital £m	Share premium £m	Translation reserve £m	Merger £m	Capital redemption £m	Cash flow hedge £m	Other reserves	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	

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

Consolidated cash flow statement

for the year ended 31 December 2016

	Notes	2016 £m	2015 £m
Cash flow from operating activities			
Profit before income tax		362.9	322.7
Adjusted for:			
net finance expense	5	46.8	43.8
customer relationships amortisation	9	81.3	66.8
acquisition related costs	3	34.0	21.7
Adjusted operating profit		525.0	455.0
Adjustments:			
non-cash items	26	28.0	19.8
working capital movement	26	(6.3)	(9.8)
Cash generated from operations before acquisition related costs		546.7	465.0
Cash outflow from acquisition related costs	24	(17.0)	(42.7)
Income tax paid		(123.2)	(92.5)
Cash inflow from operating activities		406.5	329.8
Cash flow from investing activities			
Interest received		5.9	2.8
Purchase of property, plant and equipment and software	8,9	(25.4)	(24.8)
Sale of property, plant and equipment		0.6	2.4
Purchase of businesses	24	(159.6)	(328.5)
Cash outflow from investing activities		(178.5)	(348.1)
Cash flow from financing activities			
Interest paid		(49.1)	(42.7)
Dividends paid	17	(125.4)	(116.1)
Increase in borrowings		206.1	256.4
Repayment of borrowings		(210.5)	(73.8)
Realised gains on foreign exchange contracts		22.9	27.5
Proceeds from issue of ordinary shares to settle share options		3.8	3.7
Proceeds from exercise of market purchase share options		26.4	23.1
Purchase of employee trust shares		(67.7)	(56.3)
Cash (outflow)/inflow from financing activities		(193.5)	21.8
Increase in cash and cash equivalents		34.5	3.5
Cash and cash equivalents at start of year		50.7	54.3
Increase in cash and cash equivalents		34.5	3.5
Currency translation		41.5	(7.1)
Cash and cash equivalents at end of year	23	126.7	50.7

Non-GAAP measures[†]

Cash generated from operations before acquisition related costs	546.7	465.0
Purchase of property, plant and equipment and software	(25.4)	(24.8)
Sale of property, plant and equipment	0.6	2.4
Operating cash flow	521.9	442.6
Cash conversion % (operating cash flow to adjusted operating profit)	99%	97%

[†]See Note 2w on page 102 for further details of the non-GAAP measures.

Notes

1 Basis of preparation

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

(i) Basis of accounting

The consolidated financial statements for the year ended 31 December 2016 have been approved by the directors. 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.

In March 2016 an agenda decision of the IFRS IC was issued which provided clarity over the situations where cash pooling arrangements meet the requirements of IFRS to present cash and overdrafts on a net basis. As a result, the 31 December 2015 comparative figures for Cash at bank and in hand and Bank overdrafts have been increased by £202.6m (31 December 2014: £216.2m). These balances were previously presented on a net basis in the Consolidated balance sheet and relevant Notes (see Note 13 and Note 23).

In prior years software related assets were included as a part of property, plant and equipment in the Consolidated balance sheet. As the Group continues to upgrade its IT systems and invest in new e-commerce platforms, separate disclosure of the net book value of these assets is considered to enhance existing disclosures and increase transparency. The Group has therefore changed the presentation of software assets to show them as a separate component of intangible assets, increasing intangible assets and reducing property, plant and equipment by £14.1m at 31 December 2015 (31 December 2014: £11.5m) (see Note 9).

(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 2016. The Group has adopted all relevant amendments to existing standards and interpretations issued by the IASB that are effective from 1 January 2016 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 2017 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' will be effective in the consolidated financial statements for the year ending 31 December 2018, with comparatives restated from a transition date of 1 January 2017. Revenue is currently recognised in the income statement at the point in time at which the significant risks and rewards of ownership of the goods are transferred. IFRS 15 requires companies to apportion revenue from customer contracts to separate performance obligations and recognise revenue as these performance obligations are satisfied. The Group has reviewed its arrangements with customers and concluded that for substantially all of its customer contracts the performance obligation is the delivery of goods and it is therefore appropriate to recognise revenue at a single point of time, on delivery of goods, which is consistent with current accounting policies. Accordingly, based on the Group's assessment, which is ongoing, the application of IFRS 15 is not anticipated to have a material impact on the timing of revenue recognition and consequently is not anticipated to have a material impact on the Group's operating profit or financial position.

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 International Accounting Standards ('IAS') 39 'Financial Instruments: Recognition and Measurement'. Based on this analysis the Group does not anticipate that there will be any material impact on its consolidated results or financial position.

IFRS 16 'Leases' will be effective in the consolidated financial statements for the year ending 31 December 2019, which the Group intends to adopt retrospectively with comparatives restated from a transition date of 1 January 2018. 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 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. The existing operating lease expenses, currently recorded in operating costs, will be replaced with a depreciation charge, which will be lower than the current operating lease expense, and a separate financing expense, which will be recorded in finance expense. There will be no net cash flow impact arising from the new standard and the Group does not currently intend to alter its approach as to whether assets should be leased or bought going forward. Current banking covenants are unaffected.

Apart from these three standards the Group does not anticipate that any other new or revised standards and interpretations issued by the IASB that will be effective from 1 January 2017 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 146 to 148 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 costs 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 engaged in the delivery of goods to customers. Revenue from a sale is recognised in the income statement upon delivery of the relevant goods which is the point in time at which the significant risks and rewards of ownership of the goods are transferred. Revenue is not recognised if there is significant uncertainty regarding recovery of the consideration due.

Revenue is valued at invoiced amounts, excluding sales taxes, less estimated provisions for returns and trade discounts where relevant. Returns provisions and early settlement discounts are based on experience over an appropriate period whereas volume discounts are based on agreements with customers.

d Cost of goods sold

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

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 which is spread over the expected vesting period with a corresponding credit to equity.

g Leases

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

h Income tax

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

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the balance sheet date and any adjustments in respect of prior years. 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 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 other acquisition related costs) in excess of the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is allocated to cash generating units and is tested annually for impairment. Negative goodwill arising on acquisition is recognised immediately in the income statement.

(ii) 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 of 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 of 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.

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.

Notes continued

2 Accounting policies continued

u Retirement benefits

(i) Defined contribution pension schemes

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

(ii) Defined benefit pension schemes

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

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

Current service cost, past service cost or gain and gains and losses on any settlements and curtailments are credited or charged to the income statement. Past service cost is recognised immediately to the extent benefits are already vested. Net interest on the net defined benefit pension liability or asset is calculated by applying the discount rate used to measure the defined benefit pension scheme deficit or surplus at the beginning of the year to the net defined benefit pension liability or asset at the beginning of the year. Net interest is recorded within finance 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 Non-GAAP 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 (known as 'non-GAAP measures') and may not be directly comparable with other companies' non-GAAP measures. They are not designed to be a substitute for any of the IFRS measures of performance. The principal alternative performance measures used within the consolidated financial statements and the location of the reconciliations to equivalent IFRS measures are:

- adjusted operating profit and adjusted profit before income tax (as reconciled on the consolidated income statement on page 92);
- adjusted profit for the year (as reconciled on the consolidated income statement on page 92); and
- adjusted earnings per share and adjusted diluted earnings per share (as reconciled in Note 7).

These measures exclude the charge for customer relationships amortisation, acquisition related costs and any associated tax, where relevant. Acquisition related costs comprise transaction costs and expenses, deferred consideration payments relating to the retention of former owners of businesses acquired and adjustments to previously estimated earn outs. Customer relationships amortisation, acquisition related costs and any associated tax are not items which are taken into account by management when assessing the results of the business as they 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 non-GAAP measures, including the Group's key performance indicators which are set out and defined on pages 16 and 17, are used to monitor the performance of the Group and a number of these are based on, or derived from, the non-GAAP measures noted above. All non-GAAP measures have been calculated consistently with the methods applied in the consolidated financial statements for the year ended 31 December 2015. Growth rates at constant exchange rates are calculated by retranslating the results for the year ended 31 December 2015 at the average rates for the year ended 31 December 2016 so that they can be compared without the distorting impact of changes caused by foreign exchange translation.

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 2016 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. The judgement made in relation to the application of IFRS IC Interpretation 14 ('IFRIC 14') 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction', is also 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, which includes interest and penalties where relevant. 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 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 costs	(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 and software	7.4	8.0	5.4	3.8	0.8	25.4
Depreciation and software amortisation	9.8	9.4	4.5	3.4	0.3	27.4

Year ended 31 December 2015	North America* £m	Continental Europe* £m	UK & Ireland £m	Rest of the World £m	Corporate £m	Total £m
Revenue	3,784.2	1,088.6	1,102.4	514.5		6,489.7
Adjusted operating profit/(loss)	249.0	99.5	84.9	42.1	(20.5)	455.0
Customer relationships amortisation	(18.9)	(27.3)	(8.0)	(12.6)	–	(66.8)
Acquisition related costs	(9.5)	(5.3)	(0.8)	(6.1)	–	(21.7)
Operating profit/(loss)	220.6	66.9	76.1	23.4	(20.5)	366.5
Finance income						4.8
Finance expense						(48.6)
Profit before income tax						322.7
Adjusted profit before income tax						411.2
Income tax						(90.0)
Profit for the year						232.7

Purchase of property, plant and equipment and software	9.1	6.6	4.3	4.1	0.7	24.8
Depreciation and software amortisation	8.7	8.1	4.3	2.9	0.1	24.1

* The segment analysis for the year ended 31 December 2015 previously included, within Continental Europe, the results of a business based in Europe that also had operations in the US. That part of the business is now managed and reported as part of the North America operating segment. Accordingly, the Group has restated the operating segment information for the year ended 31 December 2015 to include the business within the North America segment. For the year ended 31 December 2015 additional revenue of £32.4m and adjusted operating profit of £5.0m are now being reported in North America with a corresponding reduction in revenue and adjusted operating profit in Continental Europe. Customer relationships amortisation, purchase of property plant and equipment and software and depreciation and software amortisation have also been restated.

Acquisition related costs for the year ended 31 December 2016 comprise transaction costs and expenses of £6.8m (2015: £7.9m), deferred consideration payments of £29.6m (2015: £24.3m) relating to the retention of former owners of businesses acquired and a credit of £2.4m (2015: £10.5m credit) from adjustments to previously estimated earn outs.

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 Latin America and Australasia which individually do not meet the quantitative thresholds for separate disclosure as reportable segments. Rest of the World is therefore an 'other' segment that is disclosed above as a reportable segment as this information is considered to be useful to users of the financial statements and it also helps to reconcile the results of the reportable segments to the Group's consolidated and business area results.

3 Segment analysis continued

Information related to each reportable segment is set out above. The revenue presented relates to external customers. Sales between the business areas are not material. Each of the business areas supplies a range of products to customers operating primarily in the foodservice, grocery, cleaning & hygiene, safety, 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.

There are no customers who account for more than 10% of Group revenue. Customer dependencies are regularly monitored. Revenue generated in the parent company's country of domicile, the UK, for the year ended 31 December 2016 was £1,003.7m (2015: £1,031.4m).

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	2016 £m	2015 [†] £m
Foodservice	2,221.9	1,894.1
Grocery	1,906.9	1,727.7
Cleaning & hygiene	923.2	799.3
Safety	831.7	710.5
Retail	756.7	694.5
Healthcare	531.8	449.4
Other	256.9	214.2
	7,429.1	6,489.7

[†] The revenue by market sector for the year ended 31 December 2015 has been restated to reflect the definitions as set out in the Strategic report on pages 2 and 3, which have been refined compared to the prior year.

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 defined benefit pension assets, derivative financial assets and deferred tax assets) in the parent company's country of domicile, the UK, at 31 December 2016 were £352.7m (2015: £313.3m).

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
At 31 December 2015	North America* £m	Continental Europe* £m	UK & Ireland £m	Rest of the World £m	Unallocated £m	Total £m
Segment assets	1,419.9	939.3	653.7	479.4		3,492.3
Unallocated assets					329.7	329.7
Total assets	1,419.9	939.3	653.7	479.4	329.7	3,822.0
Segment liabilities	478.6	260.1	288.5	93.3		1,120.5
Unallocated liabilities					1,685.2	1,685.2
Total liabilities	478.6	260.1	288.5	93.3	1,685.2	2,805.7

* As explained above, the Group has restated the operating segment information for the year ended 31 December 2015 to include an additional business within the North America segment which was previously included within the Continental Europe business segment. As a result, for the year ended 31 December 2015 additional segment assets of £33.0m and segment liabilities of £3.0m are now being reported in North America with a corresponding reduction in segment assets and segment liabilities in Continental Europe.

Notes continued

4 Analysis of operating income and expenses

	2016 £m	2015* £m
Cost of goods sold	5,620.1	4,927.2
Employee costs (Note 21)	713.2	613.0
Depreciation of property, plant and equipment (Note 8)	21.7	21.0
Amortisation of intangible assets (Note 9)	87.0	69.9
Acquisition related costs	34.0	21.7
Loss/(gain) on disposal of property, plant and equipment	0.2	(1.6)
Rentals payable under operating leases and subleases	115.0	97.2
Lease and sublease income	(0.4)	(0.5)
Other operating expenses	428.6	375.3
Net operating expenses	7,019.4	6,123.2

* Revised to reflect a reclassification of software assets from property, plant and equipment to intangible assets (see Note 1(i)).

Auditors' remuneration	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
	2016	2015	2016	2015	2016	2015
Audit of these financial statements	0.3	–	0.3	0.3	–	0.3
Amounts receivable by the Company's auditors and their associates in respect of:						
audit of financial statements of subsidiaries of the Company	0.4	1.7	2.1	0.4	1.5	1.9
audit related assurance services	0.1	–	0.1	0.1	–	0.1
other tax advisory services	–	0.2	0.2	–	0.2	0.2
all other services	0.1	–	0.1	0.1	–	0.1
Total auditors' remuneration	0.9	1.9	2.8	0.9	1.7	2.6

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 auditor. 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 56 to 59.

5 Finance income/(expense)

	2016 £m	2015 £m
Interest on cash and cash equivalents	3.0	1.9
Interest income from foreign exchange contracts	3.0	1.9
Net interest income on defined benefit pension schemes in surplus	0.4	–
Other finance income	0.7	1.0
Finance income	7.1	4.8
Interest on loans and overdrafts	(49.7)	(43.3)
Interest expense from foreign exchange contracts	(1.1)	(1.7)
Net interest expense on defined benefit pension schemes in deficit	(1.9)	(2.4)
Fair value gain/(loss) on US private placement notes in a hedge relationship	2.9	(2.9)
Fair value (loss)/gain on interest rate swaps in a hedge relationship	(3.1)	2.9
Foreign exchange gain on intercompany funding	117.8	2.0
Foreign exchange loss on external debt not in a hedge relationship	(118.3)	(3.0)
Other finance expense	(0.5)	(0.2)
Finance expense	(53.9)	(48.6)
Net finance expense	46.8	43.8

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.

6 Income tax

	2016 £m	2015 £m
Current tax on profit		
current year	124.0	116.2
adjustments in respect of prior years	(9.4)	(7.5)
	114.6	108.7
Deferred tax on profit		
current year	(17.8)	(18.1)
adjustments in respect of prior years	0.2	(0.6)
	(17.6)	(18.7)
Income tax on profit	97.0	90.0

In assessing the underlying performance of the Group, management uses adjusted profit which excludes customer relationships amortisation and acquisition related costs. Similarly the tax effect of these items is excluded in monitoring the tax rate on the adjusted profit of the Group (also referred to as the underlying tax rate) which is shown in the table below. The Group's expectations for the tax rate on adjusted profit in 2017 is included in the Financial Review on pages 32 and 33.

	2016 £m	2015 £m
Income tax on profit	97.0	90.0
Tax associated with customer relationships amortisation and acquisition related costs	31.6	23.1
Tax on adjusted profit	128.6	113.1
Profit before income tax	362.9	322.7
Customer relationships amortisation and acquisition related costs	115.3	88.5
Adjusted profit before income tax	478.2	411.2
Reported tax rate	26.7%	27.9%
Tax rate on adjusted profit	26.9%	27.5%

	Gross 2016 £m	Tax credit/ (charge) 2016 £m	Net 2016 £m	Gross 2015 £m	Tax credit/ (charge) 2015 £m	Net 2015 £m
Tax on other comprehensive income and equity						
Actuarial (loss)/gain on defined benefit pension schemes	(42.4)	8.3	(34.1)	27.0	(6.7)	20.3
Foreign currency translation differences on foreign operations	267.0	–	267.0	(77.8)	–	(77.8)
Loss taken to equity as a result of effective net investment hedges	(59.7)	(0.5)	(60.2)	(13.5)	(0.6)	(14.1)
Gain recognised in cash flow hedge reserve	2.6	(0.5)	2.1	9.6	(1.9)	7.7
Movement from cash flow hedge reserve to income statement	(1.5)	0.3	(1.2)	(10.6)	2.1	(8.5)
Other comprehensive income/(expense)	166.0	7.6	173.6	(65.3)	(7.1)	(72.4)
Dividends	(125.4)	–	(125.4)	(116.1)	–	(116.1)
Issue of share capital	3.8	–	3.8	3.7	–	3.7
Employee trust shares	(37.5)	–	(37.5)	(30.2)	–	(30.2)
Share based payments	10.2	5.6	15.8	9.1	5.6	14.7
Other comprehensive income/(expense) and equity	17.1	13.2	30.3	(198.8)	(1.5)	(200.3)

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 of 20.0% (2015: 20.25%). The adjustments to the tax charge at the weighted average rate to determine the income tax on profit are as follows:

	2016 £m	2015 £m
Profit before income tax	362.9	322.7
Tax charge at weighted average rate (2016: 30.9%; 2015: 31.1%)	112.0	100.4
Effects of:		
non-deductible expenditure	10.9	9.0
impact of intercompany finance	(12.7)	(10.8)
recognition of previously unrecognised tax assets	(3.8)	(0.2)
prior year adjustments	(9.1)	(8.1)
other	(0.3)	(0.3)
Income tax on profit	97.0	90.0
Deferred tax in the income statement	2016 £m	2015 £m
Accelerated capital allowances	0.2	0.1
Defined benefit pension schemes	(0.5)	(0.8)
Goodwill and customer relationships	(19.3)	(15.5)
Share based payments	–	(0.2)
Provisions	0.9	(0.9)
Other	1.1	(1.4)
Deferred tax on profit	(17.6)	(18.7)

7 Earnings per share

	2016 £m	2015 £m
Profit for the year	265.9	232.7
Adjusted for:		
customer relationships amortisation	81.3	66.8
acquisition related costs	34.0	21.7
tax credit on adjusting items	(31.6)	(23.1)
Adjusted profit for the year	349.6	298.1
	2016	2015
Basic weighted average ordinary shares in issue (million)	329.4	327.6
Dilutive effect of employee share plans (million)	4.3	4.1
Diluted weighted average ordinary shares (million)	333.7	331.7
Basic earnings per share	80.7p	71.0p
Adjustment	25.4p	20.0p
Adjusted earnings per share	106.1p	91.0p
Diluted basic earnings per share	79.7p	70.2p
Adjustment	25.1p	19.7p
Adjusted diluted earnings per share	104.8p	89.9p

8 Property, plant and equipment

	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
2016				
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
2015				
Cost				
Beginning of year	78.8	121.6	79.2	279.6
Acquisitions	2.2	3.2	2.6	8.0
Additions	0.9	11.9	6.5	19.3
Disposals	(1.1)	(5.6)	(3.1)	(9.8)
Currency translation	(0.1)	1.6	(1.8)	(0.3)
End of year	80.7	132.7	83.4	296.8
Accumulated depreciation				
Beginning of year	29.4	78.8	63.7	171.9
Charge in year	2.1	12.0	6.9	21.0
Disposals	(0.3)	(4.9)	(3.9)	(9.1)
Currency translation	0.2	1.2	(1.0)	0.4
End of year	31.4	87.1	65.7	184.2
Net book value at 31 December 2015	49.3	45.6	17.7	112.6

Commitments for capital expenditure not provided for at 31 December 2016 were £1.0m (2015: £0.5m).

[†] 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.

* Revised to reflect a reclassification of software assets from property, plant and equipment to intangible assets (see Note 1(i) for an explanation and Note 9 for the reclassified amounts).

Notes continued

9 Intangible assets

	Goodwill £m	Customer relationships £m	Software* £m	Total* £m
2016				
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
2015				
Cost				
Beginning of year	922.3	938.9	43.0	1,904.2
Acquisitions	109.0	172.2	0.7	281.9
Additions			5.5	5.5
Disposals	-	-	(0.3)	(0.3)
Currency translation	(32.0)	(41.9)	(0.8)	(74.7)
End of year	999.3	1,069.2	48.1	2,116.6
Accumulated amortisation				
Beginning of year	382.4	31.5	413.9	
Charge in year	66.8	3.1	69.9	
Disposals	-	(0.2)	(0.2)	
Currency translation	(12.7)	(0.4)	(13.1)	
End of year	436.5	34.0	470.5	
Net book value at 31 December 2015	999.3	632.7	14.1	1,646.1

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 2016 which were completed in 2017.

* As explained in Note 1(i), the Group has changed the presentation of software assets to show them as a separate component of intangible assets, increasing intangible assets and reducing property, plant and equipment by £14.1m at 31 December 2015 and by £11.5m at 31 December 2014.

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 provides a long term growth rate which is consistent with the geographic segments in which the Group operates and management's assessment of future operating performance and market share movements. The discount rates used are determined with assistance provided by external valuation specialists.

The Group has acquired approximately 100 businesses and entered into six new countries since the beginning of 2010 which is when the composition of the Group's CGUs was last updated. To reflect more appropriately the way that the Group is now structured, including recent changes to management oversight and responsibility, the allocation of goodwill to CGUs for impairment testing purposes was updated for the 2016 impairment testing exercise. Impairment testing was also performed in 2016 based on the existing CGUs to ensure that no potential impairments were avoided as a result of the change to the composition of the CGUs. Based on impairment testing using both the existing and updated CGUs, no impairments were identified to the carrying value of goodwill within the Group.

At 31 December 2016 North America, Rest of Continental Europe and France carried a significant amount of goodwill in comparison with the total value of the Group's goodwill. At 31 December 2016 the carrying value of goodwill in respect of North America was £365.7m (2015: £300.7m), Rest of Continental Europe was £156.9m (2015: £117.5m) and France was £133.9m (2015: £118.6m). At 31 December 2016 the aggregate amount of goodwill attributable to the Group's CGUs, excluding North America, Rest of Continental Europe and France, was £535.0m (2015: £462.5m), none of which is individually significant. The comparatives in this paragraph have been restated to reflect the updated CGUs.

For North America, Rest of Continental Europe and France, the weighted average long term growth rate used in 2016 was 2.5%–3.5% (2015: 2.5%–3.5%) reflecting anticipated revenue and profit growth. A pre-tax discount rate in the range of 7% – 8% (2015: 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%–7.0% (2015: 2.5%–6.9%) and discount rates ranging from 7%–15% (2015: 8%–19%).

Sensitivity to changes in key assumptions

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

Based on past experience and taking into account current market conditions, management has concluded that it is reasonable to assume that there will be no material deterioration in the customer base over the projection period which will significantly impact future cash flows and that no reasonably possible change in key assumptions would result in impairment in any of the Group's CGUs. Should such a change occur, this would represent a triggering event to indicate that an impairment review may be necessary. In accordance with IAS 36 'Impairment of Assets', a full impairment review would then be undertaken on the relevant assets within the CGU. Any such changes are monitored through normal monthly procedures.

Notes continued

10 Inventories

	2016 £m	2015 £m
Goods for resale	960.9	794.2

£5.8m was written off from inventories during the year (2015: £5.2m) due to obsolescence or damage. The provision for slow moving, obsolete or defective inventories at 31 December 2016 was £68.3m (2015: £61.4m).

11 Trade and other receivables

	2016 £m	2015 £m
Trade receivables	938.0	752.1
Prepayments	64.1	61.7
Other receivables	155.4	133.7
	1,157.5	947.5

The ageing of trade receivables at 31 December was:

	Gross 2016 £m	Provision 2016 £m	Gross 2015 £m	Provision 2015 £m
Current	771.7	2.2	606.8	0.9
0–30 days overdue	134.6	1.1	114.8	0.3
31–90 days overdue	36.0	1.0	33.2	1.5
Over 90 days overdue	16.5	16.5	16.3	16.3
	958.8	20.8	771.1	19.0

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

	2016 £m	2015 £m
Beginning of year	19.0	18.4
Acquisitions	2.4	2.1
Charge	1.8	1.9
Utilised and unused	(5.1)	(2.5)
Currency translation	2.7	(0.9)
End of year	20.8	19.0

12 Trade and other payables – current

	2016 £m	2015 £m
Trade payables	911.8	735.4
Other tax and social security contributions	23.4	21.8
Other payables	157.5	161.2
Accruals and deferred income	205.1	178.0
	1,297.8	1,096.4

13 Risk management and financial instruments

Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group monitors the return on average operating capital employed and the return on invested capital (as defined on page 16 and 17 respectively) as well as the level of total shareholders' equity and the amount of dividends paid to ordinary shareholders. For the year ended 31 December 2016, the return on average operating capital employed was 55.9% (2015: 55.5%), the return on invested capital was 16.7% (2015: 17.1%), the level of total shareholders' equity at 31 December 2016 was £1,312.5m (2015: £1,016.3m) and the amount of dividends paid in the year ended 31 December 2016 was £125.4m (2015: £116.1m).

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

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

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

Treasury policies and controls

The Group has a centralised treasury department to control external borrowings and manage liquidity, interest rate and foreign currency risks. Treasury policies have been approved by the Board and cover the nature of the exposure to be hedged, the types of financial instruments that may be employed and the criteria for investing and borrowing cash. The Group uses derivatives to manage its foreign currency and interest rate risks arising from underlying business activities. No transactions of a speculative nature are undertaken. The treasury department is subject to periodic independent review by the internal audit department. Underlying policy assumptions and activities are periodically reviewed by the executive directors and the Board. Controls over exposure changes and transaction authenticity are in place.

Hedge accounting

The Group designates derivatives which qualify as hedges for accounting purposes as either (a) a hedge of the fair value of a recognised asset or liability; (b) a hedge of the cash flow risk resulting from changes in interest rates or foreign exchange rates; or (c) a hedge of a net investment in a foreign operation. The accounting treatment for hedges is set out in the financial instruments' accounting policy in Note 2p. The Group tests the effectiveness of hedges on a prospective and retrospective basis to ensure compliance with IAS 39.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group continually monitors net debt and forecast cash flows to ensure that sufficient facilities are in place to meet the Group's requirements in the short, medium and long term and, in order to do so, arranges borrowings from a variety of sources. Additionally, compliance with the Group's biannual debt covenants is monitored on a monthly basis and formally tested at 30 June and 31 December. The principal covenant limits are net debt, calculated at average exchange rates, to operating profit before depreciation, amortisation and acquisition related costs ('EBITDA') of no more than 3.5 times and interest cover of no less than 3.0 times. Sensitivity analyses using various scenarios are applied to forecasts to assess their impact on covenants and net debt. During 2016 all covenants have been complied with and based on current forecasts it is expected that such covenants will continue to be complied with for the foreseeable future.

The Group has substantial borrowing facilities available comprising multi-currency credit facilities from the Group's banks and US private placement notes denominated in US dollars, sterling and euros. An issue of fixed interest US private placements of €133m and £97m, agreed in 2015, was drawn down in March 2016. At 31 December 2016 the nominal total of US private placement notes outstanding was £1,251.1m (2015: £1,001.9m) with maturities ranging from 2017 to 2028. During the year the Group also refinanced or agreed new banking facilities totalling £107.7m. The Group's committed bank facilities mature between 2017 and 2022. At 31 December 2016 the available committed bank facilities totalled £954.2m (2015: £969.0m) of which £101.3m (2015: £154.9m) was drawn down.

Notes continued

13 Risk management and financial instruments continued

The committed facilities maturity profile at 31 December 2016 is set out in the chart below.

Committed facilities maturity profile by year

£m



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

	2016 £m	2015 £m
Epiring within one year	102.7	60.0
Epiring after one year but within two years	139.9	191.0
Epiring after two years	610.3	563.1
	852.9	814.1

In addition the Group maintains overdraft and uncommitted facilities to provide short term flexibility. At 31 December 2016 there were no loans secured by fixed charges on property (2015: none).

Interest rate risk

The Group is funded by a mixture of fixed and floating rate debt. In addition, interest rate swaps and interest rate caps are used to manage the interest rate risk profile. At 31 December 2016 fixed rate debt of £867.5m (2015: £679.4m), being fixed rate US private placement notes denominated in US dollars, sterling and euros, was stated at amortised cost with maturities ranging from 2017 to 2025.

At 31 December 2016 floating rate debt was comprised of £101.3m (2015: £160.0m) floating rate bank loans and £396.8m (2015: £339.5m) of fixed rate US private placement notes with maturities ranging from 2025 to 2028 which have been swapped to floating rates using interest rate swaps. Bank loans are drawn for various periods of up to three months at interest rates linked to LIBOR. The interest rate swaps reprice every three or six months.

The interest rate risk on the floating rate debt is managed using interest rate options. Borrowings with a notional principal of £101.3m were capped at 31 December 2016 (capped at 31 December 2015: £154.9m). Hedge accounting is not applied to the interest rate caps since the majority of their value is related to time value. The strike rates of these options are based on LIBOR repricing every three months.

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

	Impact on profit before tax		Impact on equity	
	+1% £m	-1% £m	+1% £m	-1% £m
2016	0.7	(0.1)	0.7	(0.1)
2015	0.4	–	0.4	–

13 Risk management and financial instruments continued

Contractual maturity profile

The contractual maturity profile of the Group's financial assets and liabilities at 31 December is set out in the tables below. The amounts disclosed are the contractual undiscounted cash flows (forecast using LIBOR interest rates at 31 December in the case of floating rate financial assets and liabilities). Derivative assets and liabilities have been included within the tables since they predominantly relate to derivatives which are used to manage the interest cash flows on the Group's debt. Bank loans have been drawn under committed facilities and can be refinanced on maturity from these same facilities. Accordingly they have been aged based on the maturity dates of the underlying facilities.

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

	Fair value £m	Carrying amount £m	Total contractual cash flows £m	Within one year £m	Contractual cash inflows/(outflows)		
					After one year but within two years £m	After two years but within five years £m	After more than five years £m
2016							
Financial assets:							
Cash at bank and in hand	282.4	282.4	282.4	282.4	-	-	-
Loans and receivables							
Trade receivables and other receivables	1,093.4	1,093.4	1,093.4	1,093.4	-	-	-
Derivative financial instruments							
Interest rate swaps	14.7	14.7	41.3	5.1	4.7	13.0	18.5
Interest rate caps	0.1	0.1	-	-	-	-	-
Foreign exchange contracts for net investment hedging	7.6	7.6	7.4	7.4	-	-	-
Foreign exchange contracts for intercompany hedging	1.6	1.6	1.6	1.6	-	-	-
Foreign exchange contracts for cash flow hedging	3.4	3.4	3.4	3.3	0.1	-	-
	1,403.2	1,403.2	1,429.5	1,393.2	4.8	13.0	18.5
Financial liabilities:							
Financial liabilities at amortised cost							
Bank loans	(104.9)	(104.9)	(106.2)	(4.4)	(101.8)	-	-
US private placement notes	(906.2)	(867.5)	(1,020.5)	(114.7)	(68.4)	(301.6)	(535.8)
Bank overdrafts	(155.7)	(155.7)	(155.7)	(155.7)	-	-	-
Finance lease creditors	(0.4)	(0.4)	(0.4)	(0.2)	(0.1)	(0.1)	-
Trade and other payables	(1,297.8)	(1,297.8)	(1,297.8)	(1,297.8)	-	-	-
Non-current payables	(30.5)	(30.5)	(30.5)	-	(30.5)	-	-
Financial liabilities at fair value							
US private placement notes	(398.5)	(396.8)	(543.3)	(15.6)	(15.6)	(46.8)	(465.3)
Derivative financial instruments							
Interest rate swaps	(1.7)	(1.7)	23.7	2.1	2.1	6.3	13.2
Foreign exchange contracts for net investment hedging	(3.3)	(3.3)	(3.3)	(3.3)	-	-	-
Foreign exchange contracts for intercompany hedging	(4.4)	(4.4)	(4.4)	(4.4)	-	-	-
Foreign exchange contracts for cash flow hedging	(0.4)	(0.4)	(0.4)	(0.4)	-	-	-
	(2,903.8)	(2,863.4)	(3,138.8)	(1,594.4)	(214.3)	(342.2)	(987.9)

Notes continued

13 Risk management and financial instruments continued

2015	Fair value* £m	Carrying* amount £m	Total contractual cash flows £m	Within one year £m	Contractual cash inflows/[outflows]*		
					After one year but within two years £m	After two years but within five years £m	After more than five years £m
Financial assets:							
Cash at bank and in hand	281.8	281.8	281.8	281.8	–	–	–
Loans and receivables							
Trade receivables and other receivables	885.8	885.8	885.8	885.8	–	–	–
Derivative financial instruments							
Interest rate swaps	17.1	17.1	77.5	8.3	7.5	20.8	40.9
Foreign exchange contracts for net investment hedging	9.1	9.1	9.1	9.1	–	–	–
Foreign exchange contracts for intercompany hedging	5.1	5.1	5.1	5.1	–	–	–
Foreign exchange contracts for cash flow hedging	2.4	2.4	2.4	2.4	–	–	–
	1,201.3	1,201.3	1,261.7	1,192.5	7.5	20.8	40.9
Financial liabilities:							
Financial liabilities at amortised cost							
Bank loans	(160.5)	(160.0)	(166.0)	(6.7)	(2.0)	(157.3)	–
US private placement notes	(701.5)	(679.4)	(800.9)	(144.0)	(95.6)	(218.7)	(342.6)
Bank overdrafts	(231.1)	(231.1)	(231.1)	(231.1)	–	–	–
Finance lease creditors	(0.7)	(0.7)	(0.7)	(0.3)	(0.2)	(0.2)	–
Trade and other payables	(1,096.4)	(1,096.4)	(1,096.4)	(1,096.4)	–	–	–
Non-current payables	(20.8)	(20.8)	(20.8)	–	(20.8)	–	–
Financial liabilities at fair value							
US private placement notes	(333.8)	(339.5)	(471.6)	(13.2)	(13.2)	(39.5)	(405.7)
Derivative financial instruments							
Foreign exchange contracts for net investment hedging	(5.6)	(5.6)	(5.6)	(5.6)	–	–	–
Foreign exchange contracts for intercompany hedging	(4.0)	(4.0)	(4.0)	(4.0)	–	–	–
Foreign exchange contracts for cash flow hedging	(0.4)	(0.4)	(0.4)	(0.4)	–	–	–
	(2,554.8)	(2,537.9)	(2,797.5)	(1,501.7)	(131.8)	(415.7)	(748.3)

All financial assets and liabilities stated as being measured at fair value in the tables above (including all derivative financial instruments) have carrying amounts where the fair value is, and has been throughout the year, a level two fair value measurement. Level two fair value measurements use inputs other than quoted prices that are observable for the relevant asset or liability, either directly or indirectly. The fair values of financial assets and liabilities stated at fair value have been determined by discounting expected future cash flows, translated at the appropriate balance sheet date exchange rates and adjusted for counterparty or own credit risk as applicable.

For financial assets and financial liabilities not measured at fair value, including trade receivables, other receivables, trade and other payables and non-current payables, their carrying amount is a reasonable approximation of fair value due to their short term nature. However, within other payables there is £7.1m (2015: £3.8m) 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.

* Cash at bank and in hand and bank overdrafts have been revised to reflect a change in presentation (see Note 1(i)). Other receivables have been added to the table as they represent a financial asset previously excluded from this analysis as they were previously combined with prepayments in Note 11.

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 financial liabilities that are subject to counterparty offsetting or master netting agreements. The master netting agreements regulate settlement amounts in the event either party defaults on their obligations. Note 1(i) and Note 23 include further information relating to a revision to the presentation of cash at bank and in hand and bank overdrafts which are no longer presented on a net basis in the Consolidated balance sheet.

	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
2016					
Derivative assets	28.6	(1.2)	27.4	–	27.4
Derivative liabilities	(11.0)	1.2	(9.8)	–	(9.8)
2015					
Derivative assets	36.3	(2.6)	33.7	–	33.7
Derivative liabilities	(12.6)	2.6	(10.0)	–	(10.0)

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	
	2016	2015	2016	2015
US dollar	1.36	1.53	1.24	1.47
Euro	1.22	1.38	1.17	1.36

For the year ended 31 December 2016, a movement of one cent in the US dollar and euro average exchange rates would have changed profit before income tax by £1.4m and £0.4m respectively (2015: £1.1m and £0.3m) and adjusted profit before income tax by £1.5m and £0.7m respectively (2015: £1.2m and £0.5m).

The majority of the Group's transactions are carried out in the respective functional currencies of the Group's operations and so transaction exposures are usually relatively limited. Where they do occur the Group's policy is to hedge significant exposures of firm commitments for a period of up to one year as soon as they are committed using forward foreign exchange contracts and these are designated as cash flow hedges. However, the economic impact of foreign exchange on the value of uncommitted future purchases and sales is not hedged. As a result, sudden and significant movements in foreign exchange rates can impact profit margins where there is a delay in passing on to customers the resulting price increases. For the year ended 31 December 2016, all foreign exchange cash flow hedges were effective with a gain of £3.0m recognised in equity (2015: gain of £2.0m) which will affect the income statement during 2017.

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:

	2016 £m	2015 £m
US dollar	538.4	563.5
Sterling	414.4	302.3
Euro	221.6	190.9
Other	54.2	50.5
	1,228.6	1,107.2

Notes continued

13 Risk management and financial instruments continued

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
2016	0.8	(0.9)	(116.3)	142.1
2015	0.7	(0.9)	(87.1)	106.4

Credit risk

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

The Group's principal financial assets are cash at bank and in hand, derivative financial instruments and trade receivables which represent the Group's maximum exposure to credit risk in relation to financial assets. The maximum exposure to credit risk for cash at bank and in hand (see Note 23), derivative financial instruments (see page 115) and trade receivables 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.

14 Provisions

				2016 £m	2015 £m
Current				8.3	9.5
Non-current				31.0	25.3
				39.3	34.8

	Properties 2016 £m	Claims 2016 £m	Total 2016 £m	Properties 2015 £m	Claims 2015 £m	Total 2015 £m
Beginning of year	16.9	17.9	34.8	14.2	17.4	31.6
Charge	0.5	1.2	1.7	2.2	0.5	2.7
Acquisitions	1.8	2.0	3.8	2.4	7.0	9.4
Utilised or released	(1.2)	(4.3)	(5.5)	(1.9)	(4.7)	(6.6)
Currency translation	0.5	4.0	4.5	–	(2.3)	(2.3)
End of year	18.5	20.8	39.3	16.9	17.9	34.8

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

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

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

15 Deferred tax

	Asset £m	Liability £m	Net £m	Asset £m	Liability £m	Net £m
Accelerated capital allowances	1.1	(11.3)	(10.2)	1.5	(12.2)	(10.7)
Defined benefit pension schemes	25.3	–	25.3	16.7	(1.0)	15.7
Goodwill and customer relationships	0.4	(164.8)	(164.4)	–	(141.1)	(141.1)
Share based payments	12.5	–	12.5	13.9	–	13.9
Provisions	9.6	(0.1)	9.5	11.6	(1.3)	10.3
Inventories	5.4	(7.9)	(2.5)	10.5	(16.7)	(6.2)
Other	12.8	(5.6)	7.2	9.6	(4.3)	5.3
Deferred tax asset/(liability)	67.1	(189.7)	(122.6)	63.8	(176.6)	(112.8)
Set-off of tax	(64.8)	64.8	–	(63.8)	63.8	–
Net deferred tax asset/(liability)	2.3	(124.9)	(122.6)	–	(112.8)	(112.8)

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

The Company is able to control the dividend policy of its subsidiaries and, therefore, the timing of the remittance of the undistributed earnings of overseas subsidiaries. In general, the Company has determined either that such earnings will not be distributed in the foreseeable future or, where there are plans to remit those earnings, no tax liability is expected to arise. A deferred tax liability of £3.5m (2015: £3.3m) has been recognised in exceptional cases where distribution of earnings is both planned and expected to result in a tax liability.

Deferred tax assets in respect of temporary differences have only been recognised in respect of tax losses and other temporary differences where it is probable that these assets will be realised. No deferred tax asset has been recognised in respect of unutilised tax losses of £13.1m (2015: £9.1m).

No deferred tax has been recognised in respect of unutilised capital losses of £96.2m (2015: £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:

	2016 £m	2015 £m
Beginning of year	112.8	112.1
Acquisitions	14.6	9.5
Credit to income statement	(17.6)	(18.7)
Recognised in other comprehensive income and equity	(6.8)	9.0
Reclassification to current tax	1.7	5.1
Currency translation	17.9	(4.2)
End of year	122.6	112.8

Notes continued

16 Share capital and share based payments

	2016 £m	2015 £m
Issued and fully paid ordinary shares of 32½p each	107.9	107.7
Number ordinary shares in issue and fully paid	2016	2015
Beginning of year	335,190,830	334,706,876
Issued – option exercises	416,261	483,954
End of year	335,607,091	335,190,830

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

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 option. Depending on the scheme, options are normally exercisable either three or five years after they have been granted with employees saving up to £500 (2015: £500) per month (or the equivalent value in other currencies for the International Sharesave Plan) or €500 (2015: €500) per month for the Irish Sharesave Plan.

The Sharesave Scheme (2011), which replaced the Sharesave Scheme (2001), was approved by shareholders at the 2011 Annual General Meeting, is an HM Revenue & Customs ('HMRC') tax advantaged scheme in the UK and is open to all UK employees, including UK based executive directors. All options outstanding under the Sharesave Scheme (2001) were exercised during 2016. The International Sharesave Plan and Irish Sharesave Plan, which is approved by the Irish Revenue Commissioners, were introduced following the approval of the Sharesave Scheme (2001) and were extended following the approval of the Sharesave Scheme (2011).

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. Both the 2004 LTIP and the 2014 LTIP, the operation of which is overseen by the Remuneration Committee of the Board, are divided into two parts.

Part A of the LTIPs relates to the grant of market priced executive share options. In normal circumstances options granted are only exercisable if the relevant performance condition has been satisfied. The performance conditions are 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 2004 and 2014 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 normally vest (i.e. become exercisable) on the third anniversary of its grant to the extent that the applicable performance condition has been satisfied. The extent to which performance share awards granted will vest is normally partly subject to the Company's total shareholder return performance relative to a comparator group of companies over a three year period and partly subject to the Company's adjusted earnings per share growth exceeding UK RPI inflation over three years by a specified margin (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 relating to options granted and awards made in respect of market purchase shares under the 2004 LTIP, the 2014 LTIP and the Deferred Annual Share Bonus Scheme ('DASBS'). Details of such plans are set out above and in the Directors' remuneration report. The assets, liabilities and expenditure of the trust have been incorporated in the consolidated financial statements. Finance expenses and administration charges are included in the income statement on an accruals basis. At 31 December 2016 the trust held 6,280,158 (2015: 6,307,153) shares, upon which dividends have been waived, with an aggregate nominal value of £2.0m (2015: £2.0m) and market value of £132.4m (2015: £118.9m).

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:

	2016	2015
Grant date	03.03.16-11.10.16	26.02.15-05.10.15
Share price at grant date (£)	19.53-23.97	17.13-19.00
Exercise price (£)	nil-23.36	nil-19.20
Options granted during the year (shares)	2,878,326	3,523,358
Vesting period (years)	3-5	3-5
Expected volatility (%)	16-19	16-19
Option life (years)	3-10	3-10
Expected life (years)	3.0-6.4	3.0-6.1
Risk free rate of return (%)	0.2-1.1	0.6-1.5
Expected dividends expressed as a dividend yield (%)	1.6-2.0	1.9-2.1
Fair value per option (£)	1.79-9.38	1.76-6.02

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 £21.30 (2015: £18.64). The total charge for the year relating to share based payments was £10.2m (2015: £9.1m). After tax the total charge was £7.3m (2015: £6.9m).

Details of share options and awards which have been granted and exercised, those which have lapsed during 2016 and those outstanding and available to exercise at 31 December 2016, in each case in respect of all options and awards, whether over new issue or market purchase shares, under the Sharesave Scheme (2001), Sharesave Scheme (2011), International Sharesave Plan, Irish Sharesave Plan, and the 2004 LTIP Part A and Part B and 2014 LTIP Part A and Part B are set out in the following table:

	Options outstanding at 01.01.16	Grants/awards			Exercises			Lapses* 2016	Options outstanding at 31.12.16	Options available to exercise 31.12.16			
		2016			2016								
		Number	Number	Price (£)	Number	Price (£)	Number						
Sharesave Scheme (2001)	28,425	—	—	27,362	5.80	1,063	—	—	—	—			
Sharesave Scheme (2011)	754,539	246,326	15.56	185,045	7.70-15.56	71,515	744,305	7.70-15.56	12,265	—			
International Sharesave Plan	282,725	99,767	15.56	70,292	9.92-15.56	19,633	292,567	12.53-15.56	—	—			
Irish Sharesave Plan	32,694	16,019	15.56	8,240	9.92	4,944	35,529	12.53-15.56	—	—			
2004 LTIP Part A	6,361,544	—	—	2,478,687	5.85-15.66	23,000	3,859,857	5.64-15.97	3,631,857	—			
2004 LTIP Part B	761,733	—	—	443,034	nil	89,659	229,040	nil	33,165	—			
2014 LTIP Part A	4,562,317	2,169,597	19.45-23.36	50,609	16.38-16.87	140,329	6,540,976	16.38-23.36	135,702	—			
2014 LTIP Part B	808,518	346,617	nil	—	—	101,183	1,053,952	nil	—	—			
	13,592,495	2,878,326		3,263,269		451,326	12,756,226		3,812,989				

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

For the options outstanding at 31 December 2016, the weighted average fair value and the weighted average remaining contractual lives (being the time period from 31 December 2016 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 (2001) and (2011)	3.57	2.24
International Sharesave Plan	3.74	1.93
Irish Sharesave Plan	3.70	2.07
2004 LTIP and 2014 LTIP Part A	2.48	6.26
2004 LTIP and 2014 LTIP Part B	13.03	4.32

The outstanding share options and performance share awards are exercisable at various dates up to September 2026.

Notes continued

17 Dividends

	2016 £m	2015 £m
2014 interim		36.0
2014 final		80.1
2015 interim	38.6	
2015 final	86.8	
Total	125.4	116.1

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

	Per share	
	2016	2015
Interim	13.00p	11.75p
Final	29.00p	26.25p
Total	42.00p	38.00p

The 2016 interim dividend of 13.0p per share was paid on 3 January 2017 and comprised £42.8m of cash. The 2016 final dividend of 29.0p per share will be paid on 3 July 2017 to shareholders on the register at the close of business on 26 May 2017. The 2016 final dividend will comprise approximately £96m of cash.

18 Contingent liabilities

	2016 £m	2015 £m
Bank guarantees	1.4	0.6

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:

	2016	2015
Philip Rogerson	10,000	10,000
Frank van Zanten	57,261	
Patrick Larmon	127,623	124,546
Brian May	105,240	105,240
David Sleath	4,000	4,000
Eugenia Ulasewicz	4,000	4,000
Jean-Charles Pauze	2,500	2,500
Vanda Murray	3,000	3,000
	313,624	253,286

Frank van Zanten was appointed as director of the Company on 1 February 2016. Details of the directors' options and awards over ordinary shares made under the 2004 LTIP, 2014 LTIP, Sharesave Scheme (2001), Sharesave Scheme (2011) and DASBS are set out in the Directors' remuneration report. Since 31 December 2016 Patrick Larmon has acquired interests in 620 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 3 January 2017 and he has also acquired an interest in 316 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 2016 and 27 February 2017.

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 2016 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 2016 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 2016 and showed that there was a required annual contribution of \$5.2m. In 2017, the Group plans to contribute \$8.0m for the 2016 plan year to cover prudently this required contribution and anticipate future funding needs. In 2016, the Group also paid a contribution of \$8.0m for the 2015 plan year. The annual review as at 1 January 2017 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:

	2016 £m	2015 £m
Amounts included in the income statement		
Defined contribution pension schemes	18.8	13.7
Defined benefit pension schemes		
current service cost (net of contributions by employees)	6.1	6.4
gain on settlement (net of cash payments to unfunded pension schemes)	(0.1)	–
Total included in employee costs	24.8	20.1
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	1.9	2.4
Total charge to the income statement	26.3	22.5
Amounts recognised in the statement of comprehensive income		
Actual return less expected return on pension scheme assets	39.3	(6.3)
Experience gain on pension scheme liabilities	4.6	6.6
Impact of changes in financial assumptions relating to the present value of pension scheme liabilities	(91.8)	24.2
Impact of changes in demographic assumptions relating to the present value of pension scheme liabilities	5.5	2.5
Actuarial (loss)/gain on defined benefit pension schemes	(42.4)	27.0

The cumulative amount of net actuarial losses arising since 1 January 2004 recognised in the statement of comprehensive income at 31 December 2016 was £129.5m (2015: £87.1m).

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

UK	2016	2015
Longevity at age 65 for current pensioners (years)	22.4	22.6
Longevity at age 65 for future pensioners (years)	24.1	24.3
US		
Longevity at age 65 for current and future pensioners (years)	21.9	22.3

20 Retirement benefits continued

	UK			US		
	2016	2015	2014	2016	2015	2014
Rate of increase in salaries	3.7%	3.5%	3.8%	3.0%	3.0%	3.0%
Rate of increase in pensions	3.1%	3.0%	3.0%	—	—	—
Discount rate	2.7%	3.9%	3.7%	4.1%	4.3%	4.1%
Inflation rate	2.3%	2.1%	2.1%	2.3%	2.5%	2.5%

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

The decrease/(increase) that would arise on the overall net pension deficit as at 31 December 2016 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	(10.7)	11.1	(10.6)	9.3	16.9	(18.2)
US	(3.4)	3.6	0.1	(0.1)	4.3	(4.5)

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

	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)

	UK 2015 £m	US 2015 £m	Other 2015 £m	Total 2015 £m
Equities	94.7	45.7	5.7	146.1
Bonds	181.7	32.5	5.9	220.1
Other	0.3	9.4	1.3	11.0
Total market value of pension scheme assets	276.7	87.6	12.9	377.2
Present value of funded obligations	(271.3)	(111.2)	(17.1)	(399.6)
Present value of unfunded obligations	—	(12.4)	(5.2)	(17.6)
Present value of funded and unfunded obligations	(271.3)	(123.6)	(22.3)	(417.2)
Defined benefit pension schemes in surplus*	5.4	—	—	5.4
Defined benefit pension schemes in deficit	—	(36.0)	(9.4)	(45.4)
Deferred tax	(1.0)	14.0	2.7	15.7
Total net surplus/(deficit) after tax	4.4	(22.0)	(6.7)	(24.3)

Of the pension scheme assets, £436.6m (2015: £366.6m) are valued based on a quoted market price.

* In accordance with IFRIC 14, any surplus on the UK scheme is recognised as a defined benefit asset because the Group considers that it has an unconditional right to a refund of any surplus from the UK scheme.

Notes continued

20 Retirement benefits continued

	2016 £m	2015 £m
Movement in net deficit		
Beginning of year	(40.0)	(70.3)
Acquisitions	(1.0)	–
Current service cost	(6.1)	(6.4)
Gain on settlement	0.4	–
Contributions	14.9	13.8
Net interest expense	(1.5)	(2.4)
Actuarial (loss)/gain	(42.4)	27.0
Currency translation	(8.4)	(1.7)
End of year	(84.1)	(40.0)
Changes in the present value of defined benefit pension liabilities		
Beginning of year	417.2	435.8
Acquisitions	2.1	–
Current service cost	6.1	6.4
Liabilities extinguished on settlement	(1.0)	–
Interest expense	16.6	16.1
Contributions by employees	0.8	0.7
Actuarial loss/(gain)	81.7	(33.3)
Benefits paid	(15.0)	(14.6)
Currency translation	27.7	6.1
End of year	536.2	417.2
Changes in the fair value of defined benefit pension scheme assets		
Beginning of year	377.2	365.5
Acquisitions	1.1	–
Interest income	15.1	13.7
Assets distributed on settlement	(0.6)	–
Actuarial gain/(loss)	39.3	(6.3)
Contributions by employer	14.9	13.8
Contributions by employees	0.8	0.7
Benefits paid	(15.0)	(14.6)
Currency translation	19.3	4.4
End of year	452.1	377.2

The actual return on pension scheme assets was £54.4m (2015: £7.4m).

The Group expects to pay approximately £15.7m in contributions to the defined benefit pension schemes in the year ending 31 December 2017 (expected as of 2015 in the year ending 31 December 2016: £14.1m) including £7.3m for the UK (expected as of 2015 in the year ending 31 December 2016: £7.0m).

The weighted average duration of the defined benefit pension scheme liabilities at 31 December 2016 was approximately 20.2 years (2015: 18.5 years) for the UK and 12.0 years (2015: 12.5 years) for the US.

The total defined benefit pension scheme liabilities are divided between active members (£200.1m (2015: £144.6m)), deferred members (£161.3m (2015: £126.6m)) and pensioners (£174.8m (2015: £146.0m)).

21 Directors and employees

Average number of employees	2016	2015
North America	5,478	5,097
Continental Europe	4,029	3,762
UK & Ireland	3,641	3,636
Rest of the World	3,082	2,549
	16,230	15,044
Corporate	55	54
	16,285	15,098
Employee costs	2016	2015
Wages and salaries	612.3	528.9
Social security costs	65.9	54.9
Other pension costs	24.8	20.1
Share based payments	10.2	9.1
	713.2	613.0

In addition to the above, acquisition related costs for the year ended 31 December 2016 include deferred consideration payments of £29.6m (2015: £24.3m) relating to the retention of former owners of businesses acquired.

Key management remuneration	2016	2015
	£m	£m
Salaries and short term employee benefits	5.9	5.7
Share based payments	1.3	1.5
Retirement benefits	0.8	0.9
	8.0	8.1

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	2016	2015
	£m	£m
Non-executive directors	0.7	0.7
Executive directors:		
remuneration excluding performance related elements	2.7	2.5
annual bonus	1.4	1.4
	4.8	4.6

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 £1.3m (2015: £4.4m). The aggregate market value of performance share awards exercised by directors under long term incentive schemes during the year was £2.7m (2015: £2.5m). The aggregate market value of share awards exercised by directors under the DASBS was £1.2m (2015: £2.1m).

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 2016 £m	Other 2016 £m	Land & buildings 2015 £m	Other 2015 £m
Within one year	84.7	29.4	70.4	25.3
Between one and five years	219.3	56.5	168.2	46.9
After five years	70.5	3.7	58.9	3.2
	374.5	89.6	297.5	75.4

23 Cash and cash equivalents and net debt

	2016 £m	2015* £m	2014* £m
Cash at bank and in hand	282.4	281.8	298.6
Bank overdrafts	(155.7)	(231.1)	(244.3)
Cash and cash equivalents	126.7	50.7	54.3
Interest bearing loans and borrowings – current liabilities	(86.0)	(120.8)	(35.8)
Interest bearing loans and borrowings – non-current liabilities	(1,283.6)	(1,058.8)	(913.3)
Derivatives managing the interest rate risk and currency profile	14.3	21.7	17.4
Net debt	(1,228.6)	(1,107.2)	(877.4)

* The 31 December 2015 comparative figures for cash at bank and in hand and bank overdrafts have been increased by £202.6m and by £216.2m as at 31 December 2014 as explained in Note 1(i). These amounts, being the overdraft included in the Group's cash pool at the end of 2015 and 2014 respectively, were previously netted against cash at bank and in hand in the Consolidated balance sheet.

Notwithstanding the change in presentation, the cash pool continues to operate as previously, enabling the Group to access cash in its subsidiaries to pay down the Group's borrowings. The Group continues to have the legal right to set-off balances within the cash pool and the change in presentation has no impact on the Group's net debt or its compliance with banking covenants. The cash at bank and in hand and bank overdrafts figures net of the amounts in the cash pool are disclosed below for reference:

	2016 £m	2015 £m	2014 £m
Cash at bank and in hand net of amounts in the cash pool	139.6	79.2	82.4
Bank overdrafts net of amounts in the cash pool	(12.9)	(28.5)	(28.1)
Cash and cash equivalents	126.7	50.7	54.3
Movement in net debt			
Beginning of year		(1,107.2)	(877.4)
Net cash inflow/(outflow)		16.0	(206.6)
Realised gains on foreign exchange contracts		22.9	27.5
Currency translation		(160.3)	(50.7)
End of year	(1,228.6)	(1,107.2)	

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 2016 the allocation period for all acquisitions completed since 1 January 2016 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. There were no material measurement period adjustments recorded during the year ended 31 December 2016 related to acquisitions completed in the year ended 31 December 2015.

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.

2016

Summary details of the businesses acquired during the year ended 31 December 2016 are included in the table below. In addition to the acquisitions completed during the year, the Company also entered into agreements during the year to acquire two further businesses, these being Saebe Compagniet and Prorisk and GM Equipement, which were completed in 2017. Details for these committed acquisitions are also included below.

Business	Sector	Country	Acquisition date 2016	Annualised revenue £m
Earthwise Bag	Grocery	USA	9 February	13.2
Bursa Pazarı	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
Completed acquisitions				182.3
Saebe Compagniet	Foodservice	Denmark	2 January 2017	12.4
Prorisk and GM Equipement	Safety	France	31 January 2017	6.4
Committed acquisitions				201.1

Notes continued

24 Acquisitions continued

A summary of the effect of acquisitions completed in 2016 and 2015 is shown below:

	2016 £m	2015 £m
Customer relationships	80.2	172.2
Property, plant and equipment and software	(0.5)	8.7
Inventories	16.5	73.6
Trade and other receivables	44.1	57.2
Trade and other payables	(32.3)	(40.7)
Net cash/(overdrafts)	1.0	(0.6)
Provisions	(3.8)	(9.4)
Defined benefit pension liabilities	(1.0)	–
Income tax payable and deferred tax liabilities	(17.8)	(17.3)
Fair value of net assets acquired	86.4	243.7
Goodwill	51.0	109.0
Consideration	137.4	352.7
Satisfied by:		
cash consideration	124.4	311.5
deferred consideration	13.0	41.2
Contingent payments relating to retention of former owners	137.4	352.7
Net (cash)/overdraft acquired	18.2	36.2
Transaction costs and expenses	(1.0)	0.6
Total committed spend in respect of acquisitions completed in the current year	6.8	7.9
Spend on acquisitions committed but not completed as at 31 December 2016	161.4	397.4
Spend on acquisition committed as at 31 December 2014 but completed in January 2015	22.8	–
Total committed spend in respect of acquisitions agreed in the current year	–	(70.2)
	184.2	327.2

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

	2016 £m	2015 £m
Cash consideration	124.4	311.5
Net (cash)/overdraft acquired	(1.0)	0.6
Deferred consideration in respect of prior year acquisitions	36.2	16.4
Net cash outflow in respect of acquisitions	159.6	328.5
Transaction costs and expenses	5.9	8.5
Payments relating to retention of former owners	11.1	34.2
Total cash outflow in respect of acquisitions	176.6	371.2

Acquisitions completed in the year ended 31 December 2016 contributed £85.7m (2015: £217.1m) to the Group's revenue and £11.2m (2015: £26.9m) to the Group's adjusted operating profit for the year ended 31 December 2016.

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:

	2016 £m	2015 £m
Revenue	182.3	389.5
Adjusted operating profit	21.5	49.1

The estimated revenue which would have been contributed by the businesses acquired or agreed to be acquired during the year to the results for the year ended 31 December 2016 if such acquisitions had been made at the beginning of the year is £201.1m (2015: £324.1m, excluding Tillman).

24 Acquisitions continued

2015

Summary details of the businesses acquired during the year ended 31 December 2015 are included in the table below.

Business acquired	Sector	Country	Acquisition date 2015	Annualised revenue £m
Tillman	Safety	USA	2 January	65.4
Quirumed	Healthcare	Spain	30 January	14.6
Jan-Mar	Cleaning & hygiene	Canada	30 January	6.1
Janssen Packaging	Retail	Netherlands	10 March	6.5
Prescott	Cleaning & hygiene	Canada	31 March	8.6
Emballages Maska	Cleaning & hygiene	Canada	31 March	15.9
Istanbul Ticaret	Safety	Turkey	29 May	24.4
Ligne T	Safety	France	29 May	4.4
GF	Retail	Canada	1 June	41.8
Solmaq	Safety	Colombia	30 June	13.6
Cordova Safety Products	Safety	USA	30 June	54.9
Steiner Industries	Safety	USA	1 July	12.0
Bidvest Hospitality Supplies	Foodservice	Australia	1 July	4.7
Delta Hospitality	Foodservice	Australia	17 July	5.2
Meier Verpackungen	Foodservice	Austria	1 September	29.0
Planet Clean	Cleaning & hygiene	Canada	16 September	13.4
ICB	Cleaning & hygiene	New Zealand	30 October	2.3
Cemelim	Cleaning & hygiene	Spain	2 November	2.5
Casa do EPI	Safety	Brazil	3 November	16.0
DPS	Foodservice	Chile	30 November	25.4
Faru	Safety	Spain	30 November	3.3
Comatec	Hospitality	France	1 December	13.8
Dental Sorria	Healthcare	Brazil	18 December	5.7
Completed acquisitions				389.5
Tillman (committed on 30 December 2014)				(65.4)
Committed acquisitions				324.1

25 Related party disclosures

The Group has identified the directors of the Company, their close family members, the Group defined benefit pension schemes and its key management as related parties for the purpose of IAS 24 'Related Party Disclosures'. Details of the relevant relationships with these related parties are disclosed in the Directors' remuneration report, Note 20 and Note 21 respectively.

26 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.

	2016 £m	2015 £m
Non-cash items		
Depreciation and software amortisation	27.4	24.1
Share based payments	10.2	9.1
Provisions	(3.0)	(3.9)
Retirement benefit obligations	(9.0)	(7.4)
Other	2.4	(2.1)
	28.0	19.8
Working capital movement		
Increase in inventories	(18.0)	(16.1)
Increase in trade and other receivables	(39.6)	(23.7)
Increase in trade and other payables	51.3	30.0
	(6.3)	(9.8)

Company balance sheet

at 31 December 2016

	Notes	2016 £m	2015* £m
Fixed assets			
Tangible assets	3	0.4	0.4
Intangible assets	3	1.3	0.7
Investments	4	681.1	673.1
		682.8	674.2
Current assets			
Defined benefit pension asset: amounts falling due after more than one year	9	–	5.4
Deferred tax asset	5	5.9	1.0
Debtors: amounts falling due after more than one year	6	1,500.0	–
Debtors: amounts falling due within one year	6	237.6	218.4
Cash at bank and in hand		0.1	0.1
		1,743.6	224.9
Current liabilities			
Creditors: amounts falling due within one year	7	(94.9)	(94.6)
Net current assets		1,648.7	130.3
Total assets less current liabilities		2,331.5	804.5
Non-current liabilities			
Provisions	8	(1.7)	(1.7)
Defined benefit pension liability	9	(25.3)	–
Net assets		2,304.5	802.8
Capital and reserves			
Share capital	10	107.9	107.7
Share premium		167.5	163.9
Other reserves		5.6	5.6
Capital redemption reserve	11	16.1	16.1
Profit and loss account [†]	11	2,007.4	509.5
Total shareholders' funds		2,304.5	802.8

Approved by the Board of Directors of Bunzl plc (Company registration number 358948) on 27 February 2017 and signed on its behalf by Frank van Zanten, Chief Executive and Brian May, Finance Director.

The Accounting policies and other Notes on pages 134 to 138 form part of these financial statements.

[†] Profit and loss account includes a net profit after tax of £176.2m (2015: £97.1m). 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.

* Revised to reflect a reclassification of software assets from tangible assets to intangible assets. (see Note 2).

Company statement of changes in equity

at 31 December 2016

	Share capital £m	Share premium £m	Other reserves £m	Capital redemption reserve £m	Profit and loss account	Total shareholders' funds £m	
					Own shares £m	Retained earnings £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 charge 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

	Share capital £m	Share premium £m	Other reserves £m	Capital redemption reserve £m	Profit and loss account	Total shareholders' funds £m	
					Own shares £m	Retained earnings £m	
At 1 January 2015	107.6	160.3	5.6	16.1	(115.1)	645.7	820.2
Profit for the year						97.1	97.1
Other comprehensive income							
Contributions to pension scheme by participating subsidiaries						4.6	4.6
Actuarial gain on defined benefit pension scheme						18.5	18.5
Income tax charge on other comprehensive income					(4.4)		(4.4)
Total comprehensive income						115.8	115.8
2014 interim dividend						(36.0)	(36.0)
2014 final dividend						(80.1)	(80.1)
Issue of share capital	0.1	3.6					3.7
Employee trust shares					(30.2)		(30.2)
Movement on own share reserves					26.4	(26.4)	–
Share based payments					9.4		9.4
At 31 December 2015	107.7	163.9	5.6	16.1	(118.9)	628.4	802.8

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 2016. 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. The Company has changed the presentation of software assets to show them separately as intangible assets, reducing tangible assets by £0.7m at 31 December 2015. This is consistent with the reclassification for the Group explained in Note 1(i) to the consolidated 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 98 to 102 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 2016 are disclosed in the Related undertakings note in the Shareholder information section on pages 146 to 148.

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 which is spread over the expected vesting period with a corresponding credit to equity.

Where the Company grants options over its own shares to the employees of its subsidiaries 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.

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 2016 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	1.4	1.5	0.8
Additions	–	0.1	0.1	0.7
End of year	0.1	1.5	1.6	1.5
Accumulated depreciation				
Beginning of year	0.1	1.0	1.1	0.1
Charge in year	–	0.1	0.1	0.1
End of year	0.1	1.1	1.2	0.2
Net book value at 31 December 2016	–	0.4	0.4	1.3
Net book value at 31 December 2015	–	0.4	0.4	0.7

* Revised to reflect a reclassification of software assets from tangible assets to intangible assets (see Note 2).

4 Investments

	2016 £m	2015 £m
Investments in subsidiary undertakings		
Cost		
Beginning of year	676.4	669.0
Additions	8.0	7.4
End of year	684.4	676.4
Impairment provisions		
Beginning and end of year	3.3	3.3
Net book value at 31 December	681.1	673.1

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 2015	3.4	1.5	0.1	5.0
Recognised in profit or loss	–	–	0.1	0.1
Recognised in other comprehensive income or directly in equity	(4.4)	0.3	–	(4.1)
31 December 2015/1 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	4.3	1.5	0.1	5.9

Deferred tax is calculated in full on temporary differences under the liability method. Following the enactment of legislation in the UK, the corporation tax rate will be reduced from 20% to 19% with effect from 1 April 2017 and from 19% to 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 (2015: £70.6m).

6 Debtors

	2016 £m	2015 £m
Debtors: amounts falling due within one year		
Amounts owed by Group undertakings	236.8	215.2
Prepayments and other debtors	0.8	1.9
Group relief receivable	–	1.3
	237.6	218.4
Debtors: amounts falling due after more than one year		
Amounts owed by Group undertakings	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

	2016 £m	2015 £m
Trade creditors	1.4	0.9
Amounts owed to Group undertakings	81.9	81.9
Other tax and social security contributions	0.7	1.2
Accruals and deferred income	10.9	10.6
	94.9	94.6

8 Provisions

	2016 £m	2015 £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.

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:

	2016 £m	2015 £m
Amounts included in profit for the year		
Current service cost (net of contributions by employees)	2.1	2.5
Net interest (income)/expense	(0.4)	0.5
Contributions paid by participating subsidiaries linked to service	(1.5)	(1.3)
Total charge to profit for the year	0.2	1.7
Amounts recognised in other comprehensive income		
Actual return less expected return on pension scheme assets	35.5	(3.8)
Experience gain on pension scheme liabilities	5.6	6.3
Impact of changes in assumptions relating to the present value of pension scheme liabilities	(77.3)	16.0
Actuarial (loss)/gain on defined benefit pension scheme	(36.2)	18.5
Contributions paid by participating subsidiaries not linked to service	4.6	4.6
Total (charge)/credit to other comprehensive income	(31.6)	23.1
Movement in defined benefit pension scheme (deficit)/surplus		
Beginning of year	5.4	(17.1)
Current service cost	(2.1)	(2.5)
Contributions	7.2	7.0
Net interest income/(expense)	0.4	(0.5)
Actuarial (loss)/gain	(36.2)	18.5
End of year	(25.3)	5.4
Changes in the present value of defined benefit pension scheme liabilities		
Beginning of year	271.3	288.1
Current service cost	2.1	2.5
Interest expense	10.4	10.5
Contributions by employees	0.7	0.6
Actuarial loss/(gain)	71.7	(22.3)
Benefits paid	(8.6)	(8.1)
End of year	347.6	271.3
Changes in the fair value of defined benefit pension scheme assets		
Beginning of year	276.7	271.0
Interest income	10.8	10.0
Actuarial gain/(loss)	35.5	(3.8)
Contributions by the Company	1.2	1.1
Contributions by participating subsidiaries	6.0	5.9
Contributions by employees	0.7	0.6
Benefits paid	(8.6)	(8.1)
End of year	322.3	276.7

The actual return on pension scheme assets was £46.3m (2015: £6.2m). 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 (£89.6m (2015: £62.4m)), deferred members (£137.9m (2015: £105.4m)) and pensioners (£120.1m (2015: £103.5m)).

Notes to the Company financial statements continued

10 Share capital

	2016 £m	2015 £m
Issued and fully paid ordinary shares of 32½p each	107.9	107.7
Number of ordinary shares in issue and fully paid	2016	2015
Beginning of year	335,190,830	334,706,876
Issued – option exercises	416,261	483,954
End of year	335,607,091	335,190,830

11 Reserves

Included in the profit and loss account within retained earnings is £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 33.

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 period are detailed in Note 17 to the consolidated financial statements.

The capital redemption reserve as presented in the statement of changes in equity records the aggregate nominal value of treasury shares that have been cancelled.

12 Contingent liabilities and commitments

Contingent liabilities

Borrowings by subsidiary undertakings totalling £1,352.4m (2015: £1,173.8m) which are included in the Group's borrowings have been guaranteed by the Company.

Commitments

Non-cancellable operating lease rentals of £3.9m (2015: £4.6m) 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 46 (2015: 44) and the aggregate employee costs relating to these persons were:

	2016 £m	2015 £m
Wages and salaries	7.8	7.4
Social security costs	2.1	2.5
Share based payments	1.5	1.7
Pension costs	1.0	1.1
	12.4	12.7

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 IFRS as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK accounting standards and applicable law). In preparing the Group financial statements, the directors have also elected to comply with IFRS issued by the 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 Company and the Group and of the profit or loss of the Company and Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRS as adopted by the European Union, IFRS issued by the IASB and applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Group and parent company financial statements respectively; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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. They are also responsible for safeguarding the assets of the Company and the Group 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 Company's performance, business model and strategy.

Each of the directors, whose names and functions are set out on page 48 of the Annual Report, confirm that to the best of their knowledge:

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

On behalf of the Board

Frank van Zanten
Chief Executive
27 February 2017

Brian May
Finance Director

Independent auditors' report to the members of Bunzl plc

Report on the financial statements

Our opinion

In our opinion:

- Bunzl plc's Group and Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2016 and of the Group's profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in Note 1 to the consolidated financial statements, the Group, in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board ('IASB').

In our opinion, the Group financial statements comply with IFRSs as issued by the IASB.

What we have audited

The financial statements, included within the Bunzl plc Annual Report ('the Annual Report'), comprise:

- the Consolidated and Company balance sheets as at 31 December 2016;
- the Consolidated income statement and Consolidated statement of comprehensive income for the year then ended;
- the Consolidated and Company statement of changes in equity for the year then ended;
- the Consolidated cash flow statement for the year then ended; and
- the Notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the Notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

Our audit approach

Overview

Materiality	<ul style="list-style-type: none"> • Overall Group materiality: £16m which represents approximately 5% of profit before taxation
Audit scope	<ul style="list-style-type: none"> • We performed audits of the financial information of 77 components spread across 25 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 the impairment of goodwill and customer relationships intangible assets, business combinations, defined benefit pension schemes and taxation were performed by the Group audit team centrally
Areas of focus	<ul style="list-style-type: none"> • Impairment of goodwill and customer relationships intangible assets • Business combinations • Defined benefit pension schemes • Corporate tax exposures • Supplier rebate accounting – purchase volume based rebates

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)').

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls and the risk of fraud in revenue recognition, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as 'areas of focus' in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Impairment of goodwill and customer relationships intangible assets Refer to page 58 (Audit Committee report), page 100 (Accounting policies) and pages 110 and 111 (Note 9). <p>The Group has material goodwill balances of £1,191.5m (2015: £999.3m) and customer relationships intangible assets of £737.7m (2015: £632.7m) spread across multiple geographies and relating to multiple cash generating units ('CGUs').</p> <p>In assessing whether the carrying amount of these assets has been impaired, management considers forecast cash flows of the individual CGUs which are identified on a market sector or geographical basis.</p> <p>We focused on the CGUs with the highest goodwill and customer relationships intangible assets (the most material being North America, Rest of Continental Europe and France) as well as the CGUs where there were smaller goodwill and customer relationships intangible asset balances but lower levels of headroom.</p> <p>Management's impairment assessment involves significant estimation, principally relating to short and long term revenue growth, future profitability and discount rates. Due to the acquisitive nature of the Group and the magnitude of the aggregated related goodwill and customer relationships 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.</p>	<p>In our testing of management's annual goodwill and customer relationships intangible assets impairment calculations, we used valuation experts to assist our evaluation of the key assumptions used by management.</p> <p>We evaluated the reasonableness of the directors' cash flow forecasts by comparing the assumptions made to internal and external data.</p> <p>In particular:</p> <ul style="list-style-type: none"> • we compared short term revenue growth rates to the latest strategic plans and found them to be consistent; • we determined that long term growth rates are generally consistent when compared to third party nominal GDP rates; • we found the achievability of future margins to be plausible based on past and current performance and consistent with budgets; • we challenged the discount rate used to determine the present value by assessing the cost of capital for the Company and comparable organisations and considered them to be reasonable; and • we evaluated the reduction in the number of CGUs and reviewed the results of management's 'gateway' test, being the impairment review performed under the previous CGU definitions and noted no indicators of impairment. <p>Furthermore, we obtained evidence to assess adequate historical accuracy in management's forecasting process.</p> <p>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.</p> <p>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.</p>

Independent auditors' report to the members of Bunzl plc continued

Area of focus	How our audit addressed the area of focus	
Business combinations Refer to page 58 (Audit Committee report), page 98 (Accounting policies) and pages 129 to 131 (Note 24).	<p>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.</p> <p>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.</p>	<p>Management relies on external valuation specialists to value significant intangibles acquired in business combinations. Where management has relied on such specialists, we assessed their independence and competency and tested the results of their work and found no material issues.</p> <p>We used our own valuation experts to challenge the methodology and key assumptions used in determining the value of the customer relationships 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.</p>
Defined benefit pension schemes Refer to page 58 (Audit Committee report), page 102 (Accounting policies) and pages 123 to 126 (Note 20).	<p>The Group has defined benefits pension schemes (with material schemes in the US and the UK) with a net deficit of £84.1m at the current year end (2015: £40.0m), which is material in the context of the Consolidated balance sheet.</p> <p>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.</p> <p>Movements in these assumptions can have a material impact on the determination of the liability and, therefore, the extent of any surplus or deficit.</p>	<p>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 2016. In each case we considered the assumptions made by management to be reasonable in light of the available evidence.</p>
Corporate tax exposures Refer to page 58 (Audit Committee report), page 99 (Accounting policies) and pages 107 and 108 (Note 6).	<p>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.</p> <p>We focused on this area because of the risk surrounding the level of estimation and judgement that is necessary in determining the provisions required, together with the importance of achieving adequate and clear disclosure related to judgemental tax matters.</p>	<p>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.</p> <p>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.</p> <p>We consider the current level of tax provision to be reasonable.</p>
Supplier rebate accounting – purchase volume based rebates Refer to page 58 (Audit Committee report) and page 99 (Accounting policies).	<p>We focused on this area as purchase volume based rebate income from suppliers is material to the consolidated financial statements.</p> <p>Given a degree of estimation is involved in accounting for purchase volume based supplier rebates, we focused our audit procedures on the accuracy, occurrence and cut-off of these transactions and the valuation of amounts held on the balance sheet.</p>	<p>We evaluated the processes in place across the Group for the recognition of purchase volume based supplier rebates and found these to be consistently applied. We agreed the nature of a sample of rebate arrangements to contracts or other supporting agreements and agreed the rates indicated in the agreements with those used in the calculations. We also reperformed a sample of rebate calculations and assessed management's estimates of purchases.</p> <p>No material exceptions were noted from this testing.</p> <p>Where appropriate, we also agreed the post year end settlement of year end receivable amounts included in the opening and closing Consolidated balance sheets to bank receipts, with no material exceptions noted.</p>

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group is organised geographically into four business areas, being North America, Continental Europe, UK & Ireland and Rest of the World.

We identified one financially significant component, being North America, where a full scope audit has been performed. In addition to this, we identified four components across Continental Europe, UK & Ireland and Rest of the World for which a full scope audit of their financial information was required. In order to satisfy the request of the Audit Committee and management, we performed full scope audits on a further 72 components. The components where we performed audit procedures covered over 95% of Group revenue, profit before taxation and total assets.

Component audits were performed to respective statutory materiality levels of the individual components and, for component teams with no statutory requirements, a materiality was allocated by the Group team. These local materiality levels were set individually for each component and ranged up to £15.0m.

Where work was performed by component auditors, detailed instructions were issued by the Group audit team, who visited North America, UK, France and Australia. Telephone discussions were also held with component auditors at these locations and with the majority of the components that the Group audit team did not visit in person. In addition, specific audit procedures over central functions and areas of significant judgement, including taxation, pensions, acquisitions and the impairment of goodwill and intangible assets, were performed by the Group audit team centrally.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	£16 million (2015: £15m)
How we determined it	Approximately 5% of profit before taxation
Rationale for benchmark applied	Given that the Group's businesses are profit orientated and the directors use profit measures to assess the performance of the business, we believe that profit before taxation provides us with a consistent year-on-year basis for determining materiality

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £800,000 (2015: £750,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 97 in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group and Company have adequate resources to remain in operation, and that the directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group and Company's ability to continue as a going concern.

Independent auditors' report to the members of Bunzl plc continued

Other required reporting

Consistency of other information and compliance with applicable requirements

Companies Act 2006 opinion

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic report and the Directors' report. We have nothing to report in this respect.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

<ul style="list-style-type: none"> • Information in the Annual Report is: <ul style="list-style-type: none"> – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Company acquired in the course of performing our audit; or – otherwise misleading. 	We have no exceptions to report.
<ul style="list-style-type: none"> • the statement given by the directors on page 53, in accordance with provision C.1.1 of the UK Corporate Governance Code (the 'Code'), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group and Company's position and performance, business model and strategy, is materially inconsistent with our knowledge of the Group and Company acquired in the course of performing our audit. 	We have no exceptions to report.
<ul style="list-style-type: none"> • the section of the Annual Report on page 57, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee. 	We have no exceptions to report.

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

<ul style="list-style-type: none"> • the directors' confirmation on page 35 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. 	We have nothing material to add or to draw attention to.
<ul style="list-style-type: none"> • the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated. 	We have nothing material to add or to draw attention to.
<ul style="list-style-type: none"> • the directors' explanation on page 55 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. 	We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the directors' statement in relation to the longer term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making enquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report – Companies Act 2006 opinion

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate governance report relating to 10 further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 139, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic report and Directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.

Paul Cragg (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 February 2017

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 2016 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 149 and 150. 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 the consolidation.

Subsidiary undertakings	Registered office address*	Subsidiary undertakings	Registered office address*
Argentina		Tecno Boga Comercial Limitada	26
Vicsa Steelpro S.A.	1	Vicsa Safety Comercial Limitada	28
Australia		China	
ACN 082 933 579 Pty Ltd ⁽ⁱⁱⁱ⁾	3	Bunzl Trading (Shanghai) Limited	29
Atlas Health Care Pty Limited	3	Keenpac (Shenzhen) Trading Company Limited	30
Bunzl Australasia Holdings Pty Limited ⁽ⁱⁱⁱ⁾	5	Colombia	
Bunzl Australasia Limited	5	Importadores Exportadores Solmaq	31
Bunzl Brands & Operations Pty Limited	4	Vicsa Steelpro Colombia S.A.S.	32
Bunzl Catering Supplies Limited	3	Czech Republic	
Bunzl Food Processor Supplies Pty Limited	2	Blyth s.r.o.	34
Bunzl Outsourcing Services Limited	3	Bunzl CS s.r.o.	33
Network Packaging Pty Limited	4	Denmark	
Protect-A-Clean-Pty-Ltd	3	Bunzl Distribution Danmark A/S	35
Robertsons Lifting & Rigging Pty Limited	4	Bunzl Holding Danmark A/S	35
Sanicare Australia Pty Limited	3	Bunzl Properties Danmark A/S	35
Star Wholesale Distribution Pty Limited	3	Clean Care A/S	36
Worksense Workwear and Safety Pty Limited	4	Multiline A/S	37
Austria		France	
Bunzl Holdings Austria GmbH	6	Bunzl Holdings France SAS	50
Meier Verpackungen GmbH	6	Comatec SAS	48
Belgium		France Securite SAS	53
Etablissements Glorieux SA	8	Groupe Pierre Le Goff - Ile De France - ODI SAS	42
King Belgium NV	12	Groupe Pierre Le Goff - Ile de France - Allodics SAS	47
L.A.R.G.O. SPRL	9	Groupe Pierre Le Goff - Ile de France - Adage SAS	50
Polaris Chemicals SPRL	7	Groupe Pierre Le Goff Bourgogne Franche-Comte SAS	40
Total Safety Supply Belgium BVBA	11	Groupe Pierre Le Goff Grand Ouest SAS	41
Varia-Pack NV	10	Groupe Pierre Le Goff Mediterranee SAS	38
Brazil		Groupe Pierre Le Goff Nord-Est SAS	43
B2B Web Distribuicao De Produtos Ltda	18	Groupe Pierre Le Goff Normandie SAS	44
Bunzl Armazenagem, Logistica e Prestação De Serviços Administrativos Ltda.	19	Groupe Pierre Le Goff Rhone-Alpes Centre SAS	46
Bunzl Higiene E Limpeza Ltda	17	Groupe Pierre Le Goff Sud-Ouest SAS	51
Casa Do EPI Ltda.	13	Hygiadis SAS	49
Dental Sorria Ltda.	14	Karpie SCI	49
DVS Equipamentos de Proteção Individual Ltda	15	Keenpac France SAS	39
Labor Import Comercial Importadora Exportadora Ltda	16	Ligne T SAS	52
Prot Cap Artigos Para Protecao Industrial Ltda	19	OPM France SAS	45
Canada		PLG Finances SAS	50
Atlas Environmental Facilities, Ltd.	21	SCI des Saules SCI	49
Bunzl Canada, Inc.	23	Societe Civile Immobiliere Sainte Claire Deville SC	49
Emballages Maska Inc. ⁽ⁱⁱⁱ⁾	20	Germany	
Jan-Mar Sales Limited ⁽ⁱⁱⁱ⁾	23	Baumer Betriebshygiene Vertriebsgesellschaft mbH ⁽ⁱⁱⁱ⁾	58
Pennystone Inc. ⁽ⁱⁱ⁾	23	Bunzl Holding GmbH ⁽ⁱⁱⁱ⁾	55
Plus II Sanitation Supplies Inc.	25	Bunzl Verpackungen GmbH	55
Translogic Fulfillment Systems Corporation	24	Inkozell Zellstoff-Vertrieb GmbH	57
Wesclean Equipment & Cleaning Supplies Limited ⁽ⁱⁱ⁾	22	Logmed GmbH	57
Chile		Majestic GmbH	54
B2B Web Distribuicao de Produtos Chile SpA	28	Mo Ha Ge Mommsen Handelsgesellschaft mbH	57
Bunzl Chile Holdings SpA	28	MoHaGe Holdings GmbH	55
DPS Chile Comercial Limitada	27	PKA Klöcker GmbH ⁽ⁱⁱⁱ⁾	56
		Protemo GmbH	58

Related undertakings continued

Subsidiary undertakings	Registered office address*	Subsidiary undertakings	Registered office address*
Hong Kong		Romania	
Bunzl Asia Limited ⁽ⁱⁱⁱ⁾	61	Bunzl Distributie SRL	89
Earthwise Bag Company (Hong Kong) Limited	59		
Keenpac Asia Limited	60	Slovakia	
		Eurobal, spol. s.r.o.	90
Hungary		Spain	
Bunzl Magyarország Kft.	63	Bunzl Distribution Spain, S.A.U.	93
Propack Kereskedelmi Korlatolt Felelősségu Társaság	64	Faru, S.L.U.	97
Silwell Kereskedelmi Korlátolt Felelősségi Társaság	62	Guanes Juba, S.A.U.	92
Tecep Management Kereskedelmi Es Szolgaltato KFT. ⁽ⁱⁱⁱ⁾	64	Juba Personal Protective Equipment, S.L.U.	92
		Lovilia Spain, S.L.U.	93
Ireland		Marca Protección Laboral, S.L.U.	95
Bunzl Finance Ireland Unlimited Company ⁽ⁱⁱ⁾	66	Marvel Protección Laboral, S.L.U.	96
Bunzl Ireland Limited	66	Portchartain Inversiones, S.L.U.	91
Cambrex Unlimited Company	66	Quirumed, S.L.U.	94
DG Distributors and Vendors Limited		Switzerland	
Irish Merchants Unlimited Company		Distrimondo AG	100
Romneya Limited	66	Keenpac (Switzerland) SA	101
Thomas McLaughlin (Ireland) Limited	66	MMH Holding AG	100
Tishu MFG Limited	66	Uehlinger AG	102
Yorse Ireland Unlimited Company	66	Weita AG	99
		Weita Holding AG	99
Israel		WGS AG	98
M.S. Global Limited	68		
Meichaley Zahav Packages Ltd	67	Turkey	
Silco (Utensils) A.S. Limited ⁽ⁱⁱⁱ⁾	68	Bursa Pazari İnşaat Sanayi Ve Ticaret Anonim Şirketi (80%)	103
		Istanbul Ticaret Hırdavat Sanayi A.Ş.	104
Italy		Istanbul Ticaret İş Güvenliği ve Endüstriyel Ürünler A.Ş.	105
Keenpac Italia S.R.L.	69	Kullanatmarket Elektronik Pazarlama Ticaret Anonim Şirketi	103
Mexico		United Kingdom	
Bunzl De Mexico SA de CV ⁽ⁱⁱ⁾	75	365 Healthcare Limited	109
Bunzl Servicios, SA. De CV	77	A. & E. Russell Limited	108
Cool Pak AG Packaging, S. de R. L. de C.V.	73	Advanced Medical Products (Clacton) Limited	109
Cool Pak Exports S. de R.L. de C.V. ^(iv)	70	Aptfine Limited	109
CP AG Servicios, S. de R.L. de C.V.	73	Atollbyte Limited ⁽ⁱⁱ⁾	109
Earthwise Bag Company De Mexico, S. DE. R.L. DE C.V. ⁽ⁱⁱ⁾	76	Birchfolder Limited	109
Espomega S. de R.L. de C.V. ⁽ⁱⁱⁱ⁾	72	Bradlees Limited	109
Propta, S.A. DE C.V. ⁽ⁱⁱⁱ⁾	71	Bunzl American Holdings (No.1) Limited	109
Steelpro S.A de C.V. ⁽ⁱⁱⁱ⁾	74	Bunzl American Holdings (No.2) Limited	109
		Bunzl American Holdings (No.3) Limited	109
Netherlands		Bunzl American Holdings (No. 4)	109
Allshoes Benelux BV	84	Bunzl Australia Forex LLP	109
Bunzl Outsourcing Services B.V.	82	Bunzl Australian Holdings Limited	109
Bunzl Verpakkingen Arnhem B.V.	79	Bunzl Finance Public Limited Company ⁽ⁱⁱ⁾	109
Bunzl Verpakkingen B.V.	79	Bunzl Group Services Limited ⁽ⁱⁱ⁾	109
Bunzl Verpakkingsgroep B.V.	79	Bunzl Overseas Holdings Limited	109
Conpax Belfort B.V.	80	Bunzl Overseas Holdings (No.2) Limited ⁽ⁱⁱ⁾	109
De Ridder BV	81	Bunzl Overseas Holdings (No.3) Limited	109
King Benelux Holding BV	83	Bunzl Overseas Holdings (No.4) Limited	109
King Nederland BV	83	Bunzl Pension Trustees Limited ⁽ⁱⁱ⁾	109
Majestic Products B.V.	78	Bunzl Plastics Limited ⁽ⁱⁱ⁾	109
Worldpack Trading B.V.	80	Bunzl Properties Limited ⁽ⁱⁱ⁾	109
		Bunzl Retail & Healthcare Supplies Limited	109
New Zealand		Bunzl Retail Supplies Holdings Limited	109
Bunzl Food Processor Supplies (NZ) Limited	86	Bunzl UK Limited	109
Bunzl Outsourcing Services NZ Limited	86	Buwier Limited	109
Corded Strap (NZ) Limited	86	Care Shop Limited	109
ICB Cleaning Supplies Limited	85	Central Catering Supplies Limited	109
Nelson Packaging Supplies Limited	86	Classic Bag Company Holdings Limited	109
Peru			
Vicsa Safety Peru S.A.C.	87		
Puerto Rico			
Melissa Sales Corp.	88		

Shareholder information continued

Related undertakings continued

Subsidiary undertakings	Registered office address*	Subsidiary undertakings	Registered office address*
Continental Chef Supplies Limited	109	Bunzl Minneapolis, LLC	122
Dialene Limited	109	Bunzl North American Holdings, Inc.	123
Greenham Trading Limited ⁽ⁱ⁾	109	Bunzl Northeast, LLC	115
GrowModule 365 Limited	109	Bunzl Processor Distribution, LLC	115
Guardsman Limited	109	Bunzl Retail, LLC	115
Henares Limited ⁽ⁱ⁾	109	Bunzl Southwest Holdings, LLC	120
Howper 800 Limited ⁽ⁱⁱⁱ⁾	107	Bunzl US Holdings LLC	115
Indigo Concept Packaging Limited	109	Bunzl USA Holdings LLC	120
Irish Merchants (Northern Ireland) Limited	110	Bunzl USA LLC	123
Keenpac Limited	109	Bunzl Utah, LLC	119
Kingsbury Packaging (Limavady) Ltd	111	Bunzl Western Holdings, Inc.	115
Lee Brothers Bilston Limited	109	Cool-Pak, LLC	123
Lockhart Catering Equipment Limited	109	Destiny Packaging, LLC	123
London Bio Packaging Limited	109	Earthwise Bag Company, Inc.	127
Michael Davies and Associates Limited	109	Foodhandler Inc.	113
Portabottle Limited	109	Green Source, LLC	115
Portabrand Limited	109	Hi-Valu, LLC	115
P.O.S. Direct Limited	109	International Sourcing Company Inc. ⁽ⁱⁱⁱ⁾	117
Rafferty Hospitality Products Limited	110	John Tillman Company	123
Selectuser Limited ⁽ⁱⁱ⁾	109	Keenpac, LLC	115
Southern Syringe Services Limited	109	Keepsafe, LLC	114
SPH 3102 Limited	109	Masteragents LLC	121
The Classic Printed Bag Company Limited	109	Papercraft Southwest, LLC	123
The Porta Group Limited	109	Prime Source, LLC	115
Thomas McLaughlin	110	R3 Safety, LLC	115
Thompson Christmas Company Limited	109	R3, LLC	116
Thompson Medd Limited	109	SAS Safety Corporation	123
Tri-Star Packaging Supplies Limited	106	Schwarz Paper Company, LLC	123
Universal Hospital Supplies Limited	109	Steiner Industries, Inc.	121
Walsh and Jenkins Holdings Limited	109	TSN East, LLC	115
Walsh and Jenkins Limited	109	TSN West, LLC	115
Wavelength Handling & Distribution Services Limited	109	U.S. Glove Co., Inc.	125
Woodway Packaging Limited	109	Uruguay	
Woodway UK Limited	109	Steelpro Safety S.A.	128
Woodway UK South Limited ⁽ⁱⁱⁱ⁾	109	Other shareholdings	Registered office address*
WOW Catering Supplies Limited	109	Viner-Pack Gyarto Kereskedelmi Es Szolgaltato	
Wycombe Marsh Paper Mills Limited ⁽ⁱ⁾	109	Korlatolt Felelosseg Tarsasag (20%)	65
Yorse No. 1 Limited	109		
Yorse No. 2 Limited	109		
Yorse No. 3 Limited ⁽ⁱ⁾	109		
United States			
Arch Logistics, LLC	115	* 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.	
Bunzl Corporate Holdings, Inc.	115		
Bunzl Distribution California, LLC	123		
Bunzl Distribution Leasing, Inc.	122		
Bunzl Distribution Midatlantic, LLC	124		
Bunzl Distribution Midcentral, Inc.	115		
Bunzl Distribution Northeast, LLC	112		
Bunzl Distribution Oklahoma, Inc.	115		
Bunzl Distribution Southeast, LLC	118		
Bunzl Distribution Southwest, L.P.	123		
Bunzl Distribution USA, LLC	115		
Bunzl Finance L.L.C. ⁽ⁱⁱ⁾	123		
Bunzl Holdings Inc.	123		
Bunzl International Services, Inc.	123		
Bunzl Mexican Holdings II, LLC	115		
Bunzl Mexican Holdings, LLC	115		
Bunzl Midatlantic, LLC	115		

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

List of registered office addresses

Address	Key	Address	Key
Maipú 1300, piso 13, Ciudad de Buenos Aires, Argentina	1	Boulevard Francois-Xavier Faffeur, Zone Industrielle Lanollier, 11000, Carcassonne, France	48
34-48 Cosgrove Road, Enfield NSW 2136, Australia	2	440 route de Rosporden, 29000 Quimper, France	49
37 Rocco Drive, Scoresby, Victoria 3176, Australia	3	5 avenue Gutenberg, ZA Pariwest, 78310 Maurepas, France	50
55 Sarah Andrews Close, Erskine Park NSW 2759, Australia	4	Parc d'activite Des Lacs, 22 rue Saint Exupery, 33 290 Blanquefort, France	51
Level 2, 700 Springvale Road, Mulgrave VIC 3170, Australia	5	50 Avenue d'Allemagne, Rond Point de L'Europe, ZA Albasud, 82000 Montauban, France	52
Diepoldsauer Straße 37, 6845 Hohenems, Austria	6	585, Rue Alain Colas, 29200, Brest, France	53
1300 Wavre, Avenue Sabin 23, 1300 Wavre, Belgium	7	Bahnhofstrasse 72, 27404 Zeven, Germany	54
149A Chaussee de Coutrai, 7740 Pecq, Belgium	8	Elbestraße 1-3, 45768 Marl, Germany	55
Avenue Sabin 23, 1300 Wavre, Avenue Sabin 23, Belgium	9	Friedrichstrasse 2, 40699 Erkrath, Germany	56
Aarschotsesteenweg 114 3012 Leuven (Wilsele), Belgium	10	Malteserstrasse 139-143, 12277, Berlin, Germany	57
Oudenaardsesteenweg 19 9000 Ghent, Belgium	11	Maysweg 11, 47918 Tönisvorst, Germany	58
Rue du Cerf 190 1332 Genval, Belgium	12	Room 1303, 13th Floor, Nan Fung Tower, 173 Des Voeux Road Central, Hong Kong	59
Rua Avelino Hilario Muniz, 699, Contagem, Minas Gerais, Brazil	13	Unit 3-4 18F Tower 6, China Hong Kong City, Tsim Sha Tsui, Kowloon, Hong Kong	60
Rua Crepusculo, No 58, Belo Horizonte, Minas Gerais, Brazil	14	11th Floor, One Pacific Place, 88 Queensway, Hong Kong	61
Rua São Domingos da Prata, 200, Bairro Vila Barros, CEP 07193-160, Guarulhos, São Paulo, Brazil	15	H-1097 Budapest, Gyáli út 37/A, Hungary	62
City of Osasco, State of São Paulo, at Rua Padre Damaso, No. 165 & 173, Centro, 06016-010, Brazil	16	Vendel Park, Erdőalja út 3., 2051 Biatorbág, Hungary	63
Avenida Doutor Mauro Lindemberg Monteiro 140, Osasco, São Paulo, CEP 06278-010, Brazil	17	2310 Szigetszentmiklos, Kantor ut 10, Hungary	64
Avenida Ermano Marchetti, 580 Agua Branca, City of São Paulo, São Paulo, CEP 05038-000, Brazil	18	2336 Dunavarsány, 071/33 hrsz, Hungary	65
Estrada Velha de Guarulhos – São Miguel, 5135, Box 311 – Jardim Arapongas, Guarulhos, São Paulo, CEP 07210-250, Brazil	19	Arthur Cox Building, Earlsfort Terrace, Dublin 2, Ireland	66
7450 Pion Avenue, Saint-Hyacinthe QC J2R 1R9, Canada	20	Emek Ha'Ela 250, Modi'in, P.O.B 553, LOD 7110601, Israel	67
77 King Street West, Suite 400, Toronto ON M5K 0A1, Canada	21	4 Kinneret Street, POB 1139, Airport City, Ben Gurion Airport, 7019802, Israel	68
Dentons Canada LLP, 2900, 10180 – 101 Street, Edmonton AB T5J 3V5, Canada	22	Via Pellicceria n. 10, 50123, Florence, Italy	69
SNR Dentons LLP, 77 King Street West, Suite 400, Toronto ON M5K 0A1, Canada	23	Felipe Eugenio Marrón Montané, Avenida Pablo Neruda No. 2839, Colonia Providencia. C.P. 44630, Guadalajara, Jalisco, Mexico	70
Stewart McKelvey, Suite 900, Purdy's Wharf Tower One, 1959 Upper Water Street, Halifax, NS B3J 2X2, Canada	24	Galileo # 11, Colonia Polanco V Secc., Delagación Miguel Hidalgo, 11560, Ciudad de México, Mexico	71
3900-1 Place Ville-Marie, Montréal Québec H3B 4M7, Canada	25	Pablo A. Gonzalez Garza Pte., 820, Chepevera, Monterrey, Nuevo Leon, 64030, Mexico	72
Avenida Boulevard, Aeropuerto Norte #9649, Pudahuel, Santiago, Chile	26	Pablo Neruda #2839, Colonia Providencia, 44639 Guadalajara, Jalisco, Mexico	73
Antiguo Camino a Coquimbo S/N Lote 1-3/ 1-9, Colina, Sanitago, Chile	27	Ave. Bonifacio Salinas 203, Col Central de Carga, CP67129, CD Guadalupe, Nuevo Leon, Mexico	74
Av. Presidente Eduardo Frei Montalva 5151, Conchalí, 8550678 Santiago, Chile	28	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	75
Floor 9, Xinpeng Plaza, No. 200, Lane 91, E'shan Road, Pudong New Area, Shanghai, China, 200127	29	Bosques de Ciruelos No. 180, PP 101 Bosques de las Lomas, Delagacion Miguel Hidalgo, D.F. 11700, Mexico	76
Room 912, Central Business Tower, 88 Fuhua 1st Road, Futian, Shenzhen, China	30	Carretera Miguel Alemán KM21 Edificio 4C Prologis Park, Apodaca, N.L., México C.P. 66627	77
Carrera 30 No. 15-30, Bogota D.C., Colombia	31	Curieweg 19, 3208, K J Spijkenisse, Netherlands	78
Funza, [Cundinamarca], Colombia	32	Delta 2, 6825 MR Arnhem, Netherlands	79
Dolnokrčská 2029/54a, Krč, Praha 4, 140 00, Czech Republic	33	Esp 125, 5633 AA, Eindhoven, Netherlands	80
Prague 10 – Uhříněves, Přátelství 1011, 10400, Czech Republic	34	Oosterwerf 4, 1911 JB, Uitgeest, Netherlands	81
Greve Main 30, 2670 Greve, Denmark	35	Rondebeltweg 82, 1329 BG Almere, Netherlands	82
Indkildevej 2 c, DK-9210, Aalborg SØ, Denmark	36	Stephensonstraat 5, 4004JA Tiel, Netherlands	83
Kirkebjergvej 17, 4180 Sorø, Denmark	37	Barnsteenstraat 1-A, Alkmaar, Netherlands	84
556 Chemin du Mas de Cheylon, CAP Delta 30941, Nimes, France	38	686 Rosebank Road, Avondale, Auckland, 1026, New Zealand	85
168 avenue Charles de Gaulle, 9220 Neuilly-sur-Seine, Paris, France	39	97 Sawyers Arm Road, Christchurch, 8052, New Zealand	86
Rue Charles Remi Arwoult, 21700 Nuite Saint Georges, France	40	Av. Santa Rosa 350. Ate., Lima, Peru	87
Rue Nungesser et Coli d2A Nantes Atlantique, 44860 Saint-Aignan de Grand Lieu, France	41	Corporate Creations Puerto Rico Inc., Urbanizacion Country Club, GS-31 Calle 206, Carolina PR 00982, Carolina County, Puerto Rico	88
ZI Val de Seine, 17 avenue Nobel, 92390 Villeneuve la Garenne, France	42	Comuna Dragomiresti Vale, Sat Dragomiresti Deal, DE 287/1, Judetul Ilfov, Bucharest West Logistics Park, Cladirea C, Unitatea C01, Romania	89
Zone d'activite Sud Saint Jean, 57130 Jouy aux Arches, France	43	Na pantoch 18, 831 06 Bratislava, Slovakia	90
2 Rue Paul Vaillant Couturier, 76120 Le Grand Quevilly, France	44	Parque Empresarial Las Mercedes, Edefficio 5, 3 Planta, Avenida de Aragon 330, Madrid 28022, Spain	91
20 rue VEGA, 44470 Carquefou, France	45		
Quai Louis Aulagne, 69 190 Saint Fons, France	46		
29 avenue des Morillons, ZA des Doucettes, 95140 Garges les Gonesses, France	47		

Shareholder information continued

List of registered office addresses continued

Address	Key
Santo Domingo De La Calzada, La Rioja, 26250, Carretera De Logrono, Spain	92
Calle Filats, 8 Polg. Industrial Prologis Park, Sant Boi de Llobregat, Barcelona, Spain	93
Calle Moroder No3, Moncada, Valencia, Spain	94
Cartagena, Murcia, poligono industrial Cabezo Beaza, Avenida Bruselas, 30353, esquina calle Amsterdam, parcela R 100, Spain	95
Cartagena, Murcia, poligono industrial Cabezo Beaza, Avenida Luxemburgo, calle Artes y Oficios, nave B-3, Spain	96
Edificio Plaza, Nave 5, Ali-4 Plataforma Logistica de Zaragoza, 50197, Zaragoza, Spain	97
Güterstrasse, 4313 Möhlin, Switzerland	98
Nordring 2, 4147 Aesch, Switzerland	99
Oberebenestrasse 53, CH-5620 Bremgarten, Switzerland	100
c/o ALR Fiduciaire Rummel SA, ch. Valmont 224, 1260, NYON, Switzerland	101
c/o Weita AG, Nordring 2, 4147 Aesch, Switzerland	102
Akçaburgaz Mahallesi, 3137. Sokak, No.19 Esenyert, Istanbul, Turkey	103
Tersane Cad. No:115 Karaköy, Istanbul, Turkey	104
Yukarıdudullu Mah., Nato Yolu Cad., Metanet Sok. No:2, 34775 Ümraniye, Istanbul, Turkey	105
103 High Street, Waltham Cross, Hertfordshire, EN8 7AN, United Kingdom	106
25-27 Mallard Close, Earls Beaton, Northampton, NN6 0JF, United Kingdom	107
c/o Lindsays, 1 Royal Bank Place, Buchanan Street, Glasgow, G1 3AA, United Kingdom	108
York House, 45 Seymour Street, London, W1H 7JT, United Kingdom	109
72 Cathedral Road, Armagh, BT61 8AG, Northern Ireland, United Kingdom	110
Arthur Cox, Victoria House, Gloucester Street, Belfast, Northern Ireland, BT1 4LS, United Kingdom	111
406 South Boulder #400, Tulsa OK 74103, United States	112
Corporate Creations Network Inc., 15 North Mill Street, Nyeck New York, NY 10960, United States	113
Corporate Creations Network Inc., 119 East Court Street, Cincinnati, OH 45202, United States	114
Corporate Creations Network Inc., 12747 Olive Boulevard, Suite 300, St. Louis, MO 63141, St. Louis County, United States	115
Corporate Creations Network Inc., 1922 Ingersoll Avenue, Des Moines, IA 50309 IL, United States	116
Corporate Creations Network Inc., 205 Powell Place, Brentwood TN 37027, United States	117
Corporate Creations Network Inc., 2425 W Loop South #200, Houston TX, United States	118
Corporate Creations Network Inc., 2825 East Cottonwood Parkway #500, Salt Lake City UT 84121, United States	119
Corporate Creations Network Inc., 3411 Silverside Road, Rodney Building #104, Wilmington DE 19810, United States	120
Corporate Creations Network Inc., 350 S. Northwest Highway #300, Park Ridge IL 60068, United States	121
Corporate Creations Network Inc., 5200 Willson Road #150, Edina MN 55424, United States	122
Corporate Creations Network Inc., 6802 Paragon Place #410, Richmond, VA 23230, Henrico, United States	123
Corporate Creations Network, Inc., 1001 State Street #1400, Erie PA 16501, United States	124
Corporate Creations Network, Inc., West 505 Riverside Avenue #500, Spokane WA 99201, United States	125
One City Place Drive, Suite 200, Saint Louis MO63141, United States	126
Corporate Creations Network Inc., 1430 Truxton Avenue, 5th Floor, Bakersfield CA 93301, United States	127
César Cortinas 2037, Montevideo, Uruguay	128

Financial calendar

	2017
Annual General Meeting	19 April
Results for the half year to 30 June 2017	29 August
	2018
Results for the year to 31 December 2017	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 2016 the Company had 4,587* (2015: 5,225) registered shareholders who held 335.6 million (2015: 335.2 million) ordinary shares between them, analysed as follows:

Size of holding	Number of shareholders	% of issued share capital
0 – 10,000	3,964	1
10,001 – 100,000	380	4
100,001 – 500,000	151	10
500,001 – 1,000,000	42	9
1,000,001 and over	50	76
	4,587	100

* The decrease in the number of registered shareholders during 2016 was principally due to a wealth manager consolidating the beneficial holdings of its clients and operating a reduced number of pooled accounts rather than a large number of individual segregated accounts.

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 Depository Receipts

The Company has a sponsored Level 1 American Depository 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. 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

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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

	2016 £m	2015 £m	2014 £m	2013 £m	2012* £m
Revenue	7,429.1	6,489.7	6,156.5	6,097.7	5,359.2
Operating profit	409.7	366.5	341.8	332.1	293.8
Finance income	7.1	4.8	4.0	2.6	3.6
Finance expense	(53.9)	(48.6)	(46.0)	(44.8)	(37.6)
Disposal of business	-	-	-	-	4.0
Profit before income tax	362.9	322.7	299.8	289.9	263.8
Income tax	(97.0)	(90.0)	(89.1)	(83.1)	(72.5)
Profit for the year attributable to the Company's equity holders	265.9	232.7	210.7	206.8	191.3
Basic earnings per share	80.7p	71.0p	64.5p	63.5p	58.7p
Non-GAAP measures[†]					
Adjusted operating profit	525.0	455.0	429.8	414.4	352.4
Adjusted profit before income tax	478.2	411.2	387.8	372.2	318.4
Adjusted profit for the year	349.6	298.1	281.6	268.2	230.2
Adjusted earnings per share	106.1p	91.0p	86.2p	82.4p	70.6p

* Restated on adoption of IAS 19 (revised 2011) 'Employee Benefits'.

† See Note 2w on page 102 for further details of the non-GAAP measures.



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