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Delivering business solutions



Bunzl plc is a focused and successful specialist international distribution and services Group providing customised solutions. 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 market sectors in the Americas, Europe and Asia Pacific.

Delivering business solutions around the world



Expert
knowledge
and advice

[Read more](#)

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Value added
services

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Customised
digital
solutions

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Financial highlights

Our long term track record of strong cash generation has enabled us to pay a growing dividend over the past 26 years and to support our growth strategy by making acquisitions and reinvesting in the underlying business.

Adjusted earnings per share*

129.6p

(2017: 119.4p)

+12% ↑

Growth at constant exchange rates
(Actual exchange rates +9%)

Cash conversion*

94%

(2017: 97%)

Dividend per share

50.2p

(2017: 46.0p)

+9% ↑

Revenue

£9,079.4m

(2017: £8,580.9m)

+9% ↑

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

Adjusted operating profit*

£614.0m

(2017: £589.3m)

+7% ↑

Growth at constant exchange rates
(Actual exchange rates +4%)

Adjusted profit before income tax*

£559.0m

(2017: £542.6m)

+6% ↑

Growth at constant exchange rates
(Actual exchange rates +3%)

Operating profit

£466.2m

(2017: £456.0m)

Actual exchange rates +2%

Profit before income tax

£424.8m

(2017: £409.3m)

Actual exchange rates +4%

Basic earnings per share

98.4p

(2017: 94.2p)

Actual exchange rates +4%

* Alternative performance measure (see Note 3 on page 114).

Growth at constant exchange rates is calculated by comparing the 2018 results to the results for 2017 retranslated at the average exchange rates used for 2018.

Group at a glance

We provide a one-stop-shop, on-time and in-full specialist distribution service across more than 30 countries, supplying a broad range of internationally sourced non-food products to a variety of market sectors.



Markets served (% of 2018 revenue)

Foodservice

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

29%

Grocery

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

26%

Safety

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

12%

Cleaning & Hygiene

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

12%

Retail

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

11%

Healthcare

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

7%

Other

A variety of product ranges to other end user markets.

3%

North America

Revenue

£5,277.8m

% of 2018 revenue

58%

Adjusted operating profit*

£317.1m

- Revenue increased 8% at constant exchange rates.
- Adjusted operating profit* up 3% at constant exchange rates.
- Decrease in operating margin* from 6.3% to 6.0%.
- Return on operating capital* down from 53.6% to 48.4%.

Read more

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* Alternative performance measure (see Note 3 on page 114).



Expansion into Norway

The purchase of Enor in July 2018 was an important development for the Group as it represented Bunzl's first acquisition in Norway and expanded Bunzl's operations in Scandinavia. The business is engaged in the supply of a broad range of catering equipment to end user customers principally operating in the foodservice sector.

Continental Europe

Revenue

£1,797.5m

% of 2018 revenue

20%

Adjusted operating profit*

£176.8m

- Revenue up 12% at constant exchange rates.
- Adjusted operating profit* up 18% at constant exchange rates.
- Improvement in operating margin* from 9.3% to 9.8% at constant exchange rates.
- Return on operating capital* up from 57.5% to 60.4%.

Read more

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UK & Ireland

Revenue

£1,263.6m

% of 2018 revenue

14%

Adjusted operating profit*

£86.8m

- Revenue increased 6% at constant exchange rates.
- Adjusted operating profit* down 2% at constant exchange rates.
- Operating margin* down from 7.4% to 6.9%.
- Return on operating capital* down from 90.0% to 87.8%.

Read more

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Rest of the World

Latin America and Asia Pacific

Revenue

£740.5m

% of 2018 revenue

8%

Adjusted operating profit*

£56.4m

- Revenue up 12% at constant exchange rates.
- Adjusted operating profit* up 15% at constant exchange rates.
- Operating margin* up from 7.4% to 7.6% at constant exchange rates.
- Return on operating capital* down from 32.4% to 31.9%.

Read more

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Chairman's statement

“ The combination of the strength, resilience and reliability of our business model and the continued successful execution of our consistent and proven strategy have together delivered further growth.

Results

I am pleased to report that Bunzl has produced another good set of results for 2018 against the background of variable macroeconomic and market conditions across the countries and sectors in which we operate.

Group revenue increased by 6% to £9,079.4 million (2017: £8,580.9 million) and adjusted operating profit was up 4% to £614.0 million (2017: £589.3 million). Adjusted profit before income tax increased 3% to £559.0 million (2017: £542.6 million) and adjusted earnings per share were 129.6p (2017: 119.4p), an increase of 9%. Profit before income tax increased 4% to £424.8 million (2017: £409.3 million) and basic earnings per share were also up 4% to 98.4p (2017: 94.2p).

Overall currency translation movements, principally the strengthening of sterling against the US dollar, had a negative impact on the reported Group growth rates at actual exchange rates. At constant exchange rates, revenue increased by 9% and adjusted operating profit rose by 7% with the Group operating margin down 10 basis points at 6.8%. Adjusted earnings per share were up 12%.

Return on average operating capital decreased from 53.1% in 2017 to 50.7%, principally driven by a lower return in the underlying business, partly offset by the positive impact of acquisitions net of disposals and exchange rate movements. Return on invested capital of 15.0% was down from 16.0% in 2017 as a result of the impact of recent acquisitions and disposals, a lower return in the underlying business and an adverse impact from exchange rate movements.

Dividend

The Board is recommending a final dividend of 35.0p. This brings the total dividend for the year to 50.2p, up 9% compared to 2017. Shareholders will again have the opportunity to participate in our dividend reinvestment plan.

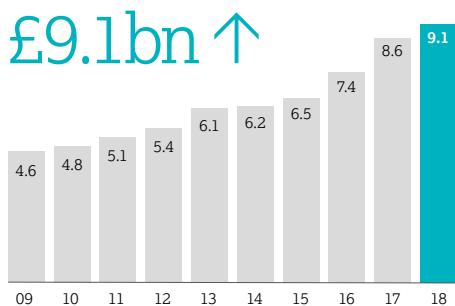
Strategy

Our consistent and proven strategy of developing the business through organic growth, consolidating the markets in which we compete through focused acquisitions and continuously improving the quality of our operations and making our businesses more efficient has delivered another successful year for Bunzl.

We seek to achieve organic growth by continually redefining and deepening our commitment to our customers. We apply our resources, knowledge and expertise to offer an efficient and cost-effective one-stop-shop solution to enable our customers to reduce or eliminate the hidden costs of sourcing and distributing a broad range of goods that are essential to the successful operation of their businesses but which they do not themselves resell. By doing so, combined with the provision of a variety of value added, innovative, sustainable and customised service solutions, our customers are able to focus on their core businesses and achieve purchasing efficiencies and savings, while at the same time free up working capital, improve their distribution capabilities, reduce carbon emissions and simplify their internal administration.

Acquisition activity continued in 2018, albeit at a slower pace compared to the record year of 2017. Excluding Aggora in the UK and Talge in Brazil, which we agreed to acquire in 2017 and completed at the beginning of January 2018, but including Volk do Brasil which we agreed to acquire in October 2018 and completed in January 2019, we made six acquisitions in 2018. The total committed spend for these businesses was £183 million which added annualised revenue of £148 million.



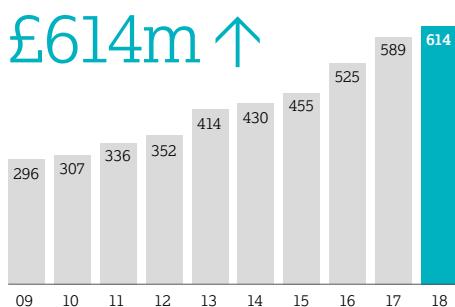
Revenue £bn

During the first half of the year we also completed the disposal of two non-core businesses which were no longer considered to be a strategic fit within the portfolio of the Group's businesses. OPM was involved in the sale of SodaStream products to retailers in France and the marketing services business in the UK had limited opportunities to expand overseas. The aggregate annualised revenue of both businesses was £94 million and the cash consideration received was £59 million.

People

In 2018 we conducted our biennial global employee engagement survey which is an important tool in developing our people standards and the behaviours and attitudes we expect of ourselves. We were pleased with the overall positive results and in 2019 our businesses will implement their local action plans for further enhancing engagement with our employees. We believe that diversity across Bunzl drives better performance and a stronger business.

Our revised and refreshed senior leadership development programme that brings together employees from different cultures, backgrounds and nationalities is launching in 2019 and will further help us to develop our talent pipeline for future growth. We also encourage our people to use their skills to benefit the communities within which they work. Many volunteer their time and skills to support causes and charities they feel passionate about.

Adjusted operating profit* £m**Investment**

We have continued to invest in the capital base of the Group through the expansion and improvement of our facilities, consolidating our warehouse footprint to make it more efficient and developing and enhancing our IT systems and digital platforms. Through this investment we are able to support our growth strategy and improve our service offering which in turn helps us to retain a competitive advantage.

Corporate responsibility

Our approach to corporate responsibility ('CR') is guided by a central framework of policies but it is our individual businesses that are empowered to identify what their CR priorities are and how to make improvements year on year. Our experts and champions in the business shape local practices and ensure our operations run responsibly and ethically over the long term. During 2018 we continued to make improvements in our CR approach by undertaking a quantitative analysis of material social risks in our global supply chain. In addition, the quality assurance/quality control team in Shanghai undertook a record number of audits of the working practices of our key Asian suppliers and continued to carry out audits with the assistance of third party specialists in a number of countries outside of Asia which have been identified as having medium levels of social risk.

I would like to thank all our employees for their contribution to the Group's success in the past year and for their unwavering dedication and commitment.

Board

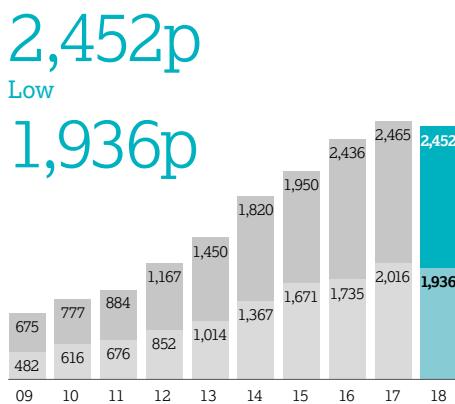
Patrick Larmon, who had been an executive director of the Company and Chief Executive Officer of the North America business area since 2004, retired from the Board and the Company on 31 December 2018. Jean-Charles Pauze, who had been a non-executive director since January 2013, also retired from the Board at the end of the year. We thank Pat and Jean-Charles for their significant contribution to our success.

I myself have been a director of the Company for nine years, having joined the Board in January 2010, becoming Chairman in March of that year. In recognition of the new provisions of the recently revised Corporate Governance Code, we have started a process to identify and appoint my successor, led by Vanda Murray, our Senior Independent Director. Subject thereto, and taking into account the guidance in the revised Code, it is presently the Board's intention that I should remain as Chairman until the Annual General Meeting to be held in 2020 in order to provide sufficient time to complete this process in an orderly and considered manner and to oversee a successful handover.

Philip Rogerson

Chairman

25 February 2019

**Adjusted earnings per share* p
09–12 restated on adoption of
IAS 19 (revised 2011)****Share price range p
High**

We have continued to work with customers in our quest to be responsible suppliers of more sustainable disposable packaging and reduce their waste footprints while also expanding our range of alternative sustainable products. Our unique one-stop-shop offering also actively contributes to the sustainable footprint of our customers' businesses by consolidating and thereby reducing the number of product deliveries.

* Alternative performance measure (see Note 3 on page 114).

Chief Executive's review

“ We have once again demonstrated the strength of our value proposition and shown our ability to grow both organically and by acquisition across our international portfolio of businesses.

Key highlights

- Good increases in revenue, adjusted operating profit and adjusted profit before income tax.
- Adjusted earnings per share increased by 12% at constant exchange rates to 129.6p.
- Strong organic revenue growth of 4.3% with all business areas contributing growth of 4% or more.

- Group operating margin of 6.8%, down 10 basis points principally due to decreases in North America and UK & Ireland, partly offset by increases in Continental Europe and Rest of the World.
- Committed acquisition spend of £183 million, following a record year in 2017.
- Continued strong cash conversion of 94%.

Operating performance

With 87% of the Group's revenue generated outside the UK, the strengthening of sterling against many currencies, particularly the US dollar, has had a negative translation impact of approximately 3% on the Group's reported results. As in previous years, the operations, including the relevant growth rates and changes in operating margins, are therefore reviewed 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 2017 at the average rates used for 2018. Unless otherwise stated, all references in this review and the operating review to operating profit are to adjusted operating profit while operating margin refers to adjusted operating profit as a percentage of revenue. Details of the adjustments made to operating profit are set out in Note 3 to the financial statements.

Revenue increased 9% (6% at actual exchange rates) to £9,079.4 million due to the benefit of acquisitions, partly offset by the impact of disposals, as well as strong organic growth of 4.3% with good contributions from all business areas. Operating profit was £614.0 million, an increase of 7% (4% at actual exchange rates). Operating margin of 6.8% was down 10 basis points at both constant and actual exchange rates, principally due to decreases in North America and UK & Ireland, partly offset by increases in Continental Europe and Rest of the World.



87%

of the Group's revenue was generated outside the UK



“

As the global leader and expert in our industry, we are proactively working with customers, suppliers and other stakeholders to promote and support a sustainable approach to the products we sell.

In North America revenue rose 8% (4% at actual exchange rates) due to the impact of organic growth together with the effect of acquisitions, while operating profit increased 3% (unchanged at actual exchange rates) as the operating margin declined 30 basis points at both constant and actual exchange rates to 6.0%, principally due to the impact of the significant additional lower margin grocery business which was fully absorbed during the second quarter of 2018 and higher operating costs. Revenue in Continental Europe rose 12% at both constant and actual exchange rates as a result of organic growth and the impact of acquisitions, partly offset by the disposal of OPM in France in February 2018. Operating profit was up 18% (17% at actual exchange rates) as the operating margin improved 50 basis points at constant exchange rates (40 basis points at actual exchange rates) to 9.8% principally due to the impact of higher margin acquisitions. In UK & Ireland revenue was up 6% due to the impact of organic growth and acquisitions, partly offset by the disposal of the marketing services business in June 2018, but operating profit decreased 2% with the operating margin reducing by 50 basis points to 6.9% principally due to challenging market conditions in the UK. In Rest of the World revenue increased 12%

(3% at actual exchange rates) and operating profit was up 15% (5% at actual exchange rates) as a result of both organic growth and acquisitions, with the business area operating margin increasing 20 basis points (10 basis points at actual exchange rates) to 7.6%.

Adjusted profit before income tax was £559.0 million, up 6% (3% at actual exchange rates) due to the growth in operating profit, partly offset by an increase in the net interest charge. Profit before income tax was £424.8 million, an increase of 7% (4% at actual exchange rates). Basic earnings per share were 8% higher (4% at actual exchange rates) at 98.4p. Adjusted earnings per share were 129.6p, an increase of 12% (9% at actual exchange rates), principally due to the increase in adjusted profit before income tax and a significantly reduced effective tax rate largely caused by the reduction in the US federal tax rate from 1 January 2018.

Operating cash flow remained strong with cash conversion (the ratio of operating cash flow to adjusted operating profit) at 94%. The ratio of net debt to EBITDA calculated at average exchange rates decreased from 2.3 times at the end of 2017 to 2.0 times.

Chief Executive's review continued

Over the course of the year, I am delighted that we have been able to make significant progress on investment in IT and digital projects and have rolled out further digital platforms which have enhanced our customers' experience when interacting with our businesses. We have also continued to focus on collaboration and sharing of best practice around the world which has brought additional benefits for our customers. Finally, I am pleased that we have stepped up our efforts to work in partnership with both customers and suppliers to develop the sustainability agenda by providing specialist advice and assistance promoting alternatives to plastic products and supporting the development of innovative products to increase the compostability and recyclability of many of the items that we sell.

Acquisitions

During the year we agreed to purchase six businesses for a total committed spend of £183 million. These exclude Aggora and Talge, which we agreed to purchase in 2017 and completed in early January 2018, but include Volk do Brasil which we agreed to acquire in October 2018 and completed in January 2019.

In January 2018 we acquired Revco which supplies workplace safety and personal protection equipment to redistributors in the US. Revenue in 2017 was £28 million.

QS, a provider of hygiene solution services primarily for washrooms in the Netherlands with a focus on customers operating in the government, healthcare and foodservice sectors, was acquired in March. Revenue in 2017 was £5 million. Monte Package Company, which was also purchased in March, is engaged in the distribution of a variety of packaging products to fresh food growers and packers, principally in the Eastern US. Revenue in 2017 was £44 million.

Enor in Norway was purchased in July. The business is engaged in the supply of a broad range of catering equipment to end user customers in Norway. Enor represents our first step into the Norwegian market and means that we now have businesses operating in 31 countries globally. Revenue in 2017 was £27 million.

During October we entered into an agreement to acquire Volk do Brasil which is a leading distributor of personal protection equipment, principally gloves, to redistributors and end users in Brazil. As mentioned above, the acquisition was completed in January 2019. Revenue in 2018 was £42 million.

In early December we purchased CM Supply in Denmark. The business is engaged in the supply of own brand and customised foodservice products and packaging to customers operating in the hotel, restaurant and catering sector. Revenue in 2018 was £4 million.

Today we are announcing the acquisition of Liberty Glove & Safety, a supplier of safety products to distributors based in the US. The business supplies a full range of personal protection equipment with a focus on gloves. Revenue in 2018 was £70 million.

Disposals

During the year we sold OPM in France and our marketing services business in the UK. These were non-core businesses that were no longer considered to be a strategic fit within the Group. The aggregate revenue of these businesses in 2017 was £94 million. The total cash consideration received was £59 million with a pre-tax profit on disposal of £14 million and an associated tax charge of £3 million which have not been included in calculating adjusted profit before income tax and adjusted earnings per share.

Prospects

Although we continue to face mixed macroeconomic and market conditions, including uncertainties concerning global trade, our strong competitive position, diversified and resilient businesses and ability to consolidate our fragmented markets further are expected to lead to continued growth.

In North America, the combination of organic revenue growth, which returned to more normal levels during 2018, and the impact of acquisitions should lead to growth. We continue to face inflationary pressures on operating costs but these will be mitigated by our recently implemented, more focused and streamlined organisation structure. In Continental Europe, we expect to develop further due to the benefit of organic growth and acquisitions. Growth in UK & Ireland will be impacted by the disposal of the marketing services business in June 2018 and by future economic conditions in the UK, which at this time are unclear. In Rest of the World, we expect to see continued growth for the year.

Acquisitions are a key part of our strategy and, with an active pipeline of opportunities and ongoing discussions taking place, we expect to complete further transactions during 2019.

The Board believes that the prospects of the Group are positive due to its strong market position and well established and successful strategy to grow the business both organically and by acquisition.

Frank van Zanten

Chief Executive
25 February 2019

Investment case

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

A diversified, balanced and resilient business

Group at a glance

pg 2



- Presence in 31 countries.
- Six customer focused market sectors.
- Fragmented markets.
- Long term relationships with customers and suppliers.

Revenue from resilient sectors

74%

A consistent and proven compounding strategy

Our strategy

pg 13



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

RAOC*

50.7%

ROIC*

15.0%

Significant opportunities for future growth

Our strategy

pg 13



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

Acquisitions since 2004

157

Disciplined financial management

Financial review

pg 20



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

Average cash conversion* since 2004

97%

A long term track record of good returns for our shareholders

Chairman's statement

pg 4



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

26

years of dividend growth

* See 'Key performance indicators' on pages 18 and 19

Our business model

We have a geographically diversified business portfolio operating across more than 30 countries, serving six core, fragmented market sectors, many of which are growing and relatively resilient to challenging economic conditions. This diversification and resilience allows us to mitigate the impact of shifts and changes in demand across both geographies and sectors.

We are a one-stop-shop for non-food consumables

We source

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

We consolidate

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

We deliver

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

Across these sectors



Foodservice



Grocery



Safety



Cleaning & Hygiene



Retail



Healthcare



Other



Our sources of competitive advantage

Unique service offering

Our unique service offering is at the heart of the Bunzl business model and the reason our customers choose to buy from us. Our customised solutions enable us to add value to our customers' operations ensuring they receive their orders on-time and in-full whatever their requirements.

Our people

Our 3,000 expert sales people supported by 2,600 locally based customer service specialists use their deep and detailed knowledge to work with customers to ensure that they receive the best possible advice on all product and service related matters. Our dedicated warehouse teams ensure orders are picked to a high degree of accuracy and our drivers represent Bunzl on a daily basis as the main face-to-face contact with our customers.

Operational structure

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

Global sourcing

Our global sourcing capabilities, working with multinational and local suppliers, together with the benefits of our Shanghai sourcing office, including QA and QC, allow us to provide a broad range of competitively priced products, including an extensive range of own brand and environmentally friendly, sustainable items.

International scale

With operations in more than 30 countries, our extensive distribution networks mean we can deliver to customers on a local, regional, national and international basis, giving them complete flexibility.

Digital capabilities

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

Acquisition track record

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

Creating value for stakeholders



Customers

Our customers benefit from a one-stop-shop for essential products with one order, one delivery and one invoice, thereby lowering their cost of doing business by reducing or eliminating many of the hidden costs of in-house procurement and distribution and reducing carbon emissions.

Our unique service offering

pg 14



Employees

We support equality and diversity throughout the organisation and have policies and procedures which are designed to allow our employees to meet their training needs, maximise their potential and provide career opportunities for progression within the business.

Our people

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Shareholders

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.

Investment case

pg 9



Environment

Our continued focus on operational excellence allows us to reduce both our own and our customers' environmental impact by introducing more sustainable products and business practices and providing our customers with a single consolidated on-time and in-full delivery of multiple products.

Corporate responsibility

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Suppliers

We partner with a variety of international, national and local suppliers, on both an exclusive and non-exclusive basis, in order to provide our customers with the broadest possible range of products across each of our market sectors.

Corporate responsibility

pg 40



Communities

We support charitable projects in the local communities where our businesses are based through monetary and in-kind product donations and sponsorship for fundraising activities carried out by our employees.

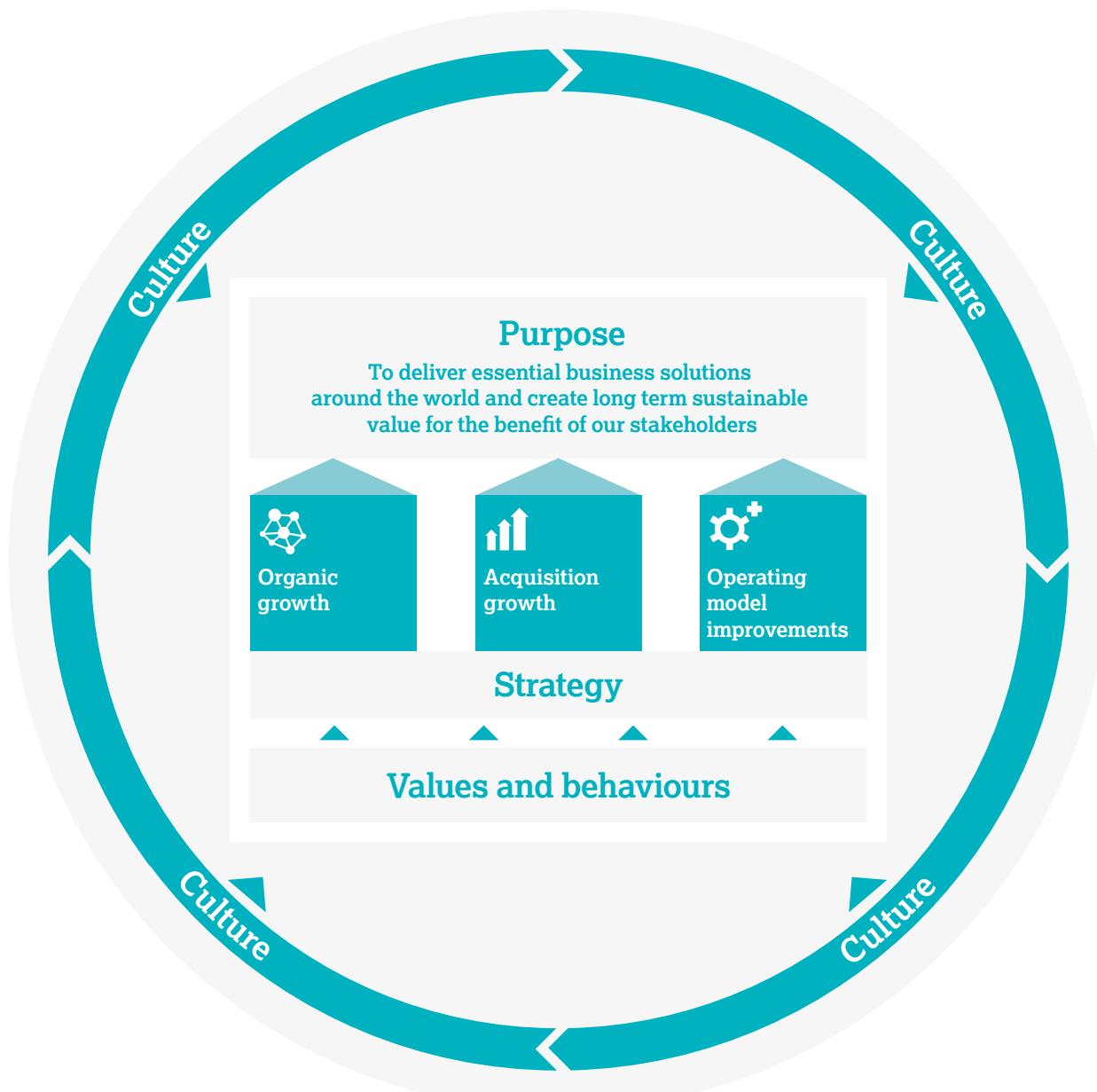
Corporate responsibility

pg 40



Purpose, values, strategy and culture

The successful implementation of our strategy is critical to the delivery of the Group's purpose and is underpinned by the values and behaviours that shape our culture and the way that we conduct our business.



Purpose

The Board defines the Group's purpose, sets the strategy for delivering it and identifies the values that guide it. Our purpose states what we do and why we do it and helps us to articulate our business model.

Values and behaviours

Operating companies in our decentralised organisational structure operate through the application of their own sets of values which are guided by the overriding principles of reliability, customer focus, respect and integrity, collaboration, responsibility and sustainability.

Culture

Bunzl's culture plays a fundamental role in the execution of the Group's strategy. Our open, entrepreneurial, agile, hardworking and empowered culture permeates and drives our business and is an important factor in creating and protecting long term, sustainable value for stakeholders.

Our strategy

We are continuing to pursue our long established, consistent, proven and successful compounding strategy in order to create value for our stakeholders and through which we have built leading positions in a number of market sectors in the Americas, Europe and Asia Pacific.

KPIs

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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.



Acquisition growth

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



Operating model improvements

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

Winning new customers

By showcasing our unique service offering, our sales specialists are able to show potential customers that we can reduce or eliminate many of the hidden costs of in-house procurement and distribution or fulfil their needs more effectively than their current suppliers.

Expanding our offering

Once we have established a good relationship with a customer, by using our knowledge of the customers' needs, we aim to deepen and develop that relationship. This can be achieved by expanding our product offering either with branded or own brand products or providing additional value added services.

Market leading customers

Our customers are often the market leaders in their chosen sector and therefore, as their businesses grow, the need for our products and service solutions also increases, thereby contributing to our organic growth.

Key acquisition parameters

In considering acquisitions, we will only target businesses which meet specific parameters. These include businesses: selling goods not for resale to a fragmented customer base; whose products represent a small percentage of total customer spend; whose markets have scope for further consolidation and synergies; and with attractive financial returns.

Growth in existing countries

Our markets are very fragmented and as a result there are numerous opportunities to develop through acquisition in the countries where we already have a presence. We do this by further penetrating the sectors in which we operate or by acquiring a business in a sector in which we do not currently operate within that country.

Growth in new countries

We are truly international, having grown from a business with operations in 12 countries in 2003 to one with a presence in more than 30 countries today. However, there are a number of potentially attractive countries where we do not currently operate, which gives us potential for further future growth.

Global purchasing

By using our global scale with suppliers, we obtain purchasing synergies which we share with our customers in the form of competitive selling prices.

Consolidating warehouses

As leases come to an end we are able to review our warehouse footprint.

Sharing best practice

We use our experience and expertise from our international businesses to share best practice across the Group.

Environment

We focus on environmental initiatives such as energy efficient lighting and reducing our waste packaging, which also lead to cost savings.

Routing and safety systems

By installing routing and safety systems, we are able to minimise distances travelled and encourage safe and efficient driving practices, thereby reducing fuel and other transport costs.

IT systems

We are continually upgrading our IT systems and increasing functionality to improve our customer service through areas such as management reporting and customer budgetary controls.

Digital capabilities

Our state-of-the-art e-commerce solutions have increased the efficiency of our operations and the ease of doing business for our customers.

Our unique service offering

Bunzl's unique service offering is at the very heart of our approach to business and the reason our customers choose to buy from us. By offering bespoke service solutions we become an integrated part of our customers' business models. Not all customers require all elements of the service offering but it is rather like a menu that they can select from, with some taking more and some taking less.

One-stop-shop: this is the very essence of the Bunzl business model. By providing our customers with a broad range of essential items, readily available from stock, they are able to focus on their core businesses, achieve purchasing efficiencies and savings and minimise their working capital requirements.

On-time, in-full delivery: reliability is key to our customers. We provide an on-time and in-full service by maintaining high product availability, together with customised delivery slots and 'beyond the back door' delivery options.

One order, one delivery, one invoice: by ensuring we 'stock what we sell and sell what we stock' our customers receive all of their ordered items in one consolidated delivery with one invoice to pay, thereby reducing costs and simplifying their internal administration.

Customised digital solutions: by using our scale and investing in our IT capabilities we are able to offer electronic order processing through webshops including customised versions, apps and Electronic Data Interchange, together with further enhancements such as budgetary controls and business specific tools such as asset tagging.

Competitively priced products: our strong and long standing relationships with the branded manufacturers combined with our own brand products which are principally sourced via our Shanghai purchasing office allow us to offer our customers a complete range of products at competitive prices.

Local and national distribution network: due to our extensive branch network and a combination of our own fleet and third party delivery options, we are able to deliver to national, regional and local customers wherever their location.



Customised management information: by utilising our advanced IT systems we are able to offer our customers a wide range of management information tailored to their needs ranging from consumption data versus budget, compliant ordering, market intelligence and supply chain studies.

Delivery options: we can adapt our delivery options to suit our customers' needs including direct to site, warehouse replenishment and cross-dock delivery where we deliver to a customer's hub, directly on to their truck for onward delivery to their sites.

Expert knowledge and advice: our industry leading specialist sales force, together with our locally based customer service specialists, work with our customers to ensure they receive the best possible advice on their product and service needs including sustainable alternatives, range rationalisation options and health and safety requirements.

Value added services: our deep industry knowledge enables us to offer extensive value added services to our customers. These include, but are not limited to, bespoke and printed product management, product training, design and installation services and contract mobilisations.

Our unique service offering:

Expert knowledge and advice



Industry leading specialised sales force and local customer service specialists
 One of the most important aspects of our offering is our comprehensive range of innovative product and service solutions that we are able to provide to our customers. Our 3,000 expert sales people across the Group, who are supported by 2,600 locally based customer service specialists, use their deep and detailed knowledge to work closely with our customers to ensure that they receive the best possible advice on a variety of product and service related matters including range rationalisation, sustainable product solutions and product innovation.

In 2018 we have been holding Sustainable Future customer forums, a collaborative platform that helps both us and our customers better understand our environmental pressures and to find new ways of working together for a more sustainable future.

Supporting our customers to reduce plastic use

We help our customers identify and trial innovative sustainable products. We have worked closely with customers to understand their packaging footprint and take beneficial action to reduce its impact on the environment.

We work with customers with an objective of having a positive impact on the way packaging is treated at the end of its life and to encourage them to see it as a valuable resource capable of having multiple lives as a useful product.

In the UK we have partnered with a leading contract caterer to support one of their high profile customers in the media sector on their sustainability journey. This has included using our expert knowledge and advice to review their entire product range, introduce compostable, recyclable and recycled items, help with the introduction of a waste management system and provide alternative plastic free packaging and reusable items, working with a supplier to design an entire new range of compostable products.

With the changing landscape for the future of more sustainable items, we are especially well placed to support our customers going forward.

Read more

pg 41



3,000
Sales specialists

2,600
Customer service specialists

Our unique service offering:

Value added services

Our services take many different forms across each of our businesses and geographies.

By providing value added services to our customers we are able to enhance our service offering beyond just the products that we sell.

Within all of our businesses we are able to offer product training including helping our customers select the most sustainable yet fit for purpose products. As an example, within our cleaning & hygiene businesses, we are able to assist with contract mobilisations to ensure that our customers have all the products they need in the right locations when they take on new contracts, thus allowing them to focus on their core businesses.



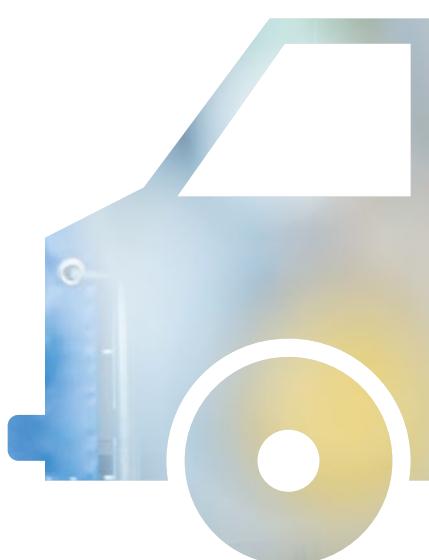
Our business in the Netherlands recently developed a new value added service for the healthcare market.

Through our review of a particular hospital's needs, we soon understood that the time spent on dealing with their consumable products was demanding too much from their own resources. Since our products are essential to the everyday running of the hospital, we offered them a total supply chain solution which covered all aspects of the ordering and delivery process. Our focused and dedicated teams were able to analyse the hospital's data – what products were being used, when and at what price. Through a consultative workshop with the customer we have been able to show where they can save money, but without compromising on quality, by outsourcing the process to Bunzl.

We have rationalised their supplier base and now deliver the products on a just-in-time basis. If required, we also put them away in cabinets on the wards. We record product lot numbers and expiry dates and store and transport the goods carefully so items remain sterile.

To simplify the ordering process, we have a seamless interface for the customer between their business and ours. The Bunzl webshop branded for the customer is connected to their ERP system. The hospital can ensure that only pre-approved products are ordered and track what orders have been placed and the scheduled delivery dates. They can also access their management reports to review consumption levels, authorisation limits and budgets by area in the hospital.

The overall outcome for the hospital is that they save administration time, free up working capital and release valuable storage space, leaving staff to work on clinical tasks. After a successful trial, we have now rolled out the concept to a number of other hospitals in the Netherlands.



Our unique service offering:

Customised digital solutions

State-of-the-art digital platforms

Over recent years we have rolled out state-of-the-art digital platforms across many of our businesses which give our customers the tools that they need to transact with us more easily. By improving the efficiency of their order processing, whether through specific, dedicated, web platforms or the availability of data analytics and budgetary controls, we build strong and long lasting relationships with our customers who recognise that we are a specialist in our categories, offering highly customised solutions.

Integrating e-commerce solutions into customers' IT procurement systems for seamless ordering

Using our IT capabilities we are able to integrate our e-commerce solutions into our customers' own IT systems. We dynamically integrate our own catalogue of products and related stock and pricing information directly into our clients' procurement systems, using a protocol known as 'punchout'. By doing so, our customers only need to access one system to place orders, thereby making the whole procurement process simple, efficient and seamless.



Digital tool helps customers manage their sourcing requirements

One of our safety businesses, Bunzl EPI in Brazil, has recently developed MOB (short for mobile), which is a digital tool that manages the supply of personal protection equipment ('PPE') to individuals working for a particular customer.

A customer's employees can use MOB to order their PPE requirements via a mobile phone or tablet. Bunzl EPI then packs and distributes the relevant products directly to the employee concerned.

MOB includes details of the technical specifications by product, including training information and expiration dates, and can inform employees when the products need replacing. It also provides cost controls for the customer by notifying them when products are ordered by employees and providing appropriate records of PPE compliance from a legal perspective.

The use of MOB has improved the operational efficiency of our operations while also being instrumental in helping to win new business. MOB has been implemented by a number of customers including one of the largest telecom companies in Brazil with 7,000 field employees using the tool to meet their ordering requirements.



Key performance indicators

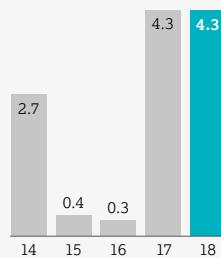
We use the following key performance indicators ('KPIs') to measure our progress in delivering the successful implementation of our strategy and to monitor and drive performance. These KPIs reflect our strategic priorities of developing the business through organic and acquisition led growth and improving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

Organic growth

Organic revenue growth %

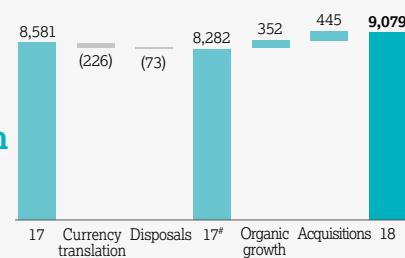
Increase in revenue for the year excluding the impact of currency translation, acquisitions during the first 12 months of ownership and disposals made in 2018.

- Organic revenue growth of 4.3% with each of the business areas achieving growth of 4.0% or greater.



Reconciliation of revenue growth between 2017 and 2018 £m

- Revenue up 6% (9% at constant exchange rates) from organic growth of 4.3% and the impact of acquisitions made in 2017 and 2018, net of disposals made in 2018.

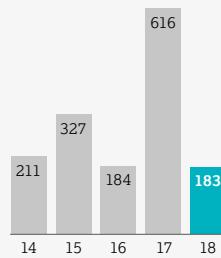


Acquisition growth

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.

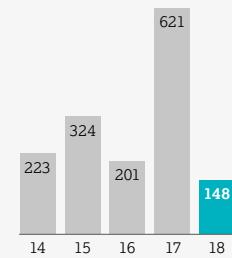
- Committed acquisition spend of £183 million on six businesses.



Annualised revenue from acquisitions £m

Estimated revenue which would have been contributed by acquisitions agreed during the year if such acquisitions had been completed at the beginning of the relevant year (see Note 25 on page 144).

- The six acquisitions agreed in 2018 will add annualised revenue of £148 million.



Operating model improvements

Operating margin %^Δ

Ratio of adjusted operating profit^Δ to revenue. Excluding the impact of acquisitions during the first 12 months of ownership and the impact of disposals made in 2018, the 2018 operating margin^Δ was 6.5% compared to 6.8% in 2017 (restated at constant exchange rates).

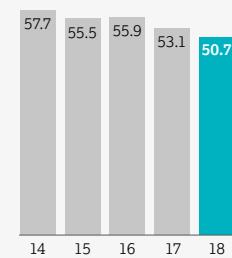
- Operating margin down 10bp to 6.8% principally due to decreases in North America and UK & Ireland.



Return on average operating capital %^Δ

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

- RAOC down to 50.7% due to a lower return in the underlying business, partly offset by favourable impacts from acquisitions net of disposals and exchange rate movements.



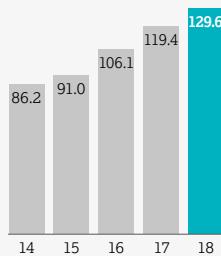
- [△] Alternative performance measure (see Note 3 on page 114).
- # At 2018 average exchange rates and adjusted for disposals.
- † Included in the external auditors' limited assurance scope referred to on page 48.
- ◊ The data for 2014, 2015, 2016 and 2017 was also assured as detailed in the Annual Reports from those years.

Financial

Adjusted earnings per share p[△]

Adjusted profit[△] for the year divided by the weighted average number of ordinary shares in issue (see Note 8 on page 121).

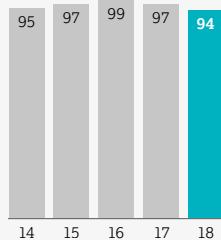
- At constant exchange rates, adjusted eps up 12% driven by a 7% increase in adjusted operating profit[△] and the impact of a lower effective tax rate, partly offset by a higher net interest charge.



Cash conversion %[△]

Operating cash flow[△] as a percentage of adjusted operating profit[△] (see Consolidated cash flow statement on page 106).

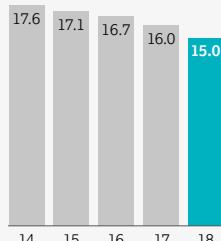
- Another strong year of cash generation with cash conversion of 94% in 2018 and an average of 97% since 2004.



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, net defined benefit pension scheme liabilities, cumulative customer relationships amortisation, acquisition related items and amounts written off goodwill, net of the associated tax).

- ROIC down to 15.0% principally due to a combination of the mix effect of acquisitions net of disposals, a lower return in the underlying business and an adverse impact from exchange rate movements.



Non-financial

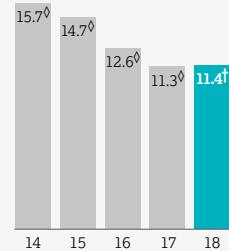
Scope 1 carbon emissions

Tonnes of CO₂e per £m revenue

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

- Scope 1 carbon emissions down 2% at constant exchange rates (up 1% at actual exchange rates) primarily due to fuel efficiency improvements.

12 months to 30 September.



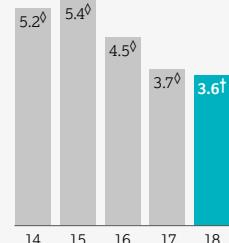
Scope 2 carbon emissions

Tonnes of CO₂e per £m revenue

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

- Scope 2 carbon emissions down 5% at constant exchange rates (down 3% at actual exchange rates) from the continued implementation of low energy lighting and also impacted by the application of updated emission factors for electricity.

12 months to 30 September.



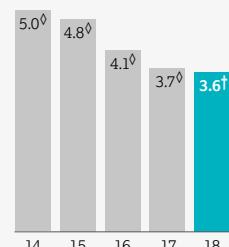
Fuel usage

Litres per £000 revenue

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

- Fuel usage down 6% at constant exchange rates (down 3% at actual exchange rates) driven by continued fuel efficiency improvements.

12 months to 30 September.



Financial review

“ Our long term record of strong profit growth and consistently high cash conversion has supported our strategy of growing organically and by acquisition while enabling us to pay dividends which have grown every year for the past 26 years.

Highlights

Revenue
Up 6% at actual exchange rates

£9,079.4m
(2017: £8,580.9m)

+9%[†]

Profit for the year
Up 5% at actual exchange rates

£326.5m
(2017: £310.5m)

+8%[†]

Adjusted operating profit*
Up 4% at actual exchange rates

£614.0m
(2017: £589.3m)

+7%[†]

Cash conversion*
Continued strong cash conversion

94%
(2017: 97%)

Adjusted earnings per share*
Up 9% at actual exchange rates

129.6p
(2017: 119.4p)

+12%[†]

Dividend
Long track record of dividend growth continues

50.2p
(2017: 46.0p)

+9%

	2018 £m	2017 £m	Growth as reported	Growth at constant exchange
Financial results				
Revenue	9,079.4	8,580.9	6%	9%
Adjusted operating profit*	614.0	589.3	4%	7%
Adjusted profit before income tax*	559.0	542.6	3%	6%
Adjusted earnings per share*	129.6p	119.4p	9%	12%
Dividend for the year	50.2p	46.0p	9%	
Statutory results				
Operating profit	466.2	456.0	2%	5%
Profit before income tax	424.8	409.3	4%	7%
Basic earnings per share	98.4p	94.2p	4%	8%
Balance sheet and Cash flow				
Return on average operating capital %*	50.7%	53.1%		
Return on invested capital %*	15.0%	16.0%		
Cash conversion %*	94%	97%		

[†] At constant exchange rates.

* Alternative performance measure (see Note 3 on page 114).



As in previous years this review refers to a number of alternative performance measures which management uses to assess the performance of the Group. Details of the Group's alternative performance measures are set out in Note 3 to the financial statements on page 114.

Currency translation

Currency translation has had a negative impact on the Group's reported results, decreasing revenue, profits and earnings by approximately 3%. The adverse exchange rate impact was principally due to the strengthening of sterling against the US dollar, Canadian dollar, Australian dollar and Brazilian real, partly offset by the weakening of sterling against the euro.

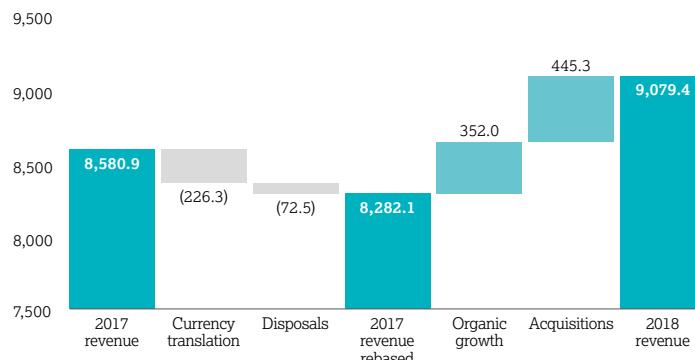
Average exchange rates	2018	2017
US\$	1.33	1.29
Euro	1.13	1.14
Canadian\$	1.73	1.67
Brazilian real	4.87	4.11
Australian\$	1.79	1.68

Closing exchange rates	2018	2017
US\$	1.27	1.35
Euro	1.11	1.13
Canadian\$	1.74	1.69
Brazilian real	4.94	4.49
Australian\$	1.81	1.73

Revenue

Revenue increased to £9,079.4 million (2017: £8,580.9 million), up 9% at constant exchange (up 6% at actual exchange rates), reflecting the benefit of acquisitions, partly offset by the impact of disposals, and organic growth of 4.3%.

Movement in revenue (£m)

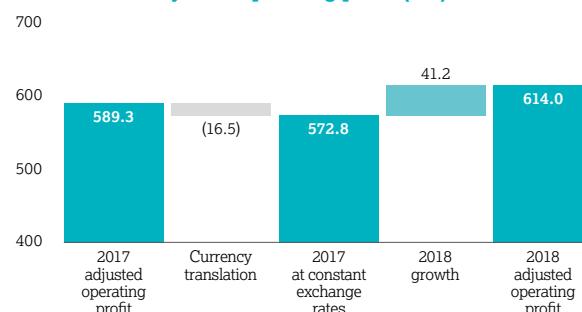


Operating profit

Adjusted operating profit increased to £614.0 million (2017: £589.3 million), an increase of 7% at constant exchange rates and 4% at actual exchange rates.

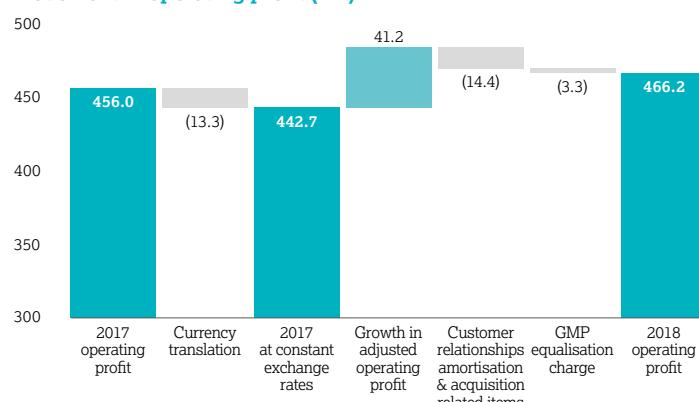
At constant exchange rates the adjusted operating profit margin decreased by 10 basis points from 6.9% to 6.8% (down 10 basis points at actual exchange rates), with lower operating margins in North America (down 30 basis points) and UK & Ireland (down 50 basis points), partly offset by higher operating margins in Continental Europe (up 50 basis points) and Rest of the World (up 20 basis points).

Movement in adjusted operating profit (£m)



Operating profit increased to £466.2 million (2017: £456.0 million), an increase of 5% at constant exchange rates and 2% at actual exchange rates.

Movement in operating profit (£m)



The GMP equalisation charge in 2018 of £3.3 million (2017: £nil) is the non-recurring cost of the equalisation of guaranteed minimum pensions ('GMP') between male and female members of the Group's UK defined benefit pension scheme following the High Court judgment during the year in the case of Lloyds Banking Group Pensions Trustees Limited vs Lloyds Bank plc and others.

Customer relationships amortisation, acquisition related items and the GMP equalisation charge are excluded from the calculation of adjusted operating profit as they do not relate to the underlying operating performance and distort comparability between businesses and reporting periods. Accordingly, these items are not taken into account by management when assessing the results of the business and are removed in calculating adjusted operating profit and other alternative performance measures by which management assess the performance of the Group.

Interest

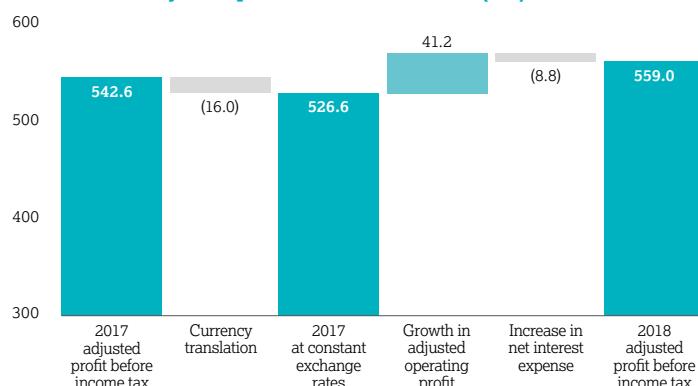
The net interest expense of £55.0 million was £8.3 million higher than in 2017 at actual exchange rates and up £8.8 million at constant exchange rates, mainly from a combination of a higher level of average net debt during the year to fund acquisitions made in 2017 and 2018 and a higher effective interest rate due to increased market interest rates, particularly for the US dollar, and additional long dated fixed rate debt.

Profit before income tax

Adjusted profit before income tax was £559.0 million (2017: £542.6 million), up 6% at constant exchange rates (up 3% at actual exchange rates), due to the growth in adjusted operating profit, partly offset by the increase in net interest expense.

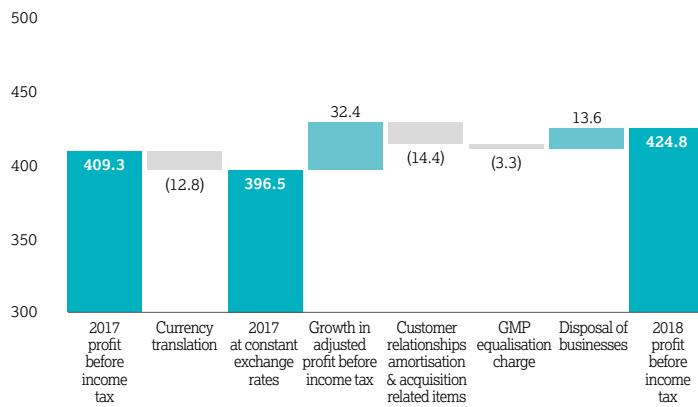
Financial review continued

Movement in adjusted profit before income tax (£m)



Profit before income tax increased to £424.8 million (2017: £409.3 million), an increase of 7% at constant exchange rates (up 4% at actual exchange rates).

Movement in profit before income tax (£m)



Disposal of businesses in 2018 of £13.6 million is the pre-tax profit on disposal during the year of OPM in France and the marketing services businesses in the UK. Disposal of businesses is a non-recurring item resulting from the disposal of two non-core businesses and does not relate to underlying operating performance and is therefore not taken into account by management when assessing the performance of the Group. Accordingly, it is removed in calculating adjusted profit before income tax and other alternative performance measures by which management assess the performance of the Group.

Taxation

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

The effective tax rate (being the tax rate on adjusted profit before income tax) for the year was 23.1% (2017: 27.5%) and has decreased from the prior year principally due to the reduction in the US federal tax rate effective from 1 January 2018 and also due to the positive outcome of some previous tax uncertainties. The effective tax rate for 2019 is expected to be approximately 24%. The reported tax rate on statutory profit before income tax also decreased in the year to 23.1% (2017: 24.1%) mainly due to the reduction in the US federal tax rate offset by the impact of a one-time deferred tax credit on intangible assets last year due to the enactment of the lower US federal tax rate before 31 December 2017.

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

Earnings per share

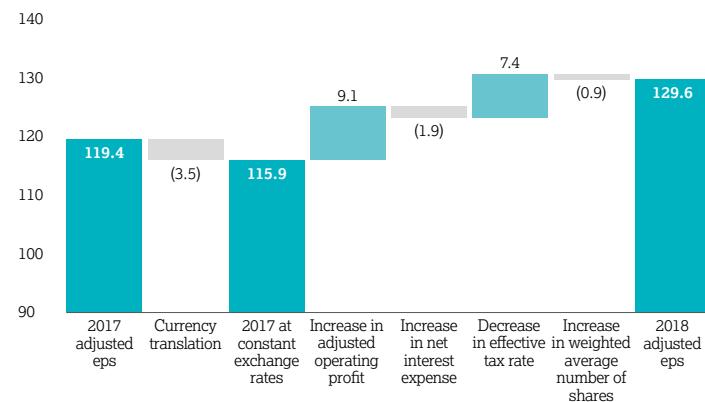
Profit after tax increased to £326.5 million (2017: £310.5 million), up 8% and an increase of £25.3 million at constant exchange rates (up 5% at actual exchange rates), due to a £28.3 million increase in profit before income tax, partly offset by a £3.0 million increase in the tax charge.

Adjusted profit after tax increased to £429.9 million (2017: £393.4 million), up 13% and an increase of £48.1 million at constant exchange rates (up 9% at actual exchange rates), due to an increase in adjusted profit before income tax of £32.4 million and a reduction in the effective tax rate, with tax on adjusted profit before income tax decreasing by £15.7 million at constant exchange rates.

The weighted average number of shares increased to 331.7 million from 329.5 million in 2017 due to employee share option exercises, partly offset by the full year impact of shares being purchased from the market for the Group's employee benefit trust in 2017.

Basic earnings per share were 98.4p (2017: 94.2p), up 8% at constant exchange rates (up 4% at actual exchange rates). Adjusted earnings per share were 129.6p, an increase of 12% at constant exchange rates (up 9% at actual exchange rates).

Movement in adjusted eps (p)



Dividends

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

	2018	2017	Growth
Interim dividend (p)	15.2	14.0	9%
Final dividend (p)	35.0	32.0	9%
Total dividend (p)	50.2	46.0	9%
Dividend cover (times)*	2.6	2.6	

* Based on adjusted earnings per share.

The Company's practice has been to pay a progressive dividend, delivering year-on-year increases with the dividend growing at approximately the same rate as the growth in adjusted earnings per share. The 2018 dividend is 9% higher than the 2017 dividend, which compares with the adjusted earnings per share growth of 9% at actual exchange rates and 12% at constant exchange rates.

Before approving any dividends, the Board considers the level of borrowings of the Group by reference to the ratio of net debt to EBITDA, the ability of the Group to continue to generate cash and the amount required to invest in the business, in particular into future acquisitions. The Company's long-term track record of strong cash generation, coupled with the Group's substantial borrowing facilities, provides the Company with the financial flexibility to fund a growing dividend. After the further growth in 2018, Bunzl has sustained a growing dividend to shareholders over the past 26 years.

The risks and constraints to maintaining a growing dividend are principally those linked to the Group's trading performance and liquidity, as described in the Principal risks and uncertainties on pages 51 to 55. The Group has substantial distributable reserves within Bunzl plc and there is a robust process of distributing profits generated by subsidiary undertakings up through the Group to Bunzl plc. At 31 December 2018 Bunzl plc had sufficient distributable reserves to cover more than four years of dividends at the cost of the 2018 dividends, which is expected to be approximately £168 million.

Acquisitions

The Group completed seven acquisitions during the year ended 31 December 2018 with a total committed spend of £165.2 million. The estimated annualised revenue and adjusted operating profit of the acquisitions completed during the year were £162.0 million and £20.7 million respectively.

Excluding the two acquisitions that had been agreed at 31 December 2017, but were completed during 2018, and including the acquisition of Volk do Brasil that was agreed during 2018 but not completed until 2 January 2019, the estimated annualised revenue of the acquisitions was £148.1 million, with committed acquisition spend of £182.7 million. Acquisition spend reflects the cash consideration paid, which in certain instances includes amounts paid for the benefit of tax deductions for amortisation of intangible assets and estimated earnout consideration for future profit growth.

A summary of the effect of acquisitions is as follows:

	£m
Fair value of net assets acquired	116.7
Goodwill	33.9
Consideration	150.6
Satisfied by:	
cash consideration	148.5
deferred consideration	2.1
	150.6

Contingent payments relating to retention of former owners	12.7
Net cash acquired	(3.6)
Transaction costs and expenses	5.5

Total committed spend in respect of acquisitions completed in the current year	165.2
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Spend on acquisitions committed but not completed at the year end	39.5
Spend on acquisitions committed at prior year end but completed in the current year	(22.0)

Total committed spend in respect of acquisitions agreed in the current year	182.7
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The net cash outflow in the year in respect of acquisitions comprised:

	£m
Cash consideration	148.5
Net cash acquired	(3.6)
Deferred consideration in respect of prior year acquisitions	25.4
Net cash outflow in respect of acquisitions	170.3
Acquisition related items*	13.9
Total cash outflow in respect of acquisitions	184.2

* Acquisition related items comprise £7.8 million of transaction costs and expenses paid and £6.1 million of payments relating to retention of former owners

Disposals

During the year the Group completed the disposal of two businesses which were no longer considered to be a strategic fit within the portfolio of the Group's businesses, these being OPM, which is a distributor of SodaStream products to retailers throughout France, and marketing services, which provides marketing services in the UK with limited opportunities to expand overseas. The disposals were completed on 2 February 2018 and 7 June 2018 respectively. As a result, the net assets of the Group increased by £10.8 million, representing the profit on disposal of £13.6 million partly offset by an associated tax charge of £2.8 million, with a net cash inflow of £55.1 million.

Financial review continued

Cash flow

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

	2018 £m	2017 £m	Movement £m
Cash generated from operations [†]	607.1	602.6	4.5
Net capital expenditure	(28.6)	(32.9)	4.3
Operating cash flow [†]	578.5	569.7	8.8
Net interest	(49.1)	(44.5)	(4.6)
Tax	(113.2)	(113.1)	(0.1)
Free cash flow	416.2	412.1	4.1
Dividends	(152.2)	(138.2)	(14.0)
Acquisitions [◊]	(184.2)	(588.5)	404.3
Disposals	55.1	–	55.1
Employee share schemes	50.0	(19.4)	69.4
Net cash inflow/(outflow)	184.9	(334.0)	518.9

[†] Before acquisition related items.

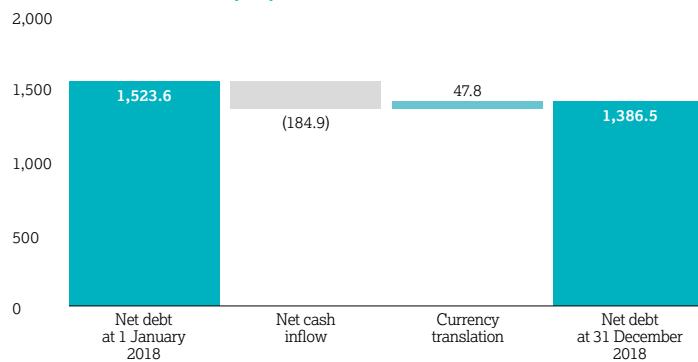
[◊] Including acquisition related items.

The Group's free cash flow of £416.2 million was £4.1 million higher than in 2017, primarily due to the increase in operating cash flow of £8.8 million, partly offset by increases in the cash outflows relating to interest and tax. The Group's free cash flow was primarily used to finance dividend payments of £152.2 million in respect of 2018 (2017: £138.2 million in respect of 2016) and an acquisition cash outflow of £184.2 million (2017: £588.5 million). Cash conversion (being the ratio of operating cash flow to adjusted operating profit) was 94% (2017: 97%).

Net debt

Net debt decreased by £137.1 million during the year to £1,386.5 million (2017: £1,523.6 million), principally due to the net cash inflow of £184.9 million, partly offset by a £47.8 million increase due to currency translation.

Movement in net debt (£m)



Net debt to EBITDA calculated at average exchange rates and in accordance with the Group's external banking covenants was 2.0 times (2017: 2.3 times).

Balance sheet

Summary balance sheet at 31 December:

	2018 £m	2017 £m
Intangible assets	2,382.5	2,351.7
Tangible assets	122.4	125.2
Working capital	948.3	871.9
Other net liabilities	(333.7)	(325.6)
	3,119.5	3,023.2
Net pension deficit	(38.5)	(51.0)
Net debt	(1,386.5)	(1,523.6)
Equity	1,694.5	1,448.6

Return on average operating capital %

50.7%

53.1%

Return on invested capital %

15.0%

16.0%

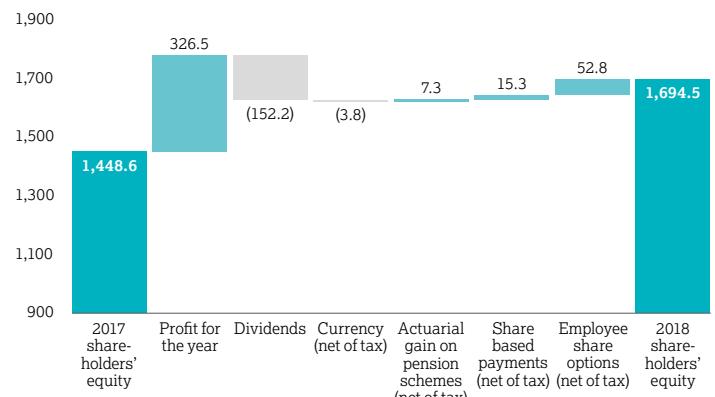
Intangible assets increased by £30.8 million to £2,382.5 million due to intangible assets arising on acquisitions in the year of £130.7 million, a £32.4 million increase from exchange and software additions of £9.2 million, partly offset by an amortisation charge of £119.2 million and a decrease from disposal of businesses of £22.3 million.

Working capital increased by £76.4 million to £948.3 million primarily from acquisitions net of disposals, an increase from exchange rate movements and an increase from the underlying business, broadly in line with organic revenue growth in the year.

The Group's net pension deficit of £38.5 million at 31 December 2018 was £12.5 million lower than at 31 December 2017, principally due to an actuarial gain of £11.0 million. The actuarial gain arose as a result of a decrease in the present value of scheme liabilities from changes in assumptions, principally higher discount rates applied to the UK and US schemes, partly offset by lower than expected returns on pension scheme assets.

Shareholders' equity increased by £245.9 million during the year to £1,694.5m.

Movement in shareholders' equity (£m)



Return on average operating capital decreased to 50.7% from 53.1% in 2017, principally driven by a lower return in the underlying business, partly offset by the positive impact of acquisitions net of disposals and exchange rate movements. Return on invested capital of 15.0% was down from 16.0% in 2017 due to a negative impact from recent acquisitions and disposals, a lower return in the underlying business and an adverse impact from exchange rate movements.

IFRS 16

IFRS 16 'Leases' is effective in the consolidated financial statements for the year ending 31 December 2019 and has been adopted with effect from 1 January 2019. The Group has used the modified retrospective approach to transition utilising certain practical expedients outlined in the standard, notably the exclusion of low value and short term leases. The new standard requires 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 present value of the future payments required under each lease. As shown in Note 1 on page 107, it is currently estimated that the adoption of IFRS 16 will increase the carrying value of property, plant and equipment at 1 January 2019 by between £430 million and £450 million with liabilities increasing by between £480 million and £500 million, and retained earnings decreasing by between £20 million and £50 million.

Under the new standard, the existing operating lease expense previously recorded in operating costs will be replaced by a depreciation charge, which will be lower than the previous operating lease expense, and a separate financing expense, which will be recorded in interest expense. For 2019, based on the Group's existing lease portfolio, it is currently estimated that operating costs will decrease by approximately £20 million and that finance expense will increase by approximately £20 million such that the impact of moving to the new standard on adjusted profit before income tax and adjusted earnings per share will be immaterial. There will be no net cash flow impact arising from the application of the new standard. Net debt to EBITDA is expected to increase by approximately 0.3 times compared to the ratio calculated under the previous accounting standard but performance against current banking covenants will not be affected because these continue to be based on historical accounting standards. The Group does not currently intend to alter its approach going forward as to whether assets should be leased or bought.

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. The Group's approach to the balance sheet is to maintain an investment grade credit rating and the Company's current credit rating with Standard & Poor's is BBB+. All of the borrowings are managed by a central treasury function and funds raised are lent onward to operating subsidiaries as required. The overall objective is to manage the funding to ensure the borrowings have a range of maturities, are competitively priced and meet the demands of the business over time. 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

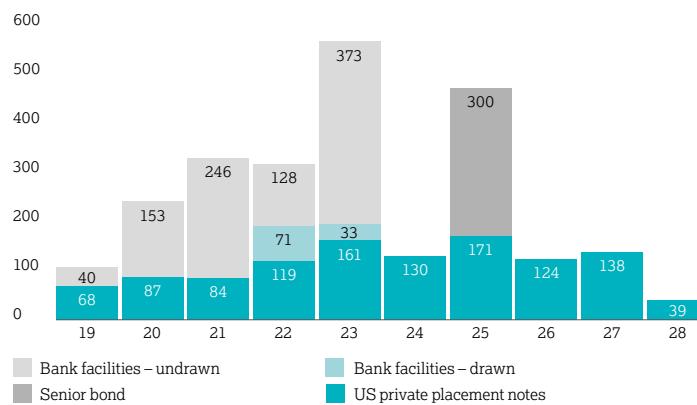
The Group has a centralised treasury department to control external borrowings and manage liquidity, interest rate and foreign currency and credit risks. Treasury policies have been approved by the Board and cover the nature of the exposure to be hedged, the types of financial instruments that may be 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 2018 all covenants were complied with and based on current forecasts it is expected that such covenants will continue to be complied with for the foreseeable future.

The Group has substantial funding available comprising multi-currency credit facilities from the Group's banks, US private placement notes and the senior bond issued during 2017. At 31 December 2018 the nominal value of US private placement notes outstanding was £1,120.6 million (2017: £1,107.6 million) with maturities ranging from 2019 to 2028. The £300 million senior bond matures in 2025 and the Group's committed bank facilities mature between 2019 and 2023. At 31 December 2018 the available committed bank facilities totalled £1,043.8 million (2017: £1,056.9 million) of which £104.3 million (2017: £224.6 million) was drawn down, providing headroom of £939.5 million (2017: £832.3 million).

Committed facilities maturity profile by year (£m)



Further details of the Group's capital management and treasury policies and controls are set out in Note 14 on pages 126 to 133.

Brian May

Finance Director
25 February 2019

Our management team

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



Jim McCool
Chief Executive Officer, North America



Alberto Grau
Managing Director, Continental Europe



Diana Breeze
Director of Group Human Resources



Brian May
Finance Director



Andrew Mooney
Director of Corporate Development



Paul Hussey
General Counsel and Company Secretary



Andrew Tedbury
Managing Director, UK & Ireland



Jonathan Taylor
Managing Director, Latin America



Kim Hetherington
Managing Director, Asia Pacific

Board of directors

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Operating review

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North America

Continental Europe

UK & Ireland

Rest of the World

Operating review

North America

Highlights

Revenue	Adjusted operating profit*	Operating margin*
£5,277.8m (2017: £5,061.1m)	£317.1m (2017: £318.3m)	6.0% (2017: 6.3%)

8%[†] ↑ 3%[†] ↑

Market sectors



[†] At constant exchange rates.

* Alternative performance measure (see Note 3 on page 114).

Employees
6,531

Locations
202

- Revenue increase driven by strong organic growth and impact of acquisitions.
- Reduction in margin from significant business previously won in grocery and operating cost pressures.
- More focused and streamlined organisation structure implemented in grocery and redistribution.
- DDS successfully integrated with synergies achieved.
- Strong growth in safety from improving market conditions, boosted by acquisition of Revco.
- Growth in agriculture supported by acquisition of Monte Package Company.

In North America, revenue increased by 8% to £5,277.8 million due to strong organic growth of more than 4% as well as the impact of recent acquisitions, with operating profit increasing by 3% to £317.1 million.

Organic revenue growth was achieved across all businesses with the largest contribution from the significant additional grocery business won, albeit at a below average operating margin, towards the end of 2016. This new business commenced in the first half of 2017 and was fully absorbed during the second quarter of 2018. Strong organic sales growth was also delivered by our businesses serving the redistribution, safety and processor sectors. As anticipated, the additional grocery business, combined with inflationary pressures on our operating costs across all sectors, particularly against the backdrop of historically low unemployment rates, contributed to a reduction in the operating margin which declined 30 basis points to 6.0%. During the second half of the year we implemented a more focused and streamlined organisation structure across our two largest businesses, grocery and redistribution, in order to enhance our customer proposition and improve our operational efficiency.

In our largest business serving the grocery sector, as expected the underlying revenue growth returned to more normal levels during the second half of the year as the additional business previously won was fully absorbed. We continue to focus on improving operating efficiencies, particularly

labour productivity and capacity, to help offset operating cost inflation and to ensure appropriate cost levels. Our national distribution footprint and owned fleet are particularly well suited to support the continuing outsourcing trend and provide our customers with the most cost-effective solution for managing their spend on goods not for resale.

Our retail supplies business has benefited from the acquisition of DDS in May 2017 which has now been successfully integrated into our existing business and which has significantly increased the size of our operations in this sector. Although revenue growth was modest, the integration of DDS and Schwarz provided both sourcing and operational synergies in line with our expectations, thereby enhancing our operating margins. Our retail customers are already benefiting from the scale, service excellence and sector expertise of our integrated retail teams.

Our redistribution business, serving the foodservice and janitorial and sanitation ('jan-san') sectors, grew well as we continued to drive growth from our category management programme for our larger national and regional customers. As a category manager for packaging and supplies, we are able to provide category assortment, sourcing and digital tools which help our redistribution customers manage their supply chain, extend their product and category offerings and reduce their inventory investment in high volume, low value products. Our sales professionals, aided

by our digital and e-commerce capabilities, provide our customers category expertise as well as end user pull through. Our continued investment in the jan-san category is also driving new organic growth via expansion with our existing foodservice distributor customers as well as expanding our presence with jan-san distributors.

The rebound of both the oil & gas and industrial sectors drove strong growth across our safety business, augmented by contributions from ML Kishigo and Revco which were acquired in March 2017 and January 2018 respectively. In particular, Revco has further strengthened our offering to welding and industrial distributors and has extended our product offering with access to another quality, own label range of hand protection products. We have continued to focus on innovating and developing our own brands of personal protection equipment, which contribute higher margins, while offering a broadening range of safety equipment to our customers.

We expanded our presence in the agricultural sector with the acquisition in March of Monte Package Company, a regional supplier of packaging to growers in the central and south east of the US, which has enhanced not only the geographies we serve, but also the range of fruit and vegetable packaging we provide. Our footprint continues to evolve providing us with the infrastructure needed to support our customers' moves to growing their produce in new geographies, particularly Mexico.



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Our deep understanding of the fragmented markets in which we operate and our ability to offer total supply solutions that provide quantifiable benefits to our customers have once again contributed to our success.

Jim McCool
Chief Executive Officer, North America

Our businesses serving the processor sector once again experienced good growth, although ongoing customer consolidation continued to put margins under pressure. A focus on own label and import item alternatives allows our processor teams to offer our customers high quality, cost-effective solutions to manage their packaging and facility management programmes effectively. While our national accounts continue to drive significant sales volume, our growing e-commerce platform provides an enhanced interactive customer experience for our local and regional customer bases. Our value lies in offering a single source solution providing both branded and own brand packaging, MRO, safety and jan-san product categories.

Our convenience store business continued its recent history of strong growth through its wholesaler partners, deploying a sales force focused on generating additional sales with end user convenience store customers. Revenue growth also came from expanding our distribution offering to new product categories, particularly those for certain nationally branded grocery items. Our value added management of our customers' categories and inventories enables them to provide their customers with an industry leading range while minimising their investment in doing so.

The growth of our business in Canada moderated compared to recent years, principally due to a broad restructuring and cost savings programme at our largest customer. We continued to invest in the safety and cleaning & hygiene sectors, building a national platform capable of serving customers locally, regionally and nationally in a cost-effective and consistent manner. Our industrial packaging business also continued its strong growth. The rationalisation and integration of a number of IT systems for the many acquisitions made over the last few years, which will drive sourcing and operational synergies as well as enhanced service platforms for our customers, remains a key focus for the coming year.



Operating review continued

Continental Europe

Highlights

Revenue	Adjusted operating profit*	Operating margin*
£1,797.5m (2017: £1,610.4m)	£176.8m (2017: £151.1m)	9.8% (2017: 9.4%)
12%[†] ↑	18%[†] ↑	

Market sectors



[†] At constant exchange rates.

* Alternative performance measure (see Note 3 on page 114).

Employees	Locations
5,007	193

- Substantial increases in revenue and profit with operating margin up.
- Significant growth in France due to integration of Hedis and strong performances in safety and foodservice, partly offset by weaker performance in cleaning & hygiene and disposal of OPM.
- Good performance in the Netherlands from new customer wins and acquisition of QS.
- Expansion in Scandinavia with entry into Norway through acquisition of Enor and purchase of CM Supply in Denmark.
- Strong performances in Spain and Turkey with increased levels of profitability.

Continental Europe continued to perform strongly with revenue rising by 12% to £1,797.5 million and operating profit up 18% to £176.8 million. Organic revenue growth remained high at more than 4% and was complemented by the full year impact of the five acquisitions made in 2017 and the part year contribution of the three acquisitions completed in 2018, partly offset by the disposal of OPM in France in February 2018. The impact of higher margin acquisitions helped drive an increase in the operating margin which was up 50 basis points at constant exchange rates to 9.8%.

Overall in France, our business grew significantly. The Hedis cleaning & hygiene business that was acquired in November 2017 has integrated well and the combination with our original cleaning & hygiene business has led to significant synergy benefits. Revenue at our original cleaning & hygiene business increased as a significant customer win in the contract catering sector more than offset the impact of two larger account losses at the end of 2017. Sales progressed in the hotel, restaurant and catering ('horeca'), industrial and food processing sectors, offsetting more difficult trading conditions in the contract cleaning, healthcare and public sectors as the government continued to push for further national consolidation of purchasing decisions in order to benefit from its buying power. However, with a lower overall gross margin, operating profit declined. Our safety business continued to grow well, particularly with national accounts, and export sales

were also ahead of last year. We won various contracts with the government's central purchasing agency towards the end of 2017 and have therefore seen strong growth with public sector customers. We have managed to improve margins with a number of key accounts and operating profit grew strongly. Our foodservice businesses have also enjoyed good sales and operating profit growth as additional investment in headcount and IT has borne fruit. In February 2018 we disposed of OPM, a non-core business which was involved in the sale of SodaStream products to retailers in France.

In the Netherlands, sales grew in all areas of activity with particularly strong performance in the healthcare sector following a major customer win in mid 2017. In light of the growth in healthcare, we will relocate three warehouses into one modern site in 2019 to gain efficiencies and provide an enhanced service to our customers. Sales in the non-food retail sector increased significantly due to growth of packaging sales for e-commerce customers and the roll-out of our full outsourcing concept for high street retailers, including several sports clothing chains. QS Nederland, a provider of hygiene solution services primarily for washrooms, was acquired in March and is trading ahead of expectations. In Belgium, revenue was ahead of the previous year as we continued to grow in the cleaning & hygiene sector, particularly with the larger accounts. Our grocery and food processor business, however, saw a decline in sales, despite some recent customer gains, as its main customers continue to seek cost reductions.

In Germany, sales were slightly lower with an increase in the horeca sector, due to winning new business with a chain of petrol stations, offset by declines in safety clothing and incontinence products due to competitive pressure in these two specific markets. In Switzerland, we have seen further growth in the medical, retail and industrial sectors although new business won is at lower than average margins. We continue to see pressure in the horeca sector where numerous customers are reducing their spend. In Austria, our business enjoyed good sales and operating profit growth.

In Denmark, revenue increased with particularly strong performances in the safety, food processor and horeca sectors. We have won additional business with a major Danish foodservice wholesaler and continue to grow with a major chain of juice bars as they expand internationally. A new area of growth has come from supplying goods to gyms and to third party transport companies. In December we acquired CM Supply which specialises in own brand and customised foodservice products and packaging for the horeca sector. In July we acquired our first business in Norway, Enor, which sells light catering equipment to the horeca sector. Both businesses are integrating well into the Group.



Sales have grown strongly in Spain. The cleaning & hygiene business has seen strong increases in revenue, in particular with contract cleaners and in the horeca sector, and has recorded higher sales with most of its larger accounts. In the safety sector, all businesses have seen sales increases as our customers benefit from the continued strength of the local economy. Our medical business recorded another year of above average growth due to new product launches and the enhanced use of e-marketing to increase online sales. Tecnopacking, which is engaged in the distribution of industrial and disposable packaging and was acquired at the end of May 2017, has also performed ahead of expectations. Operating profit in Spain as a whole was significantly higher than last year. In Italy, our safety business Neri, which was acquired at the end of March 2017, has performed well. While sales have declined slightly, the business has improved its margin such that operating profit is ahead of expectations.

In Turkey, sales have grown strongly due to both increased volumes and the positive impact of price rises following the major devaluation of the Turkish lira. Volume growth has been highest in the healthcare sector, with significant customer gains and the launch of new products. The overall operating profit increased substantially. In Israel, sales were slightly lower in both the horeca and bakery sectors but improved margins have however led to an increase in operating profit.

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One of our key objectives is to improve the efficiency of our customers' operations by offering them greater choice, competitively priced products and excellent service throughout the supply chain from the initial order to the final delivery.

Alberto Grau
Managing Director, Continental Europe

In central Europe, both Hungary and Romania enjoyed strong sales growth but revenue declined in the Czech Republic due to lower sales to a major cash & carry chain not being fully offset by good growth in the safety sector. In Hungary sales grew well in the grocery, industrial, horeca, food processing and contract cleaning sectors although declined in the agriculture sector. In Romania sales were down in the grocery sector but this was more than compensated by gains in the safety and cleaning & hygiene sectors. Overall the operating profit was significantly ahead of last year.



Operating review continued

UK & Ireland

Highlights

Revenue

£1,263.6m **£86.8m**
(2017: £1,190.8m)
(2017: £88.5m)

6%[†] ↑ **2%[†] ↓**

Market sectors



[†] At constant exchange rates.

* Alternative performance measure (see Note 3 on page 114).

Adjusted operating profit*

6.9%
(2017: 7.4%)

Employees

4,037

Locations

110

- Strong revenue growth but operating margin impacted by challenging market conditions.
- Trading in safety affected by difficult market but good performance in cleaning & hygiene.
- Strong revenue growth in grocery and retail across all businesses, partly offset by sale of non-core marketing services business.
- Growth in hospitality from existing customers and the acquisition of Aggora.
- Growth in healthcare despite changing market in NHS acute sector.
- Strong growth in Ireland.

In UK & Ireland, revenue increased by 6% to £1,263.6 million as a result of organic growth of 4% and the impact of recent acquisitions, partly offset by the disposal of our marketing services business in June 2018. Organic growth slowed during the second half of the year as some major contract wins in the third quarter of 2017 were fully absorbed. Operating profit was down 2% to £86.8 million with the operating margin declining 50 basis points to 6.9% as market conditions in the UK continue to be challenging due to political and economic uncertainty.

Although our safety business secured some new customers in the second half of the year, many of our construction and manufacturing related customers themselves experienced a slowdown in growth which in turn affected demand for the products that we supply, resulting in lower operating profit. Nevertheless, we continued to invest in our core product range availability, vehicle telematics and our digital service offering together with upgrading the quality and size of two facilities during the year. Our cleaning & hygiene business performed well with a series of new customer wins within the facilities management and government sectors. Sustained development and enhancement of our digital functionality, together with innovative service solutions and greater investment in product expertise amongst our teams, have provided improved levels of operational insight for our customers helping them to run their businesses more effectively.

All of our grocery and retail businesses saw strong sales growth during the year as a result of both new customers coming on board and additional category wins with existing customers. Retail Supplies has continued to invest in both technology and automation to strengthen its 'goods not for resale' consolidation service to large retailers while our packaging specialists, Keenpac, Woodway and Lightning, have invested in sustainable solutions for customers in both traditional high street and e-commerce channels during the year. The ability to provide both in-store and online product solutions for retail customers has helped to secure extra business with existing customers. The development of sophisticated digital tools to provide our customers with valuable information concerning usage and compliance is further adding to our already strong value proposition. In June we sold our marketing services business as the opportunities to expand overseas in the short to medium term were limited and, as a result, the business was no longer considered to be a good strategic fit.

Despite challenging conditions within the restaurant sector, our catering supplies businesses have grown sales during 2018. We have continued to invest in innovation in terms of new products to provide more variety and choice in the preparation and presentation of food. In addition, by providing data driven insights we have been able to help our customers with greater clarity and visibility on consumption, conformity and control which enables them to maximise the use of their assets. We have

also further developed our comprehensive range of sustainable product alternatives to satisfy the growing need for choice in this area while at the same time providing our customers with much needed expert advice on product selection. The Aggora business, which was acquired in January 2018, has further enhanced our proposition by adding a valuable suite of services for our customers including full servicing of catering equipment and asset tagging capabilities that provide them with invaluable management information through a custom-built database. The business has integrated well and a number of cross-selling opportunities, involving the delivery of an attractive bundle of products and services to existing customers, have been identified with several already actioned.

Our healthcare businesses have benefited from the introduction of new product ranges, in particular those associated with infection prevention and control solutions. At the same time, we have continued to grow by gaining new customers in the private hospital, nursing and care home markets and we have continued to expand our product focused business to reach customers outside of the UK market, improving the breadth of product offering and increasing our geographical coverage. Our business serving the acute sector faces some challenges as the UK government works through its plans to reform the current NHS supply chain, which is due to go live in April 2019. Overall, despite modest sales growth, the healthcare business saw a strong improvement in profitability.



Our businesses in Ireland have continued to grow strongly during the year and profitability increased. We have launched new digital capabilities to provide our customers with more flexible ways to buy our comprehensive range of products and services that we are able to offer. Further investment in new warehouse management technologies is also creating greater efficiencies and going forward will deliver higher quality services to both our existing and new customers. In addition, our expanded range of sustainable products has allowed us to satisfy the desire for more eco-friendly options in the foodservice and retail markets.



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Given our size, expertise and position in the supply chain, we are well placed to advise our customers on their sustainability strategies while using our strong relationships with our extensive supplier base in order to bring a broad range of innovative, sustainable products to market.

Andrew Tedbury
Managing Director, UK & Ireland

Operating review continued

Rest of the World

Highlights

Revenue
£740.5m
(2017: £718.6m)
12%[†] ↑

Adjusted operating profit*
£56.4m
(2017: £53.9m)
15%[†] ↑

Market sectors



[†] At constant exchange rates.
* Alternative performance measure (see Note 3 on page 114).

Operating margin*
7.6%
(2017: 7.5%)

Employees
3,210
Locations
104

- Strong overall sales and profit growth with operating margin up.
- Strong performance in Latin America.
- Position in safety in Brazil further strengthened through recent purchase of Volk do Brasil.
- Improvement in performance in Australasia.

In Rest of the World, revenue increased 12% to £740.5 million with operating profit up 15% to £56.4 million as the operating margin increased 20 basis points at constant exchange rates to 7.6%. Although trading conditions have continued to improve as the economic environments in the countries in which we operate have stabilised, market conditions remain variable across the business area. Of the total increase in revenue, 4% was from organic growth with acquisitions accounting for the balance.

Brazil's political future became clearer towards the end of the year with the election of a new president. While most of the year was characterised by uncertainty and a sharp currency devaluation, the fourth quarter saw a return to more stable conditions. Despite a year of rising unemployment and limited industrial activity, our safety businesses saw strong growth in revenue and operating profit as we capitalised on the weakness of several key competitors and maintained a high service level to the market. We also invested in further operational improvements and digital channels to prepare ourselves for the anticipated increases in industrial demand following the election. The recent acquisition of Volk do Brasil, which was announced in October 2018 and completed in January 2019, has further extended our safety business and strengthened our product offering. A strong performance was also seen in our foodservice business as our recent acquisition, Talge, integrated very smoothly into the Group and grew both

revenue and operating profit well ahead of expectations. In contrast, our cleaning & hygiene business experienced difficult trading conditions such that sales were down and margins contracted. A new management team was appointed in the fourth quarter and is implementing a restructuring plan to improve operating margins and return the business to growth. Our Brazilian healthcare business saw a mixed performance. Although the medical business experienced some sales growth, significant margin pressures led to lower operating profit. Measures to grow sales and improve profitability have now been implemented. In contrast, our dental business grew both sales and operating profit as a result of improvement measures taken last year.

In the rest of Latin America, we have seen consistently good results across all our businesses despite some political uncertainty in Mexico, Colombia and Argentina. In Chile, continued growth in the mining sector has generated higher demand for our safety products such that both our safety businesses, Vicsa and Tecno Boga, grew sales and operating profit. Growth was particularly strong at Vicsa as operating margins increased significantly while further progress was achieved in its digital channels. Our catering supplies business grew sales well, while also improving operating margins.

In Colombia, trading conditions softened in the middle of the year, partly due to some political uncertainty following presidential

elections, but improved towards the end of the year. Our safety business, Solmaq, saw strong sales growth and benefited from its restructuring last year. A new IT system has recently been implemented to prepare for further growth. Both sales and operating profit increased strongly at Vicsa despite some pressure on operating margins.

In our other Vicsa operations we experienced very strong sales and operating profit growth in Argentina driven by high volume and inflation driven price increases while in Peru sales and operating profit were also up despite gross margin pressures.

In Mexico, the market was also affected by uncertainty surrounding the presidential elections but was boosted by positive developments regarding NAFTA. Our safety business traded well throughout the year and, despite experiencing a softening of demand in the second half, recorded good sales growth. More stable currency conditions allowed margins to improve such that, with good cost control, operating profit grew strongly.

In Asia Pacific, market conditions varied across the countries and business sectors in which we operate.

In Australasia, business confidence continues to improve with demand for commodities in the resources sector, growth in tourism and government investment in infrastructure projects all helping to drive the economy. Our businesses that operate in these sectors have benefited from these



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We are able to obtain a distinct competitive advantage through collaboration between, and sharing best practice with, other Bunzl businesses and by using our global purchasing scale combined with the QA/QC capabilities of our Asia Sourcing Centre.

Kim Hetherington
Managing Director, Asia Pacific

“

We are continually looking to refine and develop our processes and procedures to make our operations more efficient and enhance our service offering for our customers by offering them more cost-effective solutions and ways of doing business.

Jonathan Taylor
Managing Director, Latin America

developments although the results have been adversely impacted in part due to increases in the cost of imports following the weakening of the Australian dollar and raw material price increases.

Our largest business continued to grow in the healthcare, cleaning & hygiene and hospitality sectors. In particular, the business has developed well in the growing aged care market which continues to deliver good returns through the supply of medical consumables and the provision of specialist clinical support. We have also made significant progress with our continued focus on automation and digital trading platform developments. As a result, our customers are seeing the benefits of our improved online capabilities and the ease of doing business across the region.

Although our food processor business saw some sales growth as a result of customer wins, operating profit was down due to a combination of below average margins in the new business and increases in both product and operating costs. We have developed a number of specialist products that help to deliver improved outcomes for our customers and are continuing to innovate with food packaging concepts for the produce sector.

In our safety business, sales growth has been slower than expected. However, we have been able to offset this with improved margins from a better product mix and by successfully introducing an extended range of own brand products. The business experienced some disruption following the

consolidation of several facilities in 2017 but this has now settled down with the reorganisation delivering the anticipated savings. Overall the business continues to make improvements by streamlining its operational platform and processes to drive productivity, enhance our competitive position and improve service levels to our customers.

Our speciality healthcare business continued to perform strongly and delivered good results. The business is a leading national distributor of laboratory and healthcare related consumables to the pathology, medical research and life science markets.

Our business in Singapore, which distributes personal protection equipment and services into the oil & gas and pharmaceutical sectors in the region, has performed well. The business has successfully leveraged the Group's global supply chain to help fast-track the development of new product categories. This will ensure that we are able to consolidate our position within our existing customer base and create new growth opportunities in the region.

Our business in China, which also supplies personal protection equipment, has been adversely impacted by lower demand for certain product lines. The business is currently developing alternative revenue streams into the large industrial manufacturing base within China. Our export business has developed a comprehensive own brand glove range which will be launched in 2019.



Our people

People underpin everything we do and are the focus of our business. Our decentralised organisation, can-do attitude and talented, committed workforce are key to our success. Investing in our people ensures that everyone can fulfil their individual potential, while creating an inclusive and collaborative environment means that all of our people can make a broader contribution to our success.

We pride ourselves in being an employer of choice and we work actively to develop capability and create opportunities for employee progression. We want our people to feel empowered and be recognised for their commitment, innovation and contribution to Bunzl's growth. Our aim is to foster an environment that is inclusive and diverse throughout, where each individual is treated equally and fairly with openness and encouragement. We invest to attract and develop great people and our acquisitions bring an additional rich pool of talent to Bunzl.

The power of a global team

We are proud of our people's personal and professional achievements, both within the Bunzl family and in the wider world, as they represent us through their work and involvement in their local communities. We run our businesses locally and managers are empowered to make a difference accordingly. We have strong processes to recruit great people and a system that gives employees career progression opportunities and help us to fill roles internally. In addition, our acquisitions continue to be a valuable source of management talent for the Group bringing further skilled people into Bunzl. Our people are talented individuals and our culture enables them to be creative and customer focused in their work.

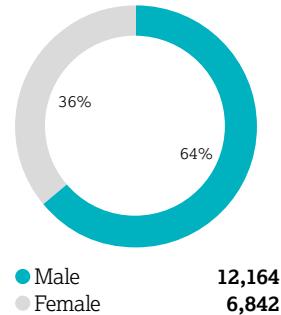
Workforce engagement and investing in our people

We take the engagement, well-being, diversity and reward of our people seriously and conduct regular surveys and research across the Group. In our biennial employee survey undertaken this year, our response rate was 85% and our overall engagement score was 74%, both significantly above the relevant external benchmarks. A particular area of focus following the previous employee survey results was refreshing our global employee newsletter, the Source, which was also launched as an app in 2018. We were therefore very pleased that the number of people agreeing with the statement 'The Source gives a good overview of the Group's operations around the world' was one of the most improved results in the survey. We use a range of other methods to engage with our employees including listening groups with frontline workers, site visits, digital and online apps, video messaging and holding meetings with groups of workforce representatives. In addition, regular daily and monthly team briefings allow us to receive continuous feedback from our workforce.

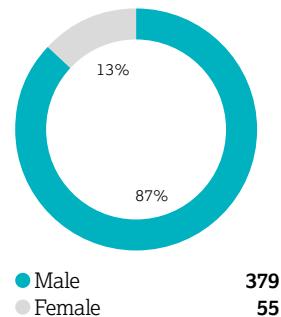
During the year we continued to demonstrate our commitment to developing our people through investment in various training and apprenticeship programmes, helping people start their careers. We also redesigned our global leadership programme which brings together leaders from different cultures, backgrounds and nationalities and focuses on innovation and external best practice, introducing new thinking and ideas for the business. The new programme will be officially launched in the spring of 2019.



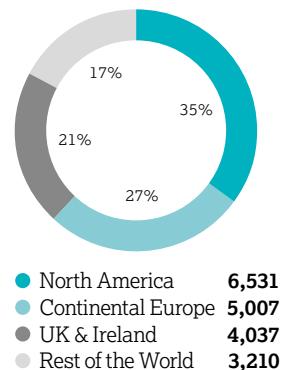
Total workforce
Gender split at 31 December 2018



Senior management
Gender split at 31 December 2018



Average number of employees
By business area





We encourage employees to take charge of their development and career growth and look to appoint from within the organisation wherever we can. It is our people who continue to deliver the Group's strategy for the individual businesses and we will look to continue to invest in our people to ensure that we attract and retain the best talent.

Rewarding for performance

We aim to ensure that everyone who works for Bunzl is treated and paid fairly. Locally our businesses are empowered to run a variety of recognition schemes to reward 'going the extra mile' and living the Bunzl values. We have good employee benefits throughout and are constantly seeking to innovate. For example in our UK & Ireland businesses, we have focused on overall employee well-being with the introduction of an Employee Assistance Programme, broadening the life assurance provision to employees outside of our pension plans and piloting financial education solutions.

Equality and diversity

We believe that diversity across Bunzl drives better performance and a stronger Company. We recognise that diversity is essential for introducing different perspectives into debate and decision making. Our business culture is underpinned by our corporate responsibility framework which sets out the legal, ethical, social and environmental standards of behaviour we expect from our employees. All of Bunzl's policies seek to respect human rights standards defined by both internationally agreed principles and our own cultural values. Given the decentralised nature of the Group, actions to promote diversity in the workforce are taken locally, with a number of ongoing initiatives such as an initiative in the Netherlands designed to promote diversity of age 'Young Bunzl' (see the case study on page 38 for more details).

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

A group of elected representatives have met annually since 1996 as part of the EICF. In 2018, 10 representatives from the UK & Ireland and Continental Europe business areas met in Amsterdam to share information on issues that are important to our employees in these businesses. The business area Managing Directors, the Group Finance Director and the Director of Group Human Resources also attended the meeting.

The most recent financial results of the Group were shared and discussed as well as the achievements and plans from a regional perspective. In addition, the representatives were updated on the developments in corporate responsibility and the employee engagement survey plan for 2018 was shared. The representatives raised questions that their colleagues wished to be discussed and gained input from all the people present at the meeting. It was considered a successful meeting providing another opportunity to build engagement with, and two-way communications between, the Group's senior management and the wider workforce.

During 2019, we will build on the successful EICF structure and look to establish alternative arrangements in other business areas to ensure that the Board of directors has an understanding of wider workforce engagement and areas of interest.

Our people continued

In 2018 we reported for the first time our gender pay gap relating to our relevant employee population in Great Britain. Our results showed, as in most companies, that women are less well represented at the top of the organisation. We also have an over-representation of men at more junior levels across the business. Gender balance at the top changes slowly, as we have a stable senior management team which is mainly male and with long tenure. Across our business we are investing in actions that will help close the gap over time. We review diversity data at Board level as part of the talent review process.

Supporting community projects and employee fundraising

We continue to encourage employees to take part in community support and sustainability programmes. We know that community support makes a meaningful difference to our colleagues. We provide resources and opportunities for Bunzl people to get involved in local community projects and to contribute to social impact causes. These fundraising activities championed by our employees locally are supplemented by donations made at Group level. For example, in 2018 significant donations were made to Macmillan Cancer Care and St John Ambulance.

Health and wellness

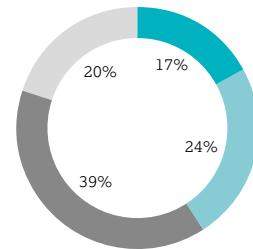
Maintaining good health is crucial for our employee well-being both at work and at home and we actively encourage this by providing health checks and sponsoring exercise programmes. This gives our workforce opportunities to maintain and enhance their health, maximise their fitness and improve their capacity to work safely and effectively. This benefits both the individual and our business.



Young Bunzl

In order to ensure we retain, as well as attract, younger people to our Dutch businesses, the management team in the Netherlands has been strengthening the network and opportunities to collaborate for those employees under 35 years old. Events were held during 2018 to enable this target population from different operating companies to meet and connect. Activities have included guest speakers on relevant topics of interest and opportunities for people to share their ideas and thoughts with the leadership team as well as talk to colleagues in other businesses. This has been very well received from those taking part and more events are planned for 2019.

**Total workforce age profile
at 31 December 2018**



Under 30	3,250
30–39	4,632
40–54	7,398
Over 55	3,726

“

I have really enjoyed meeting others through Young Bunzl and learning about their businesses. I now have a much wider network of colleagues to share and discuss ideas and experiences with.

Dennis Roijakers
Sales Account Manager at
Worldpack (the Netherlands)

“

Bunzl has always focused on my potential rather than my existing experience and continues to invest in my development. I am thrilled that my career has found its home at Bunzl and excited to continue to grow with the business.

Katy Vu
Chief Financial Officer, Bunzl North America



Talent management in action

Bunzl believes in developing and promoting talent from within and, as a result, there were some significant senior leadership changes during 2018. These recent changes demonstrate that Bunzl supports the building of great careers across geographies and sectors. When our people are prepared to move, they can access unrivalled opportunities to experience different cultures and build a great portfolio of skills.

Patrick Larmon retired as CEO of our North America business area at the end of 2018 after 28 years of service at Bunzl. Jim McCool, who joined Bunzl in 1998 and held a number of senior management positions, most recently as Chief Financial Officer for North America, was appointed his successor after an extensive development and selection process. This gave rise to an opportunity for a new Chief Financial Officer in North America, a position filled by Katy Vu. Katy joined Bunzl plc in 2013 in a finance role and went on to head up the Internal Audit team. Katy has most recently been Managing Director for our Central and Eastern European part of the business. Following Katy's relocation to take up her new role in the US, Scot Gregory, formerly General Manager for Bunzl Anaheim in California, moved to lead the Central and Eastern Europe team, where he has brought knowledge and expertise from the North America business area.

These examples of senior leadership changes demonstrate our commitment to identifying and, more importantly realising, the talent and potential of people within the business.

Key performance indicators

	Performance			What we said we would do in 2018	What we did	What we plan to do in 2019
	2016	2017	2018			
Employees Engaging with our employees with clear communications and the provision of training and development opportunities						
Employee turnover: Voluntary	11.7%	13.0%	14.6%	Continue to monitor turnover and take action where necessary.	From our monitoring we are seeing an increase in voluntary employee turnover in our business. The movement in the levels of voluntary employee turnover tends to reflect the economic conditions in the countries in which we operate and low unemployment levels, particularly in North America, rather than any intrinsic reasons related to the Group. Our key employee and management populations remain stable.	Continue to monitor turnover and take action where necessary.
Gender diversity: Women at senior management level	10%	11%	13%	Extend the training further and encourage wider participation.	We continued to promote women's development and training across the Group and use case studies to highlight female role models.	Raise awareness and further develop training and look for opportunities for wider participation.
Employee engagement index score	76%	–	74%	Undertake an employee survey during 2018.	The results of the employee survey have been analysed in detail and, as appropriate, working parties or local forums and listening groups have been set up to address the issues raised.	Detailed action plans to be devised to address significant issues raised and celebrate successes.

Corporate responsibility

We are committed to ensuring that our business is conducted in all respects according to rigorous ethical, professional and legal standards. We are a responsible employer that provides our employees with a safe working environment and promotes a positive and supportive culture which values commitment, openness, honesty and respect for everyone.

Our extensive and flexible supply chain offers our customers the opportunity to choose from a wide range of goods and services to meet their commercial needs. Our supply chain management processes ensure that those goods are responsibly sourced, manufactured and delivered. We offer a wide product range to our customers and provide our support and expertise on the sustainable aspects of our products, enabling them to make informed choices, taking into account sustainability, functional and commercial criteria. Our efficient one-stop-shop operating model allows our customers to benefit from a lower cost and environmental impact of doing business.

Business context

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

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

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

Sourcing

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

Consolidation

We have an extensive operations footprint across more than 30 countries. The products available from our broad range 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, thereby cutting fuel usage, carbon emissions and internal administration.

Distribution

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

Strategy, framework and materiality

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

Materiality

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

- business conduct/code of ethics: training to ensure everyone understands our standards;
- supply chain: responsible sourcing, working as partners with our suppliers to encourage high levels of CR and ethical trading initiatives;
- employees: engaging through clear communication using a variety of channels, as well as the 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;



- 1 Reusable cups made from coffee husks
- 2 Food containers made from polylactic acid ('PLA'), a renewable plastic
- 3 Cups made from recycled polyethylene terephthalate ('PET')
- 4 Compostable coffee cups
- 5 Paper based food packaging

- environment/climate change: reducing our and our customers' impacts on the environment by reducing carbon emissions, promoting the reduction of waste and providing innovative products and services to meet their sustainability needs;
- community: providing support by encouraging employee fundraising and donating to charitable projects and good causes that benefit the communities we work in; and
- customers: developing and offering a full product range and delivering these products to our customers efficiently, thereby enabling them to benefit from a lower environmental impact of doing business. Where appropriate, we partner with customers to identify products and services to minimise waste and provide expert advice on more sustainable alternatives.

These issues are governed by a policy framework, which is approved and monitored by the Board, with implementation at a business area level.

A sustainable approach to single-use plastics

The environmental impact of single-use plastics is an increasing priority throughout society. It is a complex issue as there are many plastic products for which limited viable alternatives exist today. Many of our customers have ambitious commitments to reduce their plastic waste footprint.

As a leading distributor of a variety of plastic-based products, Bunzl is on the frontline and takes a proactive approach. Our scale and unique position at the centre of the distribution system gives us a powerful opportunity to be part of the solution – working in partnership with our customers and our suppliers to find and promote alternatives to single-use plastics when possible and to support the development of innovative products to increase compostability and recyclability.

We are agile when it comes to changing our product range and see this as an opportunity for growth. Many of our businesses have found alternatives through innovation and in close collaboration with suppliers. We also pursue opportunities to increase awareness about collection and recycling – together with our supply chain partners and the public.

Some examples of our work in this area can be found in the Customers section on page 47.



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 2018. However, some minor incidents relating to employee conduct, such as theft or misuse of the Group's property, did occur and were dealt with during the normal course of business using Group HR policies and procedures. In the reporting year 10 (2017: 13) calls or 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, gifts and entertainment and training modules on competition law and identifying and addressing modern slavery concerns, the latter being rolled out in 2018.

Corporate responsibility continued



Supply chain

Price is only one consideration in our purchasing decisions and factors such as quality, availability, our customers' preferences and our policies are also taken into account. The vast majority of our products are sourced locally by our businesses but many products are sourced elsewhere if it is appropriate to do so. We work with our suppliers with the aim of ensuring that the products we supply are, wherever possible, manufactured from sustainably sourced raw materials and seek to increase the range of sustainable products that are made from recycled materials or are themselves recyclable or compostable. We also continue to refine our processes to ensure that imported paper and wood-based products are manufactured from legally sourced timber. To this end, we have reviewed our Asian supplier audit process in 2018 and we will add to our audit process a review of the sources of wood fibres in our products to try to ensure that paper-based products are sourced sustainably.

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.

Our supplier code of conduct defines the principles and standards that Bunzl expects suppliers of goods and services to adhere to. The supplier code is available in several languages and is actively communicated to key suppliers, particularly in those countries with increased risk of modern slavery and other social risks.

Auditing

To assist the business areas, we have our own quality assurance/quality control department based in Shanghai which performs regular audits of our direct suppliers in Asia to ensure that they meet international standards, as well as testing factories' production capabilities and their quality assurance and quality control systems. Employees' terms and conditions of work, customer service capabilities, hygiene management systems and their policies and practices on environmental issues are also checked. We expect our suppliers to meet or exceed local legislative requirements and applicable international requirements for workers' welfare and conditions of employment, such as those set by the International Labour Organization ('ILO')

and the Ethical Trading Initiative. Our central CR audit process covers the geographies with high levels of social risks, which are predominantly countries in Asia. Since 2017 we have also audited suppliers that are based in geographies with medium risks. In 2018 we have, in addition to our Asian audits, carried out audits in Mexico, Turkey and Colombia.

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

In 2018 we carried out a total of 539 (2017: 503) audits of suppliers located in Asia, and worked with those suppliers where unacceptable standards were identified to resolve any non-conformities. Five suppliers did not make sufficient progress to address the concerns and we have subsequently ceased our relationship with those suppliers.

Social risk assessment of supply chain

In 2018 we completed a quantitative analysis of material social risks in our worldwide supply chain. Economic sector data and social risk factors from a range of data sources have been applied to our global supplier data. The analysis allows us to rank suppliers against human and labour rights identified by internationally agreed standards, taking account of geography and

product. The analysis included a review of direct risks (the likelihood of a social issue arising directly in the economic sector/country of the supplier) as well as the indirect risk (the likelihood of a social issue arising in the supply chain of a supplier – tier 2 and tier 3 suppliers).

The analysis confirmed that the vast majority of Bunzl's direct suppliers are based in countries with comparatively low levels of social risk. It has also deepened our insight into the social risk factors in countries with high relative risks such as China, India and Indonesia, several other countries in Asia and countries with medium social risks such as Mexico, Turkey and a number of other Eastern European countries. The industry sector approach that we followed allowed us to identify the sectors representing the highest risks in our supply chain.

We have used the results of the analysis to identify a number of actions to further enhance mitigation of social risks in our supply chain. These actions include more in-depth audits in high risk countries, use of enhanced checklists, further enhancement of communication of our CR standards to high risk suppliers and the development of supplier management tools for use by local Bunzl businesses.

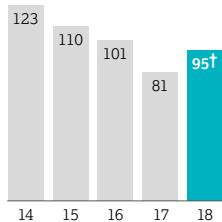
Engagement with suppliers

We work with our suppliers to help them prevent CR issues arising and to address them if they are found. In 2018 we started to expand our approach from audit and monitoring to more collaborative solutions. We believe that building relationships, capacity and trust with suppliers is critical when it comes to preventing and identifying incidences of modern slavery. After a first successful supplier training event in 2017, we organised another supplier conference in Shanghai to showcase examples of good practice and build awareness of social compliance issues. The focus of this year's conference was on discussing case studies and establishing an active dialogue with and between suppliers about practical and effective approaches to deal with modern slavery issues and other social risks.

The conference was attended by 32 suppliers and this year included six prospective suppliers. The event helps to develop local expertise and build the business case for suppliers to achieve better productivity, quality and employee retention.

Incidence rate

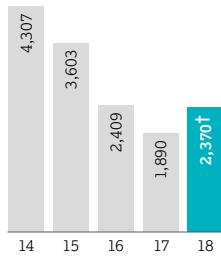
Average number of incidents per month per 100,000 employees



12 months to 30 September.

Severity rate

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



12 months to 30 September.

† Included in the external auditors' limited assurance scope referred to on page 48. The data for 2014, 2015, 2016 and 2017 was also assured as detailed in the respective Annual Reports. In 2018, the methodology of reporting lost time accidents in France has been improved. To ensure consistency and comparability to data reported in previous years, Group safety performance figures in 2014, 2015, 2016 and 2017 have been adjusted accordingly.

Training

We have rolled out a CR training module which specifically covers social risks, including modern slavery. This training module is mandatory for all of our senior management as well as senior sales representatives and procurement employees. The training has helped our employees to understand and recognise social risks that might occur in our supply chain and to inform them of the appropriate actions that should be taken if such risks materialise.

**Employees/human rights**

Bunzl adheres to the Universal Declaration of Human Rights and upholds the Fundamental Principles and Rights at Work policies, defined by the ILO, as well as applicable local laws. The countries in which Bunzl operates have their own laws banning child and forced labour and promoting human rights.

We monitor the age of our own workforce across the world. Bunzl does not restrict its employees in any of the countries in which it operates from joining a trade union if they wish to do so. More details about our employees can be found in the Our people section of this Annual Report on pages 36 to 39.

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

**Health & safety**

Health and safety remains a priority for Bunzl and it is our aim that no employee or other person should be injured as a result of our operations. Regrettably, in the 2018 reporting period there was one fatality (2017: none). The incident took place at one of our facilities in Australia and involved a warehouse employee who was stung by a bee on his face in the car park. This brought on a severe allergic reaction, which after a very short period led to his death.

After several years of solid improvement, our incidence and severity rates in 2018 are up by 17% and 25% respectively, although they are still below the rates seen in 2016 and prior years. One factor that impacted this increase is the challenging conditions in the employment market worldwide. Tight employment markets are leading to increased employee turnover and shorter job tenures. This has a negative impact on injury rates as less experienced employees have an increased risk of being involved in a workplace injury. This impact is particularly significant in North America where unemployment is at a historical low level. We have therefore improved our new employee onboarding programmes in North America. This included an increased focus on ergonomics training for new employees.

In 2017 and 2018 the number of employees increased significantly due to acquisitions. It is our aim to help businesses acquired to achieve the desired Group safety level as soon as possible but in some cases this process requires time. The acquisition of Hedis in France had an impact on our Group safety rates in 2018. Approximately 32% of the increase in the incidence rate in 2018 was due to accidents that occurred at Hedis. This year we have worked on increasing environmental, health and safety ('EHS') awareness by greater and improved coordination of EHS matters in certain regions through enhanced communication of our EHS standards and by organising various health and safety campaigns across our business areas. As a result, the completeness of accident reporting in some areas has improved.

Corporate responsibility continued

Waste

Tonnes per £m revenue

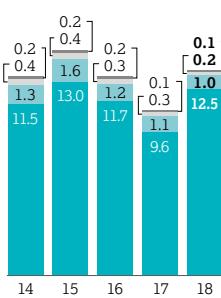


- Incinerated waste
- General waste
- Recovered/recycled waste

12 months to 30 September.

Scope 3 carbon emissions

Tonnes of CO₂e per £m revenue



- Waste
- Electricity transmission
- Business travel
- Third party carriers

12 months to 30 September.

We continue to invest in premises and equipment to improve the safety of our employees and others. Although we aim to minimise the risks which occur, particularly relating to the operation of our warehouses and vehicles, incidents involving manual handling, falling, slipping and tripping and impact with equipment remain the highest causes of accidents and days lost. Together these hazards represent 75% of incidents and 85% of days lost. All our businesses are required to comply with Group policies issued through the Corporate Responsibility and Sustainability Committee which reviews the Group's safety performance on a quarterly basis. In 2018 we reviewed and updated our internal EHS standards to ensure that they reflect the legal requirements in the countries in which we operate as well as industry best practices. The 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.

Our primary method for distributing the goods that we sell is the use of delivery vehicles. Consequently, geographical regions have placed considerable emphasis on training programmes for drivers. Each of these programmes has its own specific focus but all are aimed at reducing accidents and injuries on the road. The UK & Ireland businesses have fitted commercial vehicles with multiple cameras, side proximity sensors and audible left turn and reversing warnings to improve road safety both for our drivers and for other road users, as well as to reduce vehicle damage. In North America, where we have our largest fleet, we have rolled out two new road safety training programmes in 2018. Many fleet locations now have their own certified trainer, who is responsible for training new and existing drivers and completing check rides with all drivers on an annual basis. As a result of this training, drivers have improved their hazard perceptions, including reversing, lane changes and proper use of mirrors leading to a 12% reduction of preventable commercial vehicle accidents per mile driven in North America. In France Hygiene, where we have our largest commercial fleet in Continental Europe, all drivers – commercial, sales and after-sales employees – were retrained in safe driving and road risks.

Our warehouse safety observation programmes in North America have led to increased reporting of near misses and have improved visibility of safety incidents. We have seen increased engagement of our business leaders, safety committees and employees in identifying and correcting

hazards and the introduction of pre-shift stretching programmes has also helped to increase vigilance. France Hygiene, which has the highest incidence and severity rate in the Group, strengthened its training programmes, specifically introducing programmes for drivers (on handling hazardous situations during product deliveries) and after-sales technicians (on chemical risks and electrical safety).

In 2019 we will be focusing our health and safety priorities on mitigating the impact of the tighter employment markets, bringing businesses acquired to the desired Group level and further embedding a proactive safety culture across Bunzl, with the aim of restoring the trend of improvement of our incidence and severity rates.

Details of our performance from 2014 to 2018 are provided in the bar charts on page 43. The accident data provided covers more than 99% of the Group by revenue.



Environment/climate change

We seek to minimise the contribution of Bunzl's operations to climate change and to prevent other harmful effects on the environment. Operational efficiency forms part of a long-established and successful strategy to develop the business and the reduction of energy consumption is an integral part of this. 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 2018.

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. The revenue from these businesses is not included when calculating the indexed emissions. All acquisitions made prior to the 2018 reporting year are now providing environmental data. The reported data covers around 98% of the Group by revenue.

We integrate our environmental reporting with our financial reporting through the annual budget review. Businesses provide commentary on their environmental performance and set targets for the following year. Environmental data is reviewed and agreed by the relevant Finance Directors.

Greenhouse gas emissions

Data for the period 1 October to 30 September

	Tonnes of CO ₂ e		
	Base year 2010	2017	2018 [†]
Scope 1	95,249	92,687	99,848
Scope 2	28,757	30,451	31,615
Total gross emissions	124,006	123,138	131,463
Total carbon emissions per £m revenue	26.3	15.0	15.0

[†] Included in the external auditors' limited assurance scope referred to on page 48. The data for 2017 was also assured as detailed in the 2017 Annual Report.

A number of locations in UK & Ireland, Asia Pacific and Continental Europe have renewed their ISO 14001 certification. Currently, measured by revenue, approximately 24% of the Group's operations are certified to ISO 14001. Certification is based on processes and practices which are implemented Group wide through our EHS management programme, although some parts of the business have not elected to become formally certified.

Carbon emissions

Scope 1: Fuel for transportation remains our highest source of CO₂e emissions, contributing 81% of Scope 1 and 61% of combined Scope 1 and 2 emissions. Of those emissions relating to transportation, almost 80% 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, a new routing programme has been implemented throughout 2017 and 2018. This has enabled us to utilise our own fleet assets more efficiently and save fuel. The purchase of more fuel efficient commercial vehicles has also led to improved fuel economy. The combination of these measures provided a 5% improvement in fuel efficiency during the year. This has resulted in an annualised saving of approximately 0.9 million litres of diesel fuel.

At Group level, diesel consumed by our commercial fleet increased by 5% mainly due to sales growth. We seek to minimise the number of miles that our vehicles travel empty on the road by backhauling, typically using empty vehicles to collect stock from suppliers. In France, the use of telematics has contributed to the 12% decrease in fuel usage by our commercial vehicles (approximately 140,000 litres of diesel).

Natural gas is principally used for the heating of buildings and depends strongly on weather conditions. At Group level, the consumption of natural gas increased by 28% in 2018, primarily due to colder weather conditions in North America and the inclusion of natural gas usage of DDS locations (an acquisition in 2017) in our report. These locations are in relatively colder geographical areas, leading to higher building heating requirements.

Scope 2: Electricity consumption has increased by 9% as a result of an increase in warehouse space due to acquisitions and the organic growth of the business. Per £ of revenue, our electricity consumption has remained almost unchanged at constant exchange rates. Lighting is our highest category of electricity consumption and we continue to review the return on investment on low energy lighting at all our sites worldwide as the technology progresses and improves the efficiency of such lighting. We also fit voltage optimisers where this is beneficial. During the year new projects, predominantly in Continental Europe, have been carried out to upgrade lighting. Together with projects carried out in 2017, and taking full effect in 2018, the savings provided by the upgrades represent approximately 4% of our electricity consumption. Other locations are being considered for potential LED lighting projects to determine the available incentives and anticipated payback. In North America, we are in the process of upgrading fluorescent lighting to LED lighting in an additional 15 warehouse locations and further upgrades are also planned in other business areas. All new buildings designed as Bunzl warehouses have the specification of LED lighting.

In addition, as energy contracts are renewed, businesses are moving to low carbon energy where this makes commercial sense and is supported by the local infrastructure. In the UK & Ireland we have moved to a central electricity supply contract with low carbon electricity.

Scope 3: We are continuing to refine the data collection for our Scope 3 carbon emissions. Our reporting comprises emissions from third party carriers, business flights, waste and electricity transmission losses. The majority of the businesses which have been acquired since 2010 do not have their own fleet and, in addition, all our businesses, irrespective of whether they have their own fleet, will distribute a proportion of goods by third party carriers where it is more efficient and cost-effective to do so. The bar graph on page 44 shows that third party carriers produce the largest proportion of our reported Scope 3 emissions. Our Scope 3 emissions in 2018 increased due to the acquisition of businesses without commercial vehicle fleets in North America and due to overall sales growth. Bunzl is an international company 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 all flights are justified according to business needs and are subject to authorisation by senior management. In 2018 we have completed a quantitative analysis of the environmental impact of our worldwide supply chain. We used supplier data and industry data (taking account of geographies and products) to determine our supply chain carbon emissions. Our estimated Scope 3 supply chain emissions are 6.3 million tonnes of CO₂ equivalents.

Corporate responsibility continued

Waste

Reduction and segregation of waste continues to be an area of focus and the data provided covers approximately 94% of the Group by revenue. Despite including this in our Scope 3 emissions calculation, we have, for transparency, continued to provide waste data separately. In 2018 we carried out an internal survey of our waste reporting methodologies. This survey included a systematic review of our processes to measure, monitor and report on the waste that is generated across our businesses. We have identified various improvements to our processes which will be implemented in 2019.

This will help to improve consistency and accuracy of waste measurement and reporting, although accurate waste measurement remains challenging in geographies with less advanced waste management infrastructures. We will also work to enhance further the waste recycling rates at our facilities.

Water

Direct water usage is not a significant environmental impact for our business as it is principally confined to staff hygiene and workplace cleaning. Our estimated water usage is 150,000 m³ of water per year. 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.



Community

Bunzl's operations are international but our strength lies in the local nature of our businesses. We support the communities where our employees live and work and encourage fundraising activities championed by our businesses and their employees locally. For example, there have been various charity runs in the UK, the Netherlands, Switzerland and France which raised money for charities including Alzheimer's research and those supporting people with physical disabilities.

This is supplemented by donations made at Group level to charities predominantly in the fields of healthcare, disability, environment and education, 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 £607,000 to charitable causes during 2018. This does not include amounts donated by Bunzl in matching funds raised by employees for local charities.

An example of an environmental charity we supported in 2018, is #LeedsByExample, an environmental research campaign launched by a UK charity, Hubbub. The charity has strong ties within the packaging supply chain and a reputation for delivering impactful research projects. #LeedsByExample is a high profile six month pilot project designed to boost the recycling of disposable food and drink packaging in Leeds. Supported by a collaboration of companies from the food and drink sector, the campaign will promote, test and evaluate different methods of encouraging recycling packaging 'on the go' using a range of eye-catching communications and designs.



Tour de Bunzl – Continental Europe

The Tour de Bunzl is an annual fundraiser for a Dutch charity supporting people with physical disabilities. On a beautiful summer day in 2018, 65 employees from Bunzl Netherlands and its suppliers took to their bikes and completed a tough tour course with a number of challenging climbs. The cyclists raised a total of €37,000 for charity 'De Zonnebloem'. The charity helps create a society in which people with physical disabilities can participate without restrictions through the organisation of social and recreational activities.



Thank you Bunzl for the money raised by this tremendous initiative which will help many people with a disability participate in activities that simply would not be possible without your invaluable support.

Marc Damen
Director of charity 'De Zonnebloem'



Research data will be independently evaluated and openly shared with interested parties in the UK government and the food and drink, packaging and recycling industries.

In 2019, we aim to continue our charity programme with an increased focus on sustainability charities.

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



Customers

As part of our policy to provide our customers with high quality products and services, businesses within the Group are constantly developing and sourcing new products. Our aim is not only to satisfy changing customer requirements but also to give ourselves a competitive advantage in the marketplace. Bunzl works with its customers in the development of new, redesigned or substantially improved products. Many Bunzl businesses adopt partnerships and source innovative products to help their customers be responsible users of disposable packaging and reduce their waste footprints. We aim to provide customers with expert advice and answers regarding sustainable products, through customer 'hotlines', seminars, forums and communication materials (e.g. brochures and product factsheets). All products are delivered to the customer by Bunzl's one-stop-shop service. This consolidated product offering minimises the number of deliveries to customers and fleet miles required.

Some examples of Bunzl businesses offering products and services with increased sustainability can be found below.

Earthwise is a brand of eco-friendly products in North America. The reusable Earthwise shopping bag is an environmentally friendly, sustainable alternative to the plastic and paper bags mostly found at grocery stores, retail shops and department stores. By supplying millions of reusable bags to retailers nationwide, Earthwise supports customers to achieve their sustainability goals. Another example in North America is our distribution business in the Seattle area. This business has a long term relationship with a large supermarket customer with strict environmental standards. Over the years the business relationship between Bunzl Seattle and the customer has grown, largely due to Bunzl Seattle's successful mission to supply the customer with the most sustainable products available on the market. Bunzl Seattle's partnership with this customer is an excellent example of how a focus on sustainability can give companies a competitive edge. Another example can be found in the case study on page 48.

Bunzl Catering Supplies ('BCS') is an example of a business in UK & Ireland that is working closely with customers to understand better their plastic packaging footprint and to reduce their environmental impact. The business has been helping customers by recommending alternative material types and consolidating their packaging ranges to either fully recyclable or fully compostable materials. In November 2018, BCS hosted a Sustainable Future customer forum in London. With 11 national

customers in attendance, the customer forum provided an open platform for education and discussion on the current issues surrounding single-use packaging in the catering and hospitality industry. This event was one in a series of forum meetings, aimed at bringing customers together to share best practice and discuss innovation opportunities in response to regulatory changes. BCS has been spearheading change for a more material responsible future as part of its ongoing Sustainable Future programme.

The Bunzl Netherlands BELIEVE programme puts direct action on sustainability at the heart of the business. The programme's five sub themes – Be Sustainable, Be Fair, Be Green, Be Different and Be Happy – are rolled out across all businesses in the Netherlands and have led to numerous operational improvements, customer partnerships and sustainable product offerings.

Multiline Denmark is one of our businesses that has set up a customer 'hotline' for responding to questions from customers about sustainability aspects of our products. Like many other Bunzl businesses, the business has a 'green' catalogue that was updated in 2018 and which includes more than 50 pages with sustainable alternatives to conventional products. The catalogue also contains a comprehensive list of terms, symbols and definitions of sustainable products and behaviour.

Corporate responsibility continued



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Earth Fare's packaging program is designed around a focus on sustainability, quality and cost-effectiveness. We actively work with our suppliers to support Earth Fare's desire to provide their customers with eco-friendly packaging options that align with their natural, organic food offerings.

Tom Emge

Sr Vice President, National Accounts
Bunzl North America



Earth Fare – North America

Several locations of Bunzl North America's distribution network service Earth Fare, a growing customer with 50 stores across 10 states. Earth Fare has an ambitious sustainability mission to reduce the impact on the environment. Over the past nine years, Bunzl has been partnering with Earth Fare to meet their sustainability goals by providing packaging and store supply options that are recyclable, compostable or made from post-consumer materials. For example, all hot food to-go containers are made from plant-based, compostable materials.



External assurance

We engaged PricewaterhouseCoopers LLP ('PwC') to undertake a limited assurance engagement, reporting to Bunzl plc only, using International Standard on Assurance Engagements ('ISAE') 3000 (Revised): 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' and ISAE 3410: 'Assurance Engagements on Greenhouse Gas Statements' over the three non-financial KPIs on page 19 and the data on pages 43 and 45, in each case that has been highlighted with the symbol '†'. PwC has provided an unqualified opinion in relation to the relevant KPIs and data and their full assurance opinion is available in the Responsibility section of our Group website, www.bunzl.com.

A limited assurance engagement is substantially smaller 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 two sites in UK & Ireland, 24 sites in North America and six sites in Continental Europe to check that data had been appropriately measured, included, collated and reported.

Non-financial performance information, including greenhouse gas quantification in particular, is subject to more inherent limitations than financial information. It is important to read the selected CR 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.

CR risks

CR risks are considered as part of the Group's risk management process, as set out on pages 51 to 55, but none are considered to represent principal risks to the Group. A number of CR risks which could impact the Group's business have been identified and these are set out below together with the steps taken by management to mitigate such risks.

Principal CR risk facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated
CR compliance failures	Lack of adherence to the Group's CR policies could result in a variety of issues including those relating to inappropriate business practices, accidents at work and increased levies due to levels of waste or carbon emissions.	The Group has comprehensive CR policies and procedures (including those relating to anti-bribery and corruption) in place throughout the business as well as an established reporting framework. Regular training in all areas of CR takes place using our suite of e-training modules.
Loss of operating facilities/unavailability of staff	Climate change may result in higher frequency of extreme weather conditions. This could result in some of the Group's facilities being affected or employees being unable to attend for work.	The Group often has multi-site facilities with products stocked in more than one location, as a result of which the Group usually has the ability to distribute products from nearby facilities. Business continuity plans are in place to minimise the impact of any such issues.
Suppliers' non-compliance with good CR practices	The Group is not a manufacturer and has many international suppliers. The failure of one of the Group's key suppliers to adhere to recognised CR standards could affect the Group's reputation.	The Group's key suppliers are principally multinational organisations with high standards of operations. Suppliers are monitored by the Group's purchasing departments and the quality assurance/quality control department based in Shanghai audits key direct suppliers throughout Asia and oversees audits carried out by third parties elsewhere. All key suppliers and suppliers in countries with increased social risk are made aware of the Group's CR aspirations. We have developed a supplier code of conduct that defines the principles and standards that Bunzl expect suppliers of goods and services to adhere to.
Reduction of demand for certain single-use plastic products	<p>Legislation relating to certain plastic based products, including the introduction of new taxes, is increasing, particularly in Europe. Together with growing consumer awareness of environmental concerns, these legislative measures are likely to reduce demand for single-use plastic disposable products.</p> <p>At the same time, the demand for sustainably sourced, recyclable or reusable alternatives will be increasing.</p>	Bunzl's scale and unique position at the centre of the distribution system should enable the Group to utilise the opportunity to provide customers with more sustainable solutions. Bunzl will continue to work proactively with customers, suppliers and other stakeholders to promote and support a more sustainable approach to single-use plastics.

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

Key performance indicators

	Performance			What we said we would do in 2018	What we did	What we plan to do in 2019
	2016	2017	2018			
Health & safety				Improving safety in our warehouses and on our vehicles		
Reduction in accident incidence rate (% change year on year)	-8%	-20%	+17%	Reduce the Group accident incidence rate by 5% from 2017.	After years of solid improvement, the accident incidence rate increased by 17% and the accident severity rate increased by 25%.* In 2018 our incidence and severity rates have been negatively impacted by increased employee turnover and shorter job tenures, leading to a higher number of less experienced employees who have an increased risk of being involved in a workplace injury. Another factor is incidents taking place at recent acquisitions which are in the process of implementing Group standards. Key initiatives in 2018 included improvement of new employee onboarding programmes, refreshing of training programmes for drivers, aimed at reducing accidents and injuries on the road, and new safety awareness programmes. We also continued to work with recent acquisitions to bring them up to Group standards.	Reduce the Group accident incidence rate by 5% from 2018.
Reduction in accident severity rate (% change year on year)	-33%	-22%	+25%	Reduce the Group accident severity rate by 5% from 2017.		Reduce the Group accident severity rate by 5% from 2018.

* Included in the external auditors' limited assurance scope referred to on page 48. The data for 2014, 2015, 2016 and 2017 was also assured as detailed in the respective Annual Reports. In 2018, the methodology of reporting lost time accidents in France has been improved. To ensure consistency and comparability to data reported in previous years, Group safety performance figures in 2014, 2015, 2016 and 2017 have been adjusted accordingly.

Corporate responsibility continued

Key performance indicators continued

	Performance			What we said we would do in 2018	What we did	What we plan to do in 2019
	2016	2017	2018			
Environment/climate change Reducing our impact on the environment by reducing carbon emissions						
Carbon emissions: Scope 1 (tonnes of CO ₂ e/£m revenue) 12.6 11.3 11.4 Reduce emissions by 1% against 2017. (This reduction target excludes any foreign exchange translation effect on revenue numbers.) The 2018 figure represents a 1% increase in Scope 1 emissions versus 2017, including the effect of foreign exchange rate fluctuation. At constant exchange rates the emissions reduced by 2%. Fuel for transportation contributes c. 80% of Scope 1 emissions. Reduction of these emissions is primarily driven by fuel efficiency improvements (including regular replacement of vehicles, use of vehicle telematics and driver training programmes). At a Group level, diesel consumed by our commercial fleet per £m revenue decreased by 5% at constant exchange rates. Scope 1 emissions are also impacted by weather conditions (influencing the fuel needed for heating of buildings). As a result of the relatively cold winter in North America, and first time reporting of acquisitions, our Group natural gas usage increased by nearly 28%.						
Carbon emissions: Scope 2 (tonnes of CO ₂ e/£m revenue)	4.5	3.7	3.6	Reduce emissions by 2% against 2017. (This reduction target excludes any foreign exchange translation effect on revenue numbers.)	The 2018 figure represents a 3% reduction in Scope 2 emissions versus 2017, including the effect of foreign exchange rate fluctuation. At constant exchange rates the reduction in emissions is 5%. Our Scope 2 emissions take into account changes to the average country specific emission factors, but do not take into account low carbon electricity purchases (representing approximately 15% of electricity purchased). The remaining improvement in the Scope 2 index has been driven by the continued implementation of low energy lighting.	Reduce emissions by 2% against 2018. (This reduction target excludes any foreign exchange translation effect on revenue numbers.)
Total Scope 1 & 2 emissions (tonnes of CO ₂ e/£m revenue)	17.1	15.0	15.0	Reduce emissions by 1% against 2017. (This reduction target excludes any foreign exchange translation effect on revenue numbers.)	The 2018 figure represents no change in total Scope 1 and 2 emissions versus 2017, including the effect of foreign exchange translation. At constant exchange rates the reduction in emissions is 3%.	Reduce emissions by 1% against 2018. (This reduction target excludes any foreign exchange translation effect on revenue numbers.)

Our Scope 1 and 2 emissions are represented as an index against £m revenue. The foreign exchange translation effect in the 2018 reporting year, caused by the movement in the exchange rates of sterling against other currencies during the 2018 reporting year compared to the 2017 reporting year, was to decrease the reported reduction in emissions by approximately 3%.

Suppliers Responsible sourcing, working as partners with our suppliers to encourage high levels of CR and ethical trading initiatives						
Supplier CR audits and assessments covering environmental and social standards (number of audits/assessments carried out)	449	503	539	Further expansion of our CR audit programme into geographies with medium levels of social risk.	We have rolled out a CR training module which specifically covers social risks, including modern slavery. The CR audit programme was further expanded into geographies outside Asia with medium levels of social risk by carrying out audits in Mexico, Turkey and Colombia. We have completed a quantitative analysis of material social risks in our worldwide supply chain.	More in-depth audits of high risk suppliers. Continue to optimise and expand our audit programme.

Community Providing support to our local communities through employee fundraising, matched funding and donations of stock and cash to charitable organisations						
Charity donations (£000s)	712	742	607	Continue to support relevant charities.	Bunzl supported a variety of projects for healthcare and environment related charities. Donations to charities in 2018 were lower compared to 2017 as some businesses had fewer opportunities to donate stock and some sales events, during which donations were previously given, were not held in 2018. We expect that donations will return to previous levels in 2019.	Continue charity programme with increased focus on sustainability charities.

Principal risks and uncertainties

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

Risk management process

To deliver the Group's strategic objectives successfully, and provide value for shareholders, customers and other stakeholders, it is critical that Bunzl maintains an effective process for the management of risk. The Company has a risk management policy which ensures a consistent process is followed by every business and business area as well as the Executive Committee and ultimately the Board, firstly to assess and then subsequently to manage both current and emerging risks. These interrelated aspects of the Group's risk management policy are explained below*. Additional detail is also provided on the key risk management activities undertaken during 2018.

Risk assessment

Risk identification

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

Inherent risk assessment

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

Risk response and residual risk assessment

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

Risk management

The Board

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

Executive Committee

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

The Audit Committee

- Reviews the process for the management of risk, including the risk assessment and risk response, and its effectiveness.
- Directs and oversees internal audit's activities and reviews the results of assurance over controls and risk mitigation activities.
- During 2017 the Audit Committee commissioned an external assessment of the effectiveness of Bunzl's risk management process and procedures and considered and approved enhancements to the risk management process.

Business area and business management

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

* The 'Risk management and internal control' section of the Corporate governance report on pages 64 and 65 includes further information on the specific procedures designed to identify, manage and mitigate risks which could have a material impact on the Group's business, financial condition or results of operations and for monitoring the Company's risk management and internal control systems.

Principal risks and uncertainties continued

Principal risks and uncertainties

The Group operates in six core market sectors across more than 30 countries which exposes it to many risks and uncertainties, not all of which are necessarily within the Group's control. The risks summarised below represent the principal risks and uncertainties faced by the Group, being those which are material to the development, performance, position or future prospects of the Group, and the steps taken to mitigate such risks. However, these risks do not comprise all of the risks that the Group may face and accordingly this summary is not intended to be exhaustive.

In addition, the Group's financial performance is partially dependent on general global economic conditions, the deterioration of which could have an adverse effect on the Group's business and results of operations. Although this is not considered by the Board to be a specific principal risk in its own right, many of the risks referred to below could themselves be impacted by the economic environment prevailing in the Group's markets from time to time.

The risks are presented by category of risk (Strategic, Operational and Financial) and are not presented in order of probability or impact. The relevant component of the Group's strategy that each risk impacts is also noted:

Organic growth

Acquisition growth

Operating model improvements

During the year an analysis of the interconnectivity of the principal and non-principal risks as identified through the Group's risk assessment process was performed internally, leveraging the results of an external review that was performed during 2017. This review looked at the relationships, connections and interdependencies between risks, recognising that risks do not always occur in isolation, and contributed to the Group's assessment of the adequacy of risk management and mitigating activities.

Overall, the nature and type of the principal risks and uncertainties affecting the Group, and the likelihood and impact of each of the principal risks crystallising, are considered to be materially unchanged compared to the

2017 Annual Report. However, risk 3, which was entitled *Product cost inflation* in the prior year, was reconsidered and its description broadened to include cost inflation more generally. Although not a new risk, the name change to *Cost inflation* reflects the fact that to grow profit margins organically, increases in selling prices and/or cost reduction activity is required in order to mitigate both product and operating cost inflation.

The Board is continuing to monitor the potential risks associated with the UK leaving the European Union ('Brexit'). Although Bunzl is a UK headquartered company, more than 85% of the Group's revenue, profit and cash flow is generated outside the UK. Bunzl is highly decentralised, with each business in the Group operating as a standalone company, largely focused on customers in the country in which it is incorporated. Within the UK, less than 20% of the products purchased are direct imports from overseas, of which most are from countries outside of the European Union ('EU'). Accordingly, Bunzl's ability to service its customers' needs, whether they are inside or outside the EU, is unlikely to be affected materially by Brexit.

Notwithstanding this assessment, as the definitive arrangements for Brexit have not yet been finalised, the final outcome remains unclear and it is too early to understand fully the impact that Brexit will have on the Group's operations. The risks to Bunzl arising from Brexit will most likely be limited to the following:

- foreign exchange volatility on the Group's translated results which, as noted in risk 8, *Currency translation*, is not hedged. Therefore, a strengthening or weakening of sterling will result in a change in the Group's reported results;
- the imposition of trade tariffs could result in an increase in product costs in the UK. This is reflected in risk 3, *Cost inflation*, and mitigated by the actions noted for that risk; and
- supply chain disruption as UK ports are unable to cope with additional border checks leading to inventory shortages. Selected UK warehouses are applying for simplified customs freight procedures authorisation ('CFSP') to attempt to minimise port delays. Additional stocks of certain items will be held to minimise the risk of inventory shortages.

The Board is also monitoring the developing situation with respect to trade tariffs in the United States of America ('US'). During 2018 the impact of additional trade tariffs levied on products imported into the US were mitigated through price increases or by identifying alternative sources of supply. Based on these mitigations, and the assessment of the potential risks associated with Brexit explained above, the Group does not consider that its principal risks and uncertainties have changed as a result of the Brexit or US trade tariff related risks.

One area of emerging risk that Bunzl is proactively addressing relates to the increase in legislation and changes in consumer preferences discouraging the use of certain single-use plastic products. The legislative trend was most notably first seen in 2015 with the introduction of the plastic bag levy in the UK, but this has been followed more recently by further EU and UK regulations announced in 2018 that target reductions or prohibitions of certain plastic-based products. This is likely to reduce demand for single-use plastic products while, at the same time, increasing demand for sustainably sourced, recyclable or reusable alternatives. Bunzl's scale and unique position at the centre of the supply chain should give the Group an opportunity to provide customers with these alternative products and, as a result, the changes in regulations and consumer preferences are not considered to be a principal risk.

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

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated
Strategic risks		
1. Competitive pressures Revenue and profits are reduced as the Group loses a customer or lowers prices due to competitive pressures 	<ul style="list-style-type: none"> The Group operates in highly competitive markets and faces price competition from international, national, regional and local companies in the countries and markets in which it operates. Unforeseen changes in the competitive landscape could also occur such as an existing competitor or new market entrant introducing disruptive technologies or changes in routes to market. Customers, especially large or growing customers, could exert pressure on the Group's selling prices, thereby reducing its margins, switch to a competitor or ultimately choose to deal directly with suppliers. Any of these competitive pressures could lead to a loss of market share and a reduction in the Group's revenue and profits. 	<ul style="list-style-type: none"> The Group's geographic and market sector diversification allow it to withstand shifts in demand, while this global scale across many markets also enables the Group to provide the broadest possible range of customer specific solutions to suit their exacting needs. The Group maintains high service levels and close contact with its customers to ensure that their needs are being met satisfactorily. This includes continuing to invest in e-commerce and digital platforms to enhance further its service offering to customers. The Group maintains strong relationships with a variety of different suppliers, thereby enabling the Group to offer a broad range of products to its customers, including own brand products, in a consolidated one-stop-shop offering at competitive prices.
2. Product cost deflation Revenue and profits are reduced due to the Group's need to pass on cost price reductions 	<ul style="list-style-type: none"> A reduction in the cost of products bought by the Group, due to suppliers passing on lower commodity prices (such as plastic or paper), lower trade tariffs and/or foreign currency fluctuations, coupled with actions of competitors, may require the Group to pass on such cost reductions to customers, especially those on indexed or cost-plus pricing arrangements, resulting in a reduction in the Group's revenue and profits. Operating profits may also be lower due to the above factors if operating costs are not reduced commensurate with the reduction in revenue. 	<ul style="list-style-type: none"> The Group uses its considerable experience in sourcing and selling products to manage prices during periods of deflation in order to minimise the impact on profits. Focus on the Group's own brand products, together with the reinforcement of the Group's service and product offering to customers, helps to minimise the impact of price deflation. The Group continually looks at ways to improve productivity and implement other efficiency measures to manage and, where possible, reduce its operating costs.
3. Cost inflation Profits are reduced from the Group's inability to pass on product or operating cost increases 	<ul style="list-style-type: none"> Significant or unexpected cost increases by suppliers, due to the pass through of higher commodity prices (such as plastic or paper), higher trade tariffs and/or foreign currency fluctuations, could adversely impact profits if the Group is unable to pass on such product cost increases to customers. Operating profits may also be lower due to the above factors if selling prices are not increased commensurate with the increases in operating costs. 	<ul style="list-style-type: none"> The Group sources its products from a number of different suppliers based in different countries so that it is not dependent on any one source of supply for any particular product, or overly exposed to a particular country changing trade tariffs, and can purchase products at the most competitive prices. The majority of the Group's transactions are carried out in the functional currencies of the Group's operations, but for foreign currency transactions some forward purchasing of foreign currencies is used to reduce the impact of short term currency volatility. If necessary, the Group will, where possible, pass on price increases from its suppliers to its customers. The Group continually looks at ways to improve productivity and implement other efficiency measures to manage and, where possible, reduce its operating costs.
4. Inability to make further acquisitions Profit growth is reduced from the Group's inability to acquire new companies 	<ul style="list-style-type: none"> Acquisitions are a key component of the Group's growth strategy and one of the key sources of the Group's competitive advantage, having made more than 150 acquisitions since 2004. Insufficient acquisition opportunities, through a lack of availability of suitable companies to acquire or an unwillingness of business owners to sell their companies to Bunzl, could adversely impact future profit growth. 	<ul style="list-style-type: none"> The Group maintains a large acquisition pipeline which continues to grow with targets identified by managers of current Bunzl businesses, research undertaken by the Group's dedicated and experienced in-house corporate development team and information received from banking and corporate finance contacts. The Group has a strong track record of successfully making acquisitions. At the same time the Group maintains a decentralised management structure which facilitates a strong entrepreneurial culture and encourages former owners to remain within the Group after acquisition, which in turn encourages other companies to consider selling to Bunzl.

Principal risks and uncertainties continued

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated
5. Unsuccessful acquisition Profits are reduced, including by an impairment charge, due to an unsuccessful acquisition or acquisition integration 	<ul style="list-style-type: none"> Inadequate pre-acquisition due diligence related to a target company and its market, or an economic decline shortly after an acquisition, could lead to the Group paying more for a company than its fair value. Furthermore, the loss of key people or customers, exaggerated by inadequate post-acquisition integration of the business, could in turn result in underperformance of the acquired company compared to pre-acquisition expectations which could lead to lower profits as well as a need to record an impairment charge against any associated intangible assets. 	<ul style="list-style-type: none"> The Group has established processes and procedures for detailed pre-acquisition due diligence related to acquisition targets and the post-acquisition integration thereof. The Group's acquisition strategy is to focus on those businesses which operate in sectors where it has or can develop competitive advantage and which have good growth opportunities. The Group endeavours to maximise the performance of its acquisitions through the recruitment and retention of high quality and appropriately incentivised management combined with effective strategic planning, investment in resources and infrastructure and regular reviews of performance by both business area and Group management.

Operational risks

6. Cyber security failure Revenue and profits are reduced as the Group is unable to operate and serve its customers' needs due to being impacted by a cyber-attack  	<ul style="list-style-type: none"> The frequency, sophistication and impact of cyber-attacks on businesses are rising at the same time as Bunzl is increasing its connectivity with third parties and its digital footprint through acquisition and investment in e-commerce platforms and efficiency enhancing IT systems. Weak cyber defences, both now and in the future, through a failure to keep up with increasing cyber risks and insufficient IT disaster recovery planning and testing, could increase the likelihood and severity of a cyber-attack leading to business disruption, reputational damage and loss of customers. 	<ul style="list-style-type: none"> Concurrent with the Group's IT investments, the Group is continuing to improve information security policies and controls to improve its ability to monitor, prevent, detect and respond to cyber threats. Cyber security awareness campaigns have been deployed across all regions to enhance the knowledge of Bunzl personnel and their resilience to phishing attacks. IT disaster recovery and incident management plans, which would be implemented in the event of any such failure, are in place and periodically tested. The Group CIO and Group Head of Information Security coordinate activity in this area.
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Financial risks

7. Availability of funding Insufficient liquidity in financial markets leading to insolvency   	<ul style="list-style-type: none"> Insufficient liquidity in financial markets could lead to banks and institutions being unwilling to lend to the Group, resulting in the Group being unable to obtain necessary funds when required to repay maturing borrowings, thereby reducing the cash available to meet its trading obligations, make acquisitions and pay dividends. 	<ul style="list-style-type: none"> The Group arranges a mixture of borrowings from different sources and continually monitors net debt and forecast cash flows to ensure that it will be able to meet its financial obligations as they fall due and that sufficient facilities are in place to meet the Group's requirements in the short, medium and long term.
8. Currency translation Significant change in foreign exchange rates leading to a reduction in reported results and/or a breach of banking covenants   	<ul style="list-style-type: none"> The majority of the Group's revenue and profits are earned in currencies other than sterling, the Group's presentation currency. As a result, a significant strengthening of sterling against the US dollar and the euro in particular could have a material translation impact on the Group's reported results and/or lead to a breach of net debt to EBITDA banking covenants. 	<ul style="list-style-type: none"> The Group does not hedge the impact of exchange rate movements arising on translation of earnings into sterling at average exchange rates. The Board believes that the benefits of its geographical spread outweigh the risks. Results are reported at constant exchange rates so that investors can observe the underlying performance of the Group excluding the translation impact on the Group's reported results. The Group's borrowings are denominated in US dollars, sterling and euros in similar proportions to the relative profit contribution of each of these currencies to the Group's EBITDA. This minimises the risk that movements in foreign exchange rates will have a material impact on the ratio of net debt to EBITDA, and therefore minimises the risk of a breach of banking covenants caused by foreign currency fluctuations.

 **Organic growth**

 **Acquisition growth**

 **Operating model improvements**

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated
9. Increase in taxation Increases in Group tax rate and/or cash tax 	<ul style="list-style-type: none"> • The resolution of uncertain prior year tax matters or the introduction of legislative changes could cause a higher tax expense and higher cash tax payments, thereby adversely affecting the Group's profits and cash flows. • In particular, changes could result from the legal arguments between the European Commission and the UK government over whether part of the UK's tax regime is contrary to European Union State Aid provisions. 	<ul style="list-style-type: none"> • Oversight of the Group's tax strategy is within the remit of the Board and tax risks are assessed by the Audit Committee. • The Group seeks to plan and manage its tax affairs efficiently but also responsibly with a view to ensuring that it complies fully with the relevant legal obligations in the countries in which the Group operates while endeavouring to manage its tax affairs to protect value for the Company's shareholders in line with the Board's broader fiduciary duties. • The Group manages and controls these risks through an internal tax department made up of experienced tax professionals who exercise judgement and seek appropriate advice from specialist professional firms. • At the same time the Group monitors international developments in tax law and practice, adapting its approach where necessary to do so.

Assessment of the prospects of the Company and its viability statement

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

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

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

- Bunzl has a geographically balanced and diversified business portfolio operating in more than 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 2021.

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

In making a viability statement, the directors are required to consider the Company's ability to meet its liabilities as they fall due, taking into account the Company's current position and principal risks. The Company has significant financial resources including committed and uncommitted banking facilities, US private placement notes and a senior unsecured bond, further details of which are set out in Note 14 to the consolidated financial statements. As a result, the directors believe that the Company is well placed to manage its business risks successfully.

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

- the impact of the crystallisation of the principal strategic risks to the Group's organic growth and a significant increase in working capital;
- the impact of the crystallisation of the principal strategic and operational risks to the Group's organic and acquisition growth and significant increases in both working capital and the effective tax rate, both with and without mitigating actions; and

- a reverse stress test scenario which identified what would need to happen to cause the Company to fail, which for this purpose is taken to mean an unavoidable breach of financial covenants.

In all scenarios it has been assumed, based on past experience and all current indicators, that the Company will be able to refinance its banking facilities and US private placement notes as and when they mature. In the first two stress tests it was found that the Group was resilient and in particular it remained in compliance with the relevant financial covenants. The conditions required to create the reverse stress test scenario, the third stress test, were so severe that they were considered to be implausible.

The directors consider that the stress testing based assessment of the Company's prospects, building on the results of the robust assessment of the principal risks to the business and the financial implications of them materialising, confirms the resilience of the Group to severe but plausible scenarios and provides a reasonable basis on which to conclude on its longer term viability.

Confirmation of longer term viability

In accordance with the provisions of the Corporate Governance Code, the directors have taken account of the Group's current position and principal risks and uncertainties referred to above in assessing the prospects of the Company and they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period to 31 December 2021.

Board of directors

Promoting the Group's long term success and delivering sustained increases in stakeholder value, underpinned by the highest standards of corporate governance, continue to be key priorities for the Board.



Philip Rogerson

Chairman

Appointment

Appointed to the Board in January 2010 and became Chairman in March 2010. Chairman of the Nomination Committee.

Experience

He was an executive director of BG Group plc (formerly British Gas plc) from 1992 to 1998, latterly as Deputy Chairman. Since then he has been both a non-executive director and Chairman of a number of companies and is currently Chairman of De La Rue plc and a non-executive director of Blancco Technology Group plc.



Frank van Zanten

Chief Executive

Appointment

Executive director since February 2016 and Chief Executive and member of the Nomination Committee from April 2016.

Experience

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 rejoining Bunzl in 2005 as the Managing Director of the Continental Europe business area. He is a non-executive director of Grafton Group plc.



Brian May

Finance Director

Appointment

Finance Director since 2006.

Experience

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.

Committee membership

- Member of the Audit Committee
- Member of the Remuneration Committee
- Member of the Nomination Committee
- Independent director

“ Our Board continues to provide independent scrutiny and challenge, while promoting a strong culture of openness and constructive debate.

Philip Rogerson,
Chairman



Lloyd Pitchford

Non-executive director

Appointment

Non-executive director since March 2017 and Chairman of the Audit Committee.

Experience

Having previously held a number of senior finance positions with BG Group plc, including five years as Group Financial Controller, he subsequently joined Intertek Group plc where he was Chief Financial Officer from 2010 to 2014. Since 2014 he has been Chief Financial Officer of Experian plc.



Eugenia Ulasewicz

Non-executive director

Appointment

Non-executive director since 2011.

Experience

After holding a number of senior retail positions with Bloomingdale's, Galeries Lafayette and Saks Fifth Avenue, she joined Burberry Group plc and was President of Burberry, Americas, one of three global regions of Burberry Group plc which includes North and Latin Americas, from 1998 until 2013. She is a non-executive director of Signet Jewelers Limited, Vince Holding Corp. and Hudson Group.



Vanda Murray OBE

Senior Independent Director

Appointment

Non-executive director since 2015, Senior Independent Director and Chair of the Remuneration Committee.

Experience

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 Chair of Marshalls plc and a non-executive director of Redrow plc.



Stephan Nanninga

Non-executive director

Appointment

Non-executive director since May 2017.

Experience

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

Corporate governance report

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A robust governance framework and a healthy corporate culture are essential to the successful delivery of the Group's strategy and the creation of sustainable long term value for our stakeholders.

Philip Rogerson
Chairman



Introduction from Philip Rogerson, Chairman of the Board

One of my key responsibilities as Chairman is to ensure that the Board delivers effective leadership to secure the long term success and sustainability of the Group and the creation of long term value for our stakeholders. The Board recognises that sustainable business success is not possible without a clear corporate purpose and sound corporate governance and that good governance is about more than just compliance with rules and regulations; it is also about culture, behaviours and how we do business. The Board is therefore committed to ensuring that the Company's purpose, values, culture and high standards are set from the top and embedded throughout the Group. The executive directors and executive management team play an integral role in this by promoting positive behaviour to ensure that our commonly held values are put into practice every day and that our people understand how we expect to achieve our purpose. I believe that this, together with our robust governance framework, allows the Board to lead the Group in the right direction as we develop and pursue our future strategy, while ensuring that good governance principles and practices are adhered to.

2018 proved to be another busy year for the Board and its Committees as we continued to monitor developments in the legal and governance landscapes, including the publication of The Companies (Miscellaneous Reporting) Regulations 2018 and the 2018 edition of the Financial Reporting Council's ('FRC') UK Corporate Governance Code (the 'Code'), both of which apply to the Company from 1 January 2019. All references to the Code in this report relate to the 2016 edition, which applied to the 2018 financial year. The Code contains broad principles together with more specific provisions which set out standards of good practice in relation to Board leadership and effectiveness, accountability, remuneration and relations with shareholders. We will report formally in accordance with the revised edition of the Code in the 2019 Annual Report but the Company has already taken account of the changes required by the new Code, including in respect of company purpose, values and culture, which are briefly referred to on page 12 of the Strategic report and which will be covered in more detail in next year's Annual Report. A copy of the 2016 version of the Code is available at www.frc.org.uk.

As detailed on page 62, an externally facilitated evaluation of the Board and its Committees was once again undertaken during 2018 and I am pleased to report that as a result of the evaluation, the Board concluded that both it and its Committees continue to operate effectively. The Board continues to work closely with the executive management team and offers support and robust challenge as appropriate.

The reports that follow provide an overview of the work undertaken by the Board and its Committees in fulfilling our governance responsibilities and describe how the principles and provisions of the Code have been applied by the Company during the year ended 31 December 2018. The Board will continue to strengthen the Group's governance processes to ensure that the business as a whole is aligned with best practice and that our approach to disclosure remains understandable and transparent.

Philip Rogerson
Chairman
25 February 2019

Compliance statement

It is the Board's view that, for the year ended 31 December 2018, the Company has been fully compliant with all of the relevant principles and provisions set out in the 2016 version of the Code. The Company's auditors, PricewaterhouseCoopers LLP, are required to review whether this statement reflects the Company's compliance with those provisions of the Code specified for their review by the Financial Conduct Authority's Listing Rules and to report if it does not reflect such compliance. No such report has been made.

Board composition

As at 31 December 2018, the Board was made up of seven members comprising a Chairman, a Chief Executive, one other executive director and four non-executive directors. Patrick Larmon, an executive director and President and Chief Executive Officer of the North America business, retired from the Board and the Company with effect from 31 December 2018, having served as an executive director from December 2004. Jean-Charles Pauze, a non-executive director, also retired from the Board on 31 December 2018. Brief biographical details of the current directors are given on pages 56 and 57.

At the end of 2018, Philip Rogerson completed his third three year term in office. The Board has undertaken a thorough review of Philip Rogerson's performance and has given due consideration to evaluation feedback, shareholder opinion, his knowledge and experience of the Group and the amount of time that he devotes to his duties at Bunzl and his other business commitments. Having given due deliberation to the matter, the Board has concluded that, notwithstanding his length of service, Philip Rogerson continues to be independent in character and judgement and that there are no relationships or circumstances which are

likely to affect, or could appear to affect, his judgement. Philip Rogerson is offering himself for re-election at the forthcoming Annual General Meeting ('AGM'). However, in recognition of the new provisions of the 2018 edition of the Code, which states that the Chair of a listed company should not remain in post beyond nine years from the date of their first appointment to the Board, a process, which is being led by Vanda Murray, the Senior Independent Director, is under way to identify and appoint Philip Rogerson's successor. Subject thereto, and taking into account the guidance in the revised Code, it is the Board's present intention that Philip Rogerson will retire from the Board at the conclusion of the AGM to be held in 2020 in order to provide sufficient time to complete this process in an orderly and considered manner and to oversee a successful handover.

Our aim is to continue to refresh the Board while ensuring stability and continuity. Further information on the process that has been followed in respect of succession planning can be found in the Nomination Committee report on pages 66 and 67.

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. Each of the non-executive directors is considered to have a breadth of strategic, management and financial experience gained in each of their own fields in a range of multinational businesses and in accordance with the terms of the Code, each of the directors will be subject to re-election at the forthcoming AGM.

Board activity in 2018

The Board meets formally at least seven times a year and normally at least two of these meetings are held at or near Group locations in the UK and overseas where the directors have the opportunity to meet and interact with executives from different businesses within the Group's portfolio as well as observe the operations in situ. In addition to regular Board meetings, the directors meet annually to review and discuss the Group's overall strategy. As part of this process, presentations are made by the Chief Executive, the Finance Director and the heads of the business areas together with the Director of Corporate Development. Further details of the Board meetings that were held overseas during 2018 can be found in the adjacent case study.

During 2018, a number of the Group's executives made presentations to the Board about a variety of different and diverse topics including reviews of potential acquisition opportunities, the post-acquisition performance of businesses acquired in prior years, the Group's financing facilities and treasury policies, tax risks, cyber security risks and controls, supplier audits carried out and health and safety performance metrics.

Following the publication of the 2018 edition of the Code, the Board formally approved schedules setting out its key responsibilities and those of the Senior Independent Director, together with some changes to the responsibilities of the Chairman and the Chief Executive and the terms of reference of the Nomination, Audit and Remuneration Committees. The schedule of responsibilities of the Board, the Senior Independent Director, the Chairman and the Chief Executive, as well as the revised terms of reference of the Board Committees became effective on 1 January 2019 and are available on the Company's website, www.bunzl.com.

The Board also reviewed and formally approved minor changes to its diversity policy, which became effective on 1 January 2019. Further details of the diversity policy that applied throughout 2018 are set out in the Nomination Committee report on page 67.

The Board calendar is planned to ensure that the directors discuss a wide range of topics throughout the year and the Board has formally adopted a schedule of matters which are required to be referred to it for decision. A non-exhaustive list of such matters can be found on page 60.

Meetings

The Board met on seven occasions during 2018. Directors' attendance at those meetings is set out below:

	Meetings attended
Philip Rogerson	7
Frank van Zanten	7
Patrick Larmon ¹	7
Brian May	7
Eugenia Ulasewicz	7
Jean-Charles Pauze ²	6
Vanda Murray	7
Lloyd Pitchford	7
Stephan Nanninga	7

¹ Patrick Larmon retired as a director on 31 December 2018.

² Jean-Charles Pauze retired as a director on 31 December 2018.

Board in action – Board meetings in Washington, US and Paris, France

The Board held its June and October 2018 meetings in Washington, US and Paris, France respectively.

During their visit to Washington, the directors met with local business managers and received presentations on the performance of the different businesses in the north east region of the US. The presentations covered topics such as key financial metrics and information related to employees, customers, suppliers and the markets served. The directors were also informed of the challenges and opportunities faced by the businesses during 2018 and the efforts and initiatives undertaken to overcome these challenges.

The meeting in Paris afforded members of the management team in France the opportunity to meet with the directors and give presentations on the performance, development and strategic goals of Bunzl's French businesses, including some of the more recent local acquisitions.

The directors believe that overseas Board meetings play an important role in enhancing further their understanding of the Group's operations and give them better insight into the Group's businesses and the environments in which they operate. They also provide the Board with an opportunity to meet with local management and, in doing so, assess and monitor the Group's culture and its alignment with the Group's strategy and values. Such meetings are also essential in helping the Board to understand better the broader long term impact of its decisions on the Group's stakeholders both nationally and internationally, including employees, customers, suppliers and the communities in which the Group operates.

Corporate governance report continued

Governance structure

The Board has ultimate responsibility for the overall leadership of the Group. To ensure the directors maintain overall control over strategic, financial, 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 consideration. Further details of the matters reserved for the Board can be found below.

The Board has established three Committees, all of which comply with the provisions of the Code and play an important governance role through the detailed work they carry out to fulfil the responsibilities delegated to them. Briefing papers are prepared and circulated to Committee members in advance of each meeting. Further information relating to the Board Committees is set out below and in the Committee reports which follow this Corporate governance report.

Board

Nomination Committee

Chairman

Philip Rogerson

Members

Frank van Zanten
Vanda Murray
Eugenia Ulasewicz
Lloyd Pitchford
Stephan Nanninga

Key responsibilities

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

For more information

see pages 66 and 67 →

Audit Committee

Chairman

Lloyd Pitchford

Members

Vanda Murray
Eugenia Ulasewicz
Stephan Nanninga

Key responsibilities

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

For more information

see pages 68 to 72 →

Remuneration Committee

Chair

Vanda Murray

Members

Eugenia Ulasewicz
Lloyd Pitchford
Stephan Nanninga

Key responsibilities

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

For more information

see pages 73 to 97 →

Matters reserved for the Board

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

Shareholders

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



Capital allocation and structure

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



Policies and statements

- Material Group policies and statements and major changes thereto, for example:
 - tax strategy;
 - treasury policy;
 - modern slavery statement;
 - equality and diversity policy; and
 - risk appetite.



People and leadership

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



Strategy and management

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



Financial reporting, risk and controls

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

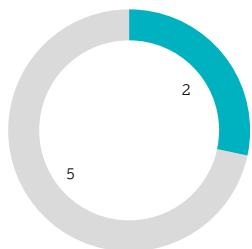


Board roles and responsibilities

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

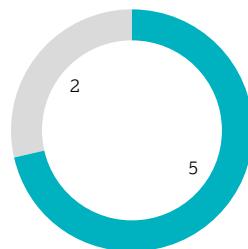
Role	Responsibilities	
Chairman	<p>The primary job of the Chairman is to be responsible for the leadership of the Board and ensuring its effectiveness in all aspects of its role.</p> <p>The Chairman:</p> <ul style="list-style-type: none"> takes overall responsibility for the composition and capability 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. <p>The Chairman is also viewed by investors as the ultimate steward of the business and the guardian of the interests of all the shareholders.</p>	
Chief Executive	<p>The Chief Executive is responsible for the leadership and the operational and performance management of the Company within the strategy agreed by the Board.</p> <p>The Chief Executive:</p> <ul style="list-style-type: none"> 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. <p>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.</p>	<p>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.</p>
Finance Director	<p>The Finance Director supports the Chief Executive and is responsible for managing the Group's funding strategy, financial reporting, risk management and internal controls, investor relations programme and the leadership of the finance function.</p>	
Senior Independent Director	<p>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.</p>	
Independent non-executive directors	<p>The non-executive directors play an important role in corporate governance and accountability through both their attendance at Board meetings and their membership of the various Board Committees. The non-executive directors bring a broad range of business and financial expertise and experience to the Board which complements and supplements the experience of the executive directors. This enables them to evaluate information provided and constructively challenge management's viewpoints, assumptions and performance.</p>	

Executive and non-executive directors



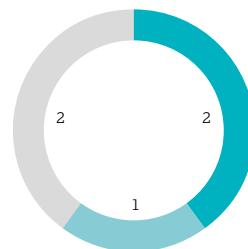
● Executive
● Non-executive (includes Chairman)

Board gender



● Male
● Female

Non-executive director tenure



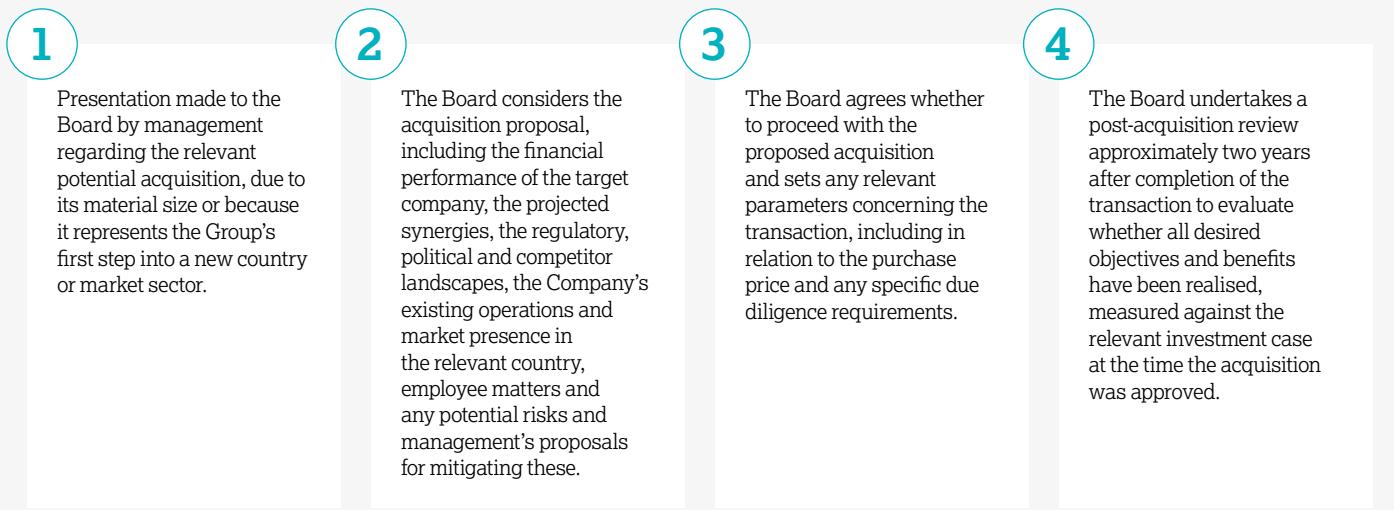
● 0 - 3 years
● 3 - 6 years
● 6+ years

Corporate governance report continued

Governance in action – acquisition process

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

The Board plays a critical role in ensuring that a robust and rigorous process is followed in respect of the more material acquisitions and those involving the entry into new countries or market sectors to ensure that the proposals are carefully considered and challenged before being taken forward. This process is summarised below and details of the acquisitions made by the Group during 2018 can be found on pages 144 to 145.



Key priorities identified in 2017

1. Continuing to keep the key strategic issues facing the Group under review both as part of the Board's annual strategy meeting and at other times of the year as appropriate.
2. Developing a greater understanding of the relevant digital and technological developments affecting the Group's businesses.
3. Focusing on the operational initiatives required in order to maintain or improve the Group's operating margins.
4. Continuing the focus of the Nomination Committee on the management succession plans for the Group, including in particular maintaining the Board's exposure to the Group's senior management below Board level.

The Board is satisfied that the priorities identified following the evaluation carried out in 2017 have been adequately addressed during 2018.

Key priorities identified in 2018

1. Continuing to develop a greater understanding of the relevant digital and technological developments affecting the Group's businesses.
2. Increasing the emphasis on human resources, people and management of succession planning at both Board and senior management levels.
3. Further engagement with executives who are not on the Board to increase the Board's exposure to the Group's senior management below Board level.
4. Focusing on the operational initiatives required in order to maintain or improve the Group's operating margins with a particular focus on North America.

As a result of the performance evaluation process carried out in 2018, the Board concluded that both it and its Committees are operating effectively.

Performance evaluation

The Chairman is responsible, with support from the Nomination Committee, for ensuring that the Company has an effective Board with a suitable range of skills, knowledge, experience and diversity. The Company has a formal performance evaluation process for the Board, its Committees and individual directors overseen by the Chairman. The evaluation includes a detailed questionnaire and 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.

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 carry out an annual performance evaluation. By doing so, the Board is able to ensure that there is consistency and continuity in the evaluation process and the presentation of the results from one year to the next. Following the evaluation, the Board identifies a number of key priorities in order to improve the Board's performance. The facilitator of the external evaluation, Lintstock, does not provide any other services to, or have any other connection with, the Company.

Information and support

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

Induction, training and development

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

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

Conflicts of interest

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

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

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

Financial and business reporting

The responsibilities of the directors in respect of the preparation of the Group and parent company financial statements are set out on page 155 and the auditors' report on pages 156 to 161 includes a statement by the external auditors about their reporting responsibilities. As set out on page 107, 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 of the Group in order to ensure the accuracy, consistency and overall balance of the Annual Report; and
- procedures to verify the factual accuracy of the Annual Report.

The Board considered whether the 2018 Annual Report, taken as a whole, was fair, balanced and understandable and provided sufficient information to enable the reader to assess the Group's position and performance, business model and strategy. In carrying out its review, the Board considered the information and assurance provided by the ongoing work of the internal audit department, the reviews conducted by the external auditors in relation to both the half year and full year results, the Board's understanding of the Group's business and the information provided by the senior executive management team. The Board also took account of the preparation and verification processes that had been undertaken, including the review that had been carried out by one of the Company's senior executives who had not been involved in the Annual Report's preparation. As a result of its deliberations the Board concluded that, taken as a whole, the 2018 Annual Report is fair, balanced and understandable.

Corporate governance report continued

Relations with stakeholders

The Board recognises the importance of maintaining regular, open and constructive dialogue with our shareholders and wider stakeholders and it achieves this through the following engagement methods:

Half year and full year announcements

As required by the relevant laws and regulations, the Company reports formally to shareholders twice a year, with the half year results announced normally at the end of August and the annual results announced normally at the end of February. In addition, during the year the Company has published, on a voluntary basis, two quarterly trading statements and two other trading updates 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.

Meetings with institutional shareholders

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, 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.

Annual General Meeting

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

Site visits and overseas meetings

As referred to above, Board meetings are periodically held at or near Group locations where the directors have the opportunity to meet and interact with local management from different businesses within the Group's portfolio. Such meetings are an important part of the directors' development and give them the opportunity to observe the operations *in situ* and enhance further their understanding of the Group's businesses. More information on the Board meetings that have been held overseas during 2018 can be found on page 59.

Surveys

A biennial, global all-employee engagement survey is undertaken to help the Board understand what areas matter most to our employees. The surveys also play an important role in helping the Board to assess and monitor the extent to which our values and culture are embedded throughout the Group and identify any areas of misalignment with the Group's strategy. More information on workforce engagement can be found in the Our people section on pages 36 to 39.

Supplier conferences and audits

We actively work with our suppliers to build relationships, capacity and trust, to increase sustainability within our supply chain and to provide products and solutions to our customers that are sourced and delivered efficiently, safely and sustainably. Supplier conferences are held to showcase examples of good practice and build awareness of social compliance issues. Our quality assurance/quality control department based in Shanghai also monitors and works with our key direct suppliers in Asia and elsewhere to ensure that they meet international standards. During 2017, a specific supplier code of conduct was adopted and has been rolled out across our supplier base. More information on supplier engagement can be found in the Corporate responsibility section on pages 40 to 50.

Relationship building

We build strong relationships with our customers, using the expertise of our commercial teams, to gain a deep understanding of their needs and to identify where we can support them. In addition, we work with our customers in the development of new, redesigned or substantially improved products and host launch days to engage with customers and increase their awareness of sustainability matters. More information on customer engagement can be found in the Corporate responsibility section on pages 40 to 50.

Risk management and internal control

The directors acknowledge that they have overall responsibility for identifying, evaluating, managing and mitigating the principal risks faced by the Group and for monitoring the Group's risk management and internal control systems. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. In accordance with Principle C.2 of the Code and the related guidance, the Company has established the procedures necessary to ensure that there is an ongoing process for identifying, evaluating, managing and mitigating the principal risks faced by the Group and for determining the nature and extent of the principal risks it is willing to take to achieve its strategic objectives (its 'risk appetite'). The directors confirm that such procedures have been in place for the year ended 31 December 2018 and up to the date of approval of these financial statements and that the Group's risk management and internal control systems have been monitored during the year.

Further information about the Group's approach to risk management and the principal risks and uncertainties facing the Group can be found on pages 51 to 55. A summary of the principal control processes and procedures in place to manage such risks is set out below.

The Board has delegated to an Executive Committee, consisting of the Chief Executive, Finance Director and other functional managers, the initial responsibility for identifying, evaluating, managing and mitigating the risks facing the Group and for deciding how these are best managed, as well as responsibility for establishing a system of internal control appropriate to the business environments in which the Group operates. The principal features of this system include:

- a procedure for monitoring the effectiveness of the internal control system through a tiered management structure with clearly defined lines of responsibility and delegation of authority;
- clearly defined authorisation procedures for capital investment and acquisitions;
- strategic plans and comprehensive budgets which are prepared annually by the business areas and approved by the Board;
- formal standards of business conduct (including a code of ethics and whistleblowing procedure) based on honesty, integrity, 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 its 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 68 to 72;

- regular meetings are held with insurance and risk advisers to assess the risks throughout the Group;
- a management committee, known as the Corporate Responsibility and Sustainability Committee, which oversees issues relating principally to environment, health and safety and business continuity planning matters, sets relevant policies and practices and monitors their implementation;
- health and safety risk assessments, safety audits and a regular review of progress against objectives established by each business area are periodically carried out; and
- developments in tax, treasury and accounting are continually monitored by Group management in association with external advisers.

The directors confirm that they have reviewed the effectiveness of the Company's risk management and internal control systems in operation during 2018.

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

Assessment of the prospects of the Company and its viability statement

In accordance with provision C.2.2 of the Code, details of how the directors have assessed the prospects of the Company, over what period the prospects have been assessed and the Company's formal viability statement are included in the Strategic report on page 55.

On behalf of the Board

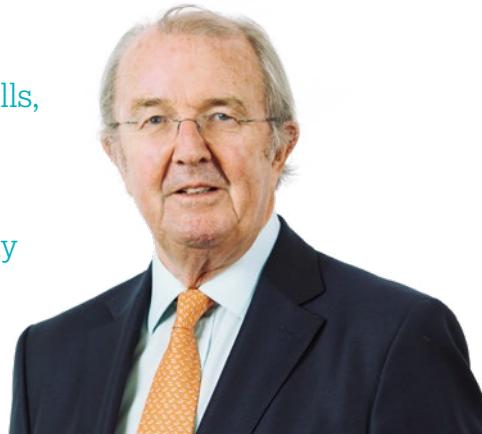
Paul Hussey
Secretary
25 February 2019

Nomination Committee report

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Ensuring that the Board has the appropriate balance of skills, experience, knowledge and diversity is a key role of the Committee which is essential for the long term sustainability and success of the Company.

Philip Rogerson
Chairman and Chairman of the Nomination Committee



Principal responsibilities of the Committee

Board structure

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

Succession

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

Appointments

- Identifying and nominating appropriate individuals to fill Board vacancies as they arise.
- Approving the appointment of any senior executive who is to report directly to the Chief Executive.

- Making recommendations to the Board as to the continuation in office and/or re-appointment of directors.

Evaluation

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

Meetings

The Committee met on five occasions during 2018. Members' attendance at those meetings is set out below:

	Meetings attended
Philip Rogerson	5
Frank van Zanten	5
Eugenia Ulasewicz	5
Jean-Charles Pauze ¹	5
Vanda Murray	5
Lloyd Pitchford	5
Stephan Nanninga	5

¹ Jean-Charles Pauze retired as a director on 31 December 2018.

Our aim is to continue to refresh the Board to further enhance the range of skills, breadth of knowledge and experience and diversity on the Board while ensuring stability and continuity. Information about the Committee's approach to succession planning more generally can be found below.

Philip Rogerson

Chairman and Chairman of the Nomination Committee
25 February 2019

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 the Company Secretary.

Role

The Committee's principal role is to consider, and make recommendations to the Board concerning, the composition of the Board and its Committees including proposed appointees to the Board, whether to fill any vacancies that may arise or to change the number of Board members. It is the Committee's role to ensure that the Board and its Committees maintain the appropriate balance of skills, knowledge, experience and diversity to ensure their continued effectiveness. The Committee meets as necessary throughout the year to discharge its responsibilities. The Committee's terms of reference, which were reviewed by both the Committee and the Board in 2018, are available on the Company's website, www.bunzl.com.

Introduction from Philip Rogerson

As Chairman of the Nomination Committee, I am pleased to present the Committee's report for the financial year ended 31 December 2018.

This report explains the Committee's activities during the year, including the work undertaken in relation to succession planning, which continues to be a key focus of the Committee. I believe that the Committee has an important role to play in ensuring that the size, composition and structure of the Board is appropriate for the delivery of the Group's strategy and that all relevant provisions of the UK Corporate Governance Code (the 'Code') continue to be met.

As mentioned on page 58 of the Corporate governance report, I myself have been a director of the Company for nine years and, in recognition of the new provisions of the recently revised Code, we have started a process to identify and appoint my successor, led by Vanda Murray, our Senior Independent Director. Subject thereto, and taking into account the guidance in the revised Code, it is presently the Board's intention that I should remain as Chairman until the Annual General Meeting ('AGM') to be held in 2020 in order to provide sufficient time to complete this process in an orderly and considered manner and to oversee a successful handover.

Activities

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

In addition to the proposed appointment of a successor to the Chairman, the Committee has also started a process to recruit a further 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 the Chairman and non-executive directors in the future, the Committee prepared and agreed detailed specifications for the roles and appointed an external search consultancy, Russell Reynolds Associates, to assist it in the recruitment processes. Russell Reynolds Associates does not provide any other services to, or have any connection with, the Company.

The Committee has agreed that the search criteria for candidates should include, in particular, successful senior business executives with extensive international management experience across a range of businesses, ideally operating in the distribution or service sectors, with detailed knowledge of digital technologies and processes which will be invaluable to the future development of the Group. It is important that the chosen candidates are able to play a supportive role to the executive management team, while at the same time providing strategic input into the Company's direction and development. It is also a requirement that the prospective directors can provide wise counsel and independence of mind and challenge management constructively by offering impartial, independent and objective advice.

In addition, the Committee reviewed and took account of the balance of skills, knowledge, experience and diversity of the Board, the time commitment expected of the non-executive directors and the conclusions of the formal performance evaluation process which was carried out when considering and recommending the nomination of directors for re-election at the 2018 AGM.

The Committee also continues to take an active interest in the quality and development of talent and capabilities below Board level. In this connection, during the year the Chief Executive presented his annual management succession plan to the Committee for its consideration. This process helps to ensure that appropriate opportunities are in place to develop high performing individuals and to increase diversity in senior roles across the Group.

As part of the 2018 review of its terms of reference, the Committee also approved (for formal ratification by the Board) appropriate amendments to ensure that such terms of reference are fully compliant with the 2018 edition of the Code, which applies to the Company from 1 January 2019.

Diversity policy

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

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

Looking beyond the Board to the Group's wider workforce, Bunzl is committed to treating people fairly and equally by accepting and embracing their diversity and ensuring there is an inclusive and positive working environment for all employees. For a number of years in the annual succession planning reviews there has been a particular focus on diversity within the business areas and one of the key objectives is to ensure there are no barriers preventing

talented people from succeeding. There is also a range of initiatives within the Group to help provide learning and development opportunities for female executives and to ensure unbiased career progression opportunities. The Board has formally approved an equality and diversity policy, which applies to the wider workforce of the Group, further details of which are included in the Our people section on pages 36 to 39.

Monitoring and reporting

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

Further information about the Company's workforce diversity is set out on pages 36 to 39.

Audit Committee report

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Providing rigorous oversight and challenge of the effectiveness of the Group's internal controls and risk management processes and procedures continues to be an important part of the Committee's role and an essential aspect of the Group's robust corporate governance framework.



Lloyd Pitchford
Chairman of the Audit Committee

Principal responsibilities of the Committee

Financial reporting

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

Risk management and internal control

- Reviewing:
 - the Group's risk management processes, procedures and controls;
 - the effectiveness of the Company's internal financial controls; and
 - the Group's whistleblowing arrangements (going forward, this review will be undertaken by the Board).

Internal audit

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

External audit

- Making recommendations to the Board in relation to the appointment/re-appointment/removal of the external auditors.

Introduction from Lloyd Pitchford

I am pleased to present the Audit Committee's report for the year ended 31 December 2018. During 2018, the Committee continued to apply rigorous scrutiny and challenge to the Group's audit, assurance and risk management processes and I believe that this, together with the Board's efforts in harnessing and promoting a strong risk focused culture, play an essential role in safeguarding the interests of stakeholders and assuring the long term viability of the Company.

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

Meetings

The Committee met on four occasions during 2018. Members' attendance at those meetings is set out below:

	Meetings attended
Lloyd Pitchford	4
Eugenia Ulasewicz	4
Jean-Charles Pauze ¹	3
Vanda Murray	4
Stephan Nanninga	4

¹ Jean-Charles Pauze retired as a director on 31 December 2018.

This report reflects the requirements placed on committees by the Financial Reporting Council's ('FRC') UK Corporate Governance Code (the 'Code') and applicable guidance, laws and regulations. The Code includes a number of provisions relating to the role and reporting requirements of audit committees and accordingly this report has been prepared in compliance with the relevant provisions of the 2016 edition of the Code which applied to the financial year ended 31 December 2018. In carrying out its duties, the Committee also operated in accordance with the recommendations set out in the FRC's Guidance on Audit Committees,

which was published in April 2016. As mentioned in the Corporate governance report, an updated version of the Code was published in July 2018 and applies to the Company from 1 January 2019. The Committee has already taken account of the changes required and will report formally in accordance with the revised edition of the Code in the 2019 Annual Report.

The principal responsibilities of the Committee include monitoring and reviewing the integrity of the Company's financial reporting, together with the related internal controls, and ensuring that the assumptions and judgements made by management in preparing the financial results are challenged as appropriate. The significant accounting matters considered by the Committee in relation to the 2018 financial statements were the accounting for business combinations, the carrying value of goodwill and customer relationships intangible assets, defined benefit pension schemes and taxation. These are discussed in detail in the report that follows and the Committee is satisfied that these matters have been properly recorded in the Company's books and records and accounted for appropriately.

In fulfilling its oversight responsibilities in respect of the Group's risk management and control environment, during 2018 the Committee reviewed the process by which current and emerging risks had been identified by management and the Board and the processes and controls in place to manage and mitigate these risks. Further information on the Committee's activities in relation to risk management can be found later in this report.

The Committee will continue to review its activities in the light of regulatory and best practice developments to ensure that we are able to maintain high standards of financial governance going forward.

By providing an overview of the Committee's role and a meaningful insight into its activities during the past year, this report demonstrates how the Committee has discharged its responsibilities effectively and I hope that you will find it useful in understanding the work that we have undertaken.

Lloyd Pitchford
Chairman of the Audit Committee
25 February 2019

Composition

The Committee members are all of the independent non-executive directors who were appointed to the Committee by the Board following recommendations by the Nomination Committee. While the other directors, being the Chairman of the Company and the executive directors, are not members of the Committee, they normally attend meetings of the Committee by invitation together with the Head of Internal Audit, representatives from the external auditors and members of the Group finance team. The Secretary to the Committee is the Company Secretary.

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

Role

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

including the Company's risk management and internal control systems, the internal and external audit functions and the regular reporting of the Company's performance against budgets, forecasts and prior year results.

The Committee ensures that the Company has effective governance over the Group's financial reporting, including the adequacy of related disclosures, the performance of both the internal and external audit functions and the management of the Group's systems of internal control and business risk management and related compliance activities. The Committee's terms of reference, which were reviewed by both the Committee and the Board in 2018, are available on the Company's website, www.bunzl.com.

In the performance of its duties, the Committee has independent access to the services of the Company's internal audit function and to the external auditors and may obtain outside professional advice as necessary. Both the Head of Internal Audit and the external auditors have direct access to the Chairman of the Committee who held a number of meetings with each of them during the year outside formal Committee meetings. The Chairman of the Committee also liaises with the Finance Director as necessary to ensure robust oversight and challenge in relation to financial control and risk management.

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

Activities

The Chairman of the Committee holds preparatory discussions with the Company's senior management, the Head of Internal Audit and the external auditors prior to Committee meetings to discuss the items to be considered at the meetings. In addition, separate discussions are held during Committee meetings between the Committee and the Head of Internal Audit and the external auditors without management present. The Chairman of the Committee also attends the Annual General Meeting ('AGM') to respond to any shareholder questions that might be raised on the Committee's activities. The Committee's activities in 2018 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 a proposal from the external auditors concerning the rotation of the lead audit partner following the conclusion of the audit of the Company's financial statements for the year ended 31 December 2018;
- receiving and, where appropriate, challenging reports from management and the external auditors in relation to the half yearly financial report and the annual financial statements;
- reviewing the half yearly financial report and the annual financial statements and the formal announcements relating thereto;
- receiving and considering a presentation on the adoption of IFRS 16 'Leases', which will apply for the 2019 financial year, and the potential impact thereof on the Group;
- reviewing the effectiveness of the risk management process;
- receiving and considering reports from the Head of Internal Audit concerning the work undertaken by the internal audit function, including in relation to the function's ongoing quality assurance and improvement programme;
- reviewing and approving the internal audit work programme for the coming year;
- receiving and considering a report from the Head of Internal Audit relating to an analysis of trends in internal audit findings;
- reviewing the effectiveness of both the external auditors and the internal audit function following completion of detailed questionnaires by both the Board and senior management within the Company;
- reviewing the effectiveness of the Company's internal financial controls and the assurance procedures relating to risk management systems, including receiving and considering a Risk and Assurance Map;
- reviewing the Company's annual controls self-assessment process;
- reviewing the arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and making recommendations in relation to the improvement thereof, receiving periodic

Audit Committee report continued

reports relating to the matters raised through the arrangements and undertaking a benchmarking process with a view to outsourcing the administration of such arrangements to a third party provider;

- reviewing the Committee's terms of reference;
- reviewing the Committee's effectiveness following an externally facilitated performance evaluation;
- reviewing the policy for the provision of non-audit services by the external auditors;
- reviewing and approving the level and nature of non-audit work which the external auditors performed during the year, including the fees paid for such work;
- reviewing the principal tax risks applicable to the Company and the steps taken to manage such risks; and
- reviewing the Company's internal audit charter.

In addition, during the year the Committee considered the impact of the adoption by the Company of new accounting standards IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers', which applied for the first time in the 2018 financial year.

As part of the 2018 review of its terms of reference, the Committee also approved (for formal ratification by the Board) appropriate amendments to ensure that such terms of reference are fully compliant with the 2018 edition of the Code, which applies to the Company from 1 January 2019. One of the changes introduced by the revised Code is that, going forward, the Group's whistleblowing arrangements will be overseen by the Board as a whole rather than the Committee.

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

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

Financial statements and significant accounting matters

During the year and prior to the publication of the Group's results for 2018, the Committee reviewed the 2018 half yearly financial report and related news release, the 2018 Annual Report (including the financial statements), the 2018 annual results news release and the reports from the external auditors on the outcomes of their half year review and their audit relating to 2018.

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

Accounting for business combinations

For business combinations, the Group has a long-standing process for the identification of the fair values of the assets acquired and liabilities assumed, including separate identification of intangible assets using external valuation specialists where required. The Committee reviewed this process and discussed with management and the external auditors the methodology and assumptions used to value the assets and liabilities of the acquisitions completed in 2018. The Committee concluded that it was satisfied with management's valuations of these assets and liabilities, including the degree to which such valuations are supported by professional advice from external advisers. Details of the Company's approach to accounting for acquisitions are set out in Note 25 to the consolidated financial statements.

The carrying value of goodwill and other customer relationships intangible assets

Goodwill is allocated to cash generating units ('CGUs') and is tested annually for impairment. During the year the Committee critically reviewed and discussed management's report on the impairment testing of the carrying value of goodwill of each of the CGUs and customer relationships intangible assets (including the sensitivity of the outcome of impairment testing to the use of different assumptions) and considered the external auditors' testing thereof. After due challenge and debate, the Committee concluded that it was satisfied with the assumptions and judgements applied in relation to such testing and agreed that there was no impairment to goodwill or customer relationships intangible assets. Details of the key assumptions and judgements used are set out in Note 10 to the consolidated financial statements.

Defined benefit pension schemes

The Committee considered reports from management and the external auditors in relation to the valuation of the defined benefit pension schemes and reviewed the key actuarial assumptions used in calculating the defined benefit pension liabilities, especially in relation to discount rates, inflation rates and mortality/life expectancy. The Committee discussed the reasons for the decrease in the net pension deficit and was satisfied that the assumptions used were appropriate and were supported by independent actuarial experts. Details of the key assumptions used are set out in Note 21 to the consolidated financial statements.

Taxation

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

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

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 the work of the internal audit function, the findings of the external auditors in relation to the year end audit, the assessment of fraud risk carried out by management, the controls over the Company's financial consolidation and reporting system, the treasury controls, the tax risks and the processes for setting strategic plans and budgets and for monitoring the ongoing performance of the Company.

In relation to the risk management system, in addition to considering the results of the external assessment referred to above, the Committee reviewed the process by which significant current and emerging 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 the Chairman of the Audit Committee and the Finance Director. The scope of work of the internal audit

Auditors' effectiveness reviews

During 2018 the Committee undertook reviews of the effectiveness of both the Company's external audit process for the 2017 financial statements and the Company's internal audit function. Each of the reviews followed a broadly similar process, as summarised below:

Detailed questionnaires of different aspects of external audit process/internal audit function.	Questionnaires completed by: <ul style="list-style-type: none">• directors; and• senior managers at Group and business area levels.	Results of questionnaires considered and discussed by the Committee.	Action plan and implementation time frames agreed.
Internal audit function The questionnaire covered a total of 35 different aspects of the internal audit function including: purpose, authority and responsibility; independence and objectivity; quality assurance processes; adequacy of resources; auditors' skills and capabilities; and the quality of reporting.		Following these assessments, the Committee concluded that it was satisfied with the effectiveness of the external audit process relating to the 2017 financial statements and that the internal audit function continued to be effective, efficient and appropriately resourced.	
External audit process The questionnaire covered a total of 24 different aspects of the external audit process, grouped under four separate headings: the robustness of the audit process; the quality of delivery; the quality of people and service; and the quality of reporting.			The Committee will carry out similar effectiveness reviews in 2019 in respect of the audit of the 2018 financial statements and the internal audit function.

function covers all systems and activities of the Group. Work is prioritised according to the Company's risk profile with the annual audit plan being approved by the Committee each year. Internal audit reports are regularly provided to the Committee. These reports include details of the audit findings, and the relevant management actions required in order to address any issues arising, as well as updates on the progress made by management in addressing any outstanding recommendations from previously reported findings. In addition, the internal audit function reports on any significant issues relating to the processes for controlling the activities of the Group and the adequacy and effectiveness of such processes. Overall, the

work of the internal audit function provides the Committee with a further means of monitoring the processes and actions to manage and mitigate those risks identified as posing the greatest threat to the Company.

External auditors' independence

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

Audit Committee report continued

In order to ensure that the objectivity and independence of the external auditors is not compromised, the Company has a detailed policy relating to the provision of non-audit services by the external auditors which is overseen by the Committee. As reported last year, this policy was updated following the implementation of the EU Audit Directive and Regulation which changed the rules relating to the provision of non-audit services by the external auditors. Under the revised policy the only non-audit services that have been pre-approved by the Committee are those which are not prohibited or otherwise restricted and which are considered to be trivial due to the value of the services. Apart from such pre-approved services, a permitted service requires specific authorisation from the Committee or 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 2018 in respect of the audit and for non-audit services are set out in Note 5 to the consolidated financial statements. The ratio of the fees relating to non-audit services to audit services in 2018 was 6%.

External auditors' re-appointment

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

As previously reported, following a detailed tender process, PricewaterhouseCoopers LLP ('PwC') were first appointed as the Company's external auditors in 2014. While the Company has no current retendering plans, in accordance with The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 ('CMA Order') the Company will be required to put the external audit contract out to tender by 2024. In addition, PwC will be required to rotate the audit partner responsible for the Company's audit every five years and, in accordance with the CMA Order, the current lead audit partner, Paul Cragg, will shortly rotate off the audit following the completion of the external audit of the Company's financial statements for the year ended 31 December 2018 and his successor is in the process of being appointed to oversee the external audit of the Company's financial statements for the year ending 31 December 2019. Accordingly, the Company confirms that it has complied with the provisions of the CMA Order for the 2018 financial year.

As a consequence of its satisfaction with the results of its review of the external auditors' activities during the year, the Committee has again recommended to the Board that a resolution proposing the re-appointment of PwC as external auditors for the year ending 31 December 2019 be put to shareholders at the forthcoming AGM.

Directors' remuneration report

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Given the backdrop of variable macroeconomic and market conditions, the Group has performed well and executive directors' pay has been fully aligned with the strategic and operational focus of the business.

Vanda Murray OBE
Chair of the Remuneration Committee



Principal responsibilities of the Committee

Remuneration

- Setting and reviewing directors' remuneration and benefits including, but not limited to, base salary, bonus, long term incentive plans and retirement benefits.
- Ensuring that all remuneration paid to the directors is in accordance with the Company's previously approved remuneration policy.
- Ensuring all contractual terms on termination, and any payments made, are fair to the individual and the Company.
- Monitoring the policies and practices applied in respect of the remuneration of senior executives directly below Board level and making recommendations as appropriate.

Long term incentive plans

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

Governance and compliance

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

Meetings

The Committee met on three occasions during 2018. Members' attendance at those meetings is set out below:

	Meetings attended
Vanda Murray	3
Eugenia Ulasewicz	3
Jean-Charles Pauze ¹	2
Lloyd Pitchford	3
Stephan Nanninga	3

¹ Jean-Charles Pauze retired as a director on 31 December 2018.

Compliance statement

- 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 Code and the Financial Conduct Authority's Listing Rules and takes into account the accompanying Directors' Remuneration Reporting Guidance and the relevant policies of shareholder representative bodies.

In accordance with the Regulations, at the 2019 Annual General Meeting ('AGM') the Company will be asking shareholders to vote on an advisory vote on the Annual report on directors' remuneration as set out on pages 76 to 97 which provides details of the remuneration earned by directors for performance in the year ended 31 December 2018. As the directors' remuneration policy was approved by shareholders in a binding vote at the 2017 AGM there was not a requirement to resubmit to a shareholder vote at the 2018 AGM.

Introduction from Vanda Murray

I am pleased to present the Directors' remuneration report for the year ended 31 December 2018 which has been prepared by the Remuneration Committee and approved by the Board.

Context of remuneration

The Company has produced another good set of results in 2018 against the background of variable macroeconomic and market conditions. Operationally we outperformed against our budget and made continued progress against our strategic objectives.

Remuneration policy

Our Directors' remuneration policy was approved by shareholders at the 2017 AGM, and we were delighted to receive strong support from our shareholders with 92% of votes cast in favour. After further consultation with shareholders, and in line with the approved policy for 2018, we introduced a balanced scorecard of bonus performance measures which were designed to drive Company performance and provide a more rounded assessment against our business Key Performance Indicators. The Directors' remuneration report for 2017 received 96% of votes cast in favour at the 2018 AGM.

A summary of the remuneration policy is presented at the end of this report.

Directors' remuneration report continued

Developments in 2018

As announced in April 2018, Patrick Larmon (executive director and President and Chief Executive Officer of Bunzl North America) retired from the Board on 31 December 2018 after a long and successful tenure of more than 28 years with the Company. During this time, North America, the largest Bunzl business area, achieved strong and sustained performance. The agreed leaving terms for his retirement, in line with the approved remuneration policy, are set out on page 83. His successor, an internal appointment, is not a member of the Board.

The Committee is considering the implications for the remuneration policy of changes recently made to the Code and the recent guidance issued by the main institutional investor bodies. We intend to reflect any changes required at the next binding policy vote at the 2020 AGM. However, many of the Code's new requirements are already in line with the direction of changes that we made to our policy in 2017:

- two year post-vesting holding requirements for long term incentives have been introduced;
- on-target bonus levels are set at 50% of the maximum bonus opportunity;
- the pension allowance rate was reduced when our current Chief Executive Frank van Zanten was appointed in 2016, compared to that of his predecessor;
- we strengthened the malus and clawback provisions for both the Long Term Incentive Plan ('LTIP') and annual bonus, including for the cash element of the bonus; and
- we increased the share ownership requirements for the Chief Executive in 2017 to 250% of base salary. During 2018, this increased share ownership requirement was met only two years following his appointment, ahead of the time specified in the policy.

We will continue to ensure our remuneration policy takes into account the best practice expectations of institutional investors.

As required by the relevant regulations, we will be disclosing in the Directors' remuneration report for 2019 the ratio between the Chief Executive's remuneration and the median, lower quartile and upper quartile of UK employees.

Performance and reward for 2018

The business strategy has remained constant during 2018 with the Group continuing to grow both organically and by acquisition, while continuously improving the quality of our operating model. This year Group revenue was up 9% and adjusted operating profit increased by 7% in each case at constant exchange rates.

The variable pay outcomes are consistent with the assessment of outturns against the performance pay metrics. The Committee has not exercised discretion to amend the payout or vesting outcomes for any of the executive directors.

Bonus

In setting our incentive targets, we have regard to the performance potential of the different parts of the business and of the whole Group. The on-target performance level for the bonus is set at, or close to, the budgeted level of performance. The Committee sets a range around the target to incentivise the delivery of a stretching performance. Annual bonus payments are based on a combination of key financial targets, with a minority based on personal objectives. A good financial performance in 2018 resulted in an annual bonus for the Chief Executive of 70.4% of his maximum opportunity, which equates to 126.7% of salary. The annual bonuses for the Finance Director, Brian May and Patrick Larmon are 70.4% and 52.6% of their maximum opportunities, which equates to 105.6% and 78.9% of their respective annual salaries. In line with the remuneration policy, 50% of the annual bonuses will be delivered in shares, subject to a three year deferral period, with the exception of the bonus for Patrick Larmon whose deferred element of bonus for 2018 will be settled in cash in March 2019.

LTIP

The Committee assessed the performance for the LTIP awards vesting in 2018. The share options were subject to adjusted earnings per share ('eps') growth targets and the performance shares were subject to both eps growth and relative total shareholder return ('TSR') targets. The strong eps growth of 42.4% over the three year performance period was reflected in 100% of executive share options vesting for the performance period ending 31 December 2018. In addition, eps growth of 38.5% over the three years to 31 December 2017 and slightly weaker relative TSR performance resulted in 46.6% and 61.8% of performance shares vesting for performance periods that ended in April and October 2018, respectively.

The remuneration policy allows maximum grants under the LTIP of 250% of base salary for share options and 150% of base salary for performance shares. However, in 2018 award levels were held below these maximum levels at 200% of base salary for share options and 112.5% for performance shares for the Chief Executive and 105% for the Finance Director. This is consistent with the approach taken in 2017 and 2016.

Remuneration arrangements for the 2019 financial year

Base salary

The base salaries for the executive directors, Frank van Zanten and Brian May have been increased by 3% effective from 1 January 2019. This is broadly in line with that of the workforce average across the business.

Bonus

For the 2019 financial year, the Chief Executive's maximum annual bonus opportunity continues to be 180% of base salary. For the Finance Director, the maximum annual bonus opportunity will continue to be 150% of base salary. The on-target bonus is 50% of the maximum, namely 90% of base salary for the Chief Executive and 75% of base salary for the Finance Director.

The annual bonus performance measures continue to be: balanced scorecard of eps; return on average operating capital ('RAOC'); operating cash flow; and, personal performance linked to certain specified strategic non-financial goals. These metrics are all key to the successful implementation of the business strategy.¹

If eps performance falls below the threshold level, no bonus will be payable for any element of the scorecard. This ensures that strong financial performance underpins bonus payouts.

Threshold, target and stretch levels for all financial measures are disclosed in the relevant year's remuneration report. We have disclosed the performance ranges that apply to our bonus plans on a retrospective basis since 2016. We will continue to do so going forward.

When setting the target levels, the Committee conducts an analysis of the challenges and growth opportunities across the Group and sets targets that are stretching without encouraging inappropriate levels of risk. The range itself varies each year taking into account the risks and opportunities facing the business. The principles followed are that target setting, year by year, results in stretching ambition, while ensuring that the scale of reward on offer is proportionate and always linked to performance.

LTIP

The normal annual award limit for share options is 200% of base salary and 150% of base salary for the performance share element of the LTIP. Award levels of share options for 2019 will once again be held at the same levels as 2016, 2017 and 2018, at up to 200% of base salary. Performance shares will be held at 105% of base salary for Brian May, with 130% of base salary for Frank van Zanten, as he has now clearly established himself in the Chief Executive's role. The resulting LTIP award levels for 2019 are materially lower than the FTSE 100 mid-market levels and below the maximum levels permitted by the remuneration policy.

We will continue to set robust and challenging performance conditions for the LTIP awards. These awards are subject to eps growth targets and, in addition, in the case of the performance shares, a relative TSR condition.

LTIP awards are subject to a two year post-vesting holding period which was introduced for awards granted on or after the 2017 AGM for the executive directors. The holding period continues to apply to any awards retained where an executive director leaves employment.

Priorities for 2019

A review of our executive remuneration policy, taking into account the recent changes to the Code and institutional shareholder guidelines, will be a focus for the work of the Committee in 2019. The Committee will continue to seek to drive and reward performance and maintain alignment with shareholders' interests. The review will cover all aspects of the policy, including short and long term incentives. I look forward to having constructive dialogue with shareholders as part of this process.

We will review the operation of the remuneration policy in relation to the performance shares, in addition to any other changes that we may wish to make, for the next binding vote at the 2020 AGM.

Conclusions

2018 was a successful year, supported by the Company's remuneration policy, and the level of payout for the annual bonus and vesting of the LTIP awards reflects this. In the following pages you will find details of:

- the annual report on remuneration for 2018;
- our approach to the application of the remuneration policy in 2019; and
- our current directors' remuneration policy (as approved at the 2017 AGM).

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

Vanda Murray OBE

Chair of the Remuneration Committee
25 February 2019

Composition

The Committee comprises all of the independent non-executive directors of the Company. While neither the Chairman 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 Director of Group Human Resources also attends meetings.

Role

The primary role of the Committee is to determine the framework or broad policy for the remuneration of the Chairman, the executive directors of the Board and senior management (directly below Board level). The Committee's terms of reference, which were reviewed by both the Committee and the Board in 2018, are available on the Company's website, www.bunzl.com.

Activities

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

¹ For further details on the performance metrics used in bonus calculations please see page 77 of the Remuneration policy.

Directors' remuneration report continued

Annual report on directors' remuneration for 2018

This report sets out the elements of remuneration paid to, or earned by, the directors in respect of the financial year 2018.

Single total figure of remuneration 2018 (audited information)

Executive directors

	Salary £000		Taxable benefits £000		Bonus £000		LTIP £000		Pension £000		Total £000	
	2018		2017		2018		2017		2018		2017	
Frank van Zanten	836.4	816.0	402.1	389.4	1,059.7	891.1	308.7	511.5	209.1	204.0	2,816.0	2,812.0
Brian May	554.0	540.6	17.1	17.1	584.9	513.0	450.8	729.3	199.6	195.0	1,806.4	1,995.0
Patrick Larmon	829.2	838.1	37.0	38.9	654.3	705.7	611.3	884.1	16.8	17.2	2,148.6	2,484.0
Total	2,219.6	2,194.7	456.2	445.4	2,298.9	2,109.8	1,370.8	2,124.9	425.5	416.2	6,771.0	7,291.0

Notes

- a) The figures above represent remuneration earned as directors during the relevant financial year including the bonus of which the cash element, 50% of the bonus, is paid in the year following that in which it is earned. The other 50% of the bonus shown above is deferred and conditionally awarded as shares under the rules of the Deferred Annual Share Bonus Scheme ('DASBS'). Shares relating to the 2017 deferred bonus were awarded in 2018 as shown in the table on page 86 and the shares relating to the 2018 deferred bonus will be awarded in 2019.
- b) The annual bonus for 2018 was determined according to a formulaic calculation in respect of eps, RAOC and operating cash flow measures, while the Committee used its judgement to assess performance of individual objectives (20% of the bonus).
- c) Benefits provided for all executive directors are a car or car allowance and medical insurance coverage for them and their families. In addition to these, Frank van Zanten's benefits include £385,040 for an international relocation package from Amsterdam to London following his appointment as Chief Executive in April 2016, together with any associated tax liability relating to such package. This includes assistance with accommodation, removal costs and school fees. In addition Patrick Larmon's club fees were paid by the Company.
- d) The long term incentives are in the form of awards under the 2014 LTIP granted in April and October 2015 and February and August 2016. Long term incentive figures exclude any gain from the purchase of shares by Patrick Larmon through the ESPP described on page 92. The performance metrics for LTIP A were eps growth and for LTIP B were eps growth and TSR, further details are on page 79.
- e) The remuneration for Patrick Larmon is determined and paid in US dollars and has been translated at the average exchange rates for the year of £1: US\$1.33 in respect of 2018 and £1: US\$1.29 in respect of 2017.
- f) The figures shown in relation to 2017 for the LTIP have been restated from those figures shown in the 2017 Annual Report to reflect the difference between the relevant grant price and the value of the LTIP share option awards on the actual date of vesting on 26 February 2018 and 27 August 2018 at the closing mid-market share price of 1,975p and 2,330p respectively.
- g) Patrick Larmon retired from the Board on 31 December 2018. Details of his departure terms are set out on page 83.

Non-executive directors

	Board fees £000		Committee Chair/SID fees £000		Taxable payments/ expenses £000		Total £000	
	2018		2017		2018		2017	
Philip Rogerson – Chairman	357.0	340.0	–	–	1.0	0.2	358.0	340.2
Eugenia Ulasewicz	70.4	68.9	–	–	71.2	70.5	141.6	139.4
Jean-Charles Pauze	70.4	68.9	–	–	6.7	7.0	77.1	75.9
Vanda Murray	70.4	68.9	36.0	28.8	5.8	7.4	112.2	105.1
Lloyd Pitchford	70.4	57.4	18.0	11.8	0.2	0.2	88.6	69.4
Stephan Nanninga	70.4	45.9	–	–	9.6	4.2	80.0	50.1
David Sleath	–	20.7	–	10.2	–	4.5	–	35.4
Total	709.0	670.7	54.0	50.8	94.5	94.0	857.5	815.5

Notes

- a) Vanda Murray became Senior Independent Director on 19 April 2017.
- b) Lloyd Pitchford and Stephan Nanninga joined the Board on 1 March 2017 and 1 May 2017 respectively.
- c) David Sleath retired from the Board on 19 April 2017 and received fees of £30,855 from 1 January 2017 until this date.
- d) Taxable payments/expenses for non-executive directors are costs incurred for travel and accommodation in order to attend Board meetings. These costs have been grossed up to include the tax payable.

Payments for loss of office (audited information)

No payments were or are to be made to former directors in respect of loss of office. The payments made to Patrick Larmon as he stepped down from the Board are detailed on page 83.

Payments to past directors (audited information)

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

Executive directors' annual salary (audited information)

Executive directors' salaries were reviewed with effect from 1 January 2018 in accordance with normal policy and were increased taking into account the average salary increases for employees across the Group.

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

Executive directors' salaries were also reviewed with effect from 1 January 2019 and the increases awarded are shown on page 86.

Executive directors' external appointments

Frank van Zanten served as a non-executive director of Grafton Group plc in 2018 and during the year retained fees of €70,000. Brian May served as a non-executive director of United Utilities Group PLC in 2018 and during the year retained fees of £82,033. Patrick Larmon served as a non-executive director of Bodycote plc in 2018 and retained fees of £55,000. In addition, he served as a non-executive director of Huttig Building Products, Inc. in 2018 and retained fees of US\$109,000 and US\$39,748 worth of deferred shares which vested in 2018.

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 2018. The fees for the non-executive directors were reviewed with effect from 1 January 2018 in accordance with the normal fees policy.

	With effect from January 2018	Fees paid in 2017	Increase in fees 2017 to 2018
Chairman's fee	£357,000	£340,000	5.0%
Non-executive director fee	£70,400	£68,850	2.3%
Supplements:			
Senior Independent Director	£18,000	£17,000	5.9%
Audit Committee Chairman	£18,000	£17,000	5.9%
Remuneration Committee Chairman	£18,000	£17,000	5.9%

The non-executive directors' fees were reviewed again with effect from 1 January 2019 and the increases awarded are shown on page 86.

Performance against annual bonus targets (audited information)

The annual bonus plan and DASBS currently operate as set out in the policy section on pages 90 and 91. All of Frank van Zanten's and Brian May's and 25% of Patrick Larmon's bonus potential in 2018 related to the Group's eps, RAOC, operating cash flow performance and personal performance on individual objectives. For Patrick Larmon, the remaining 75% of his bonus potential related to the profit before interest, tax, customer relationships amortisation and acquisition related items ('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 2018 against the targets set were as follows and the committee did not exercise any discretion over these formulaic outturns:

Group performance

Weighting	Scorecard performance metric	Threshold	Target	Stretch	Actual outturn calculated at constant exchange rates
50%	Eps (p)	119.9	128.9	144.4	132.0
	% of target	93%	100%	112%	102.4%
15%	RAOC %	47.9%	49.9%	51.9%	50.4%
	% of target	96%	100%	104%	101.0%
15%	Operating cash flow (£m)	526.6	554.3	582.0	584.1
	% of target	95%	100%	105%	105.4%
20%	Non-financial strategic goals	see details below			

Note

The actual outturn calculated at constant exchange rates is the actual result of the relevant measures retranslated at the exchange rates used in setting the target for that measure.

There is an eps underpin to retain focus on eps growth such that if eps threshold is not met, there is no pay-out under any element of the scorecard.

Directors' remuneration report continued

Non-financial strategic goals

Following a review of performance against specific personal objectives for 2018, the Committee determined the bonus percentages payable to the executive directors in relation to the non-financial strategic goals. Frank van Zanten will receive 28.8% of salary for the personal objectives element of the annual bonus. His personal objectives were the development of the company's investment case for shareholders; improvement in underlying profit growth and internal succession transition in the largest business area, NA, following the retirement of Patrick Larmon. Brian May will receive 24% of base salary for the personal objectives element of the annual bonus. His objectives were improvement in the performance on working capital, increasing digital transactions, and the development of talent in the finance function. Patrick Larmon, for whom achievement against personal objectives represents a small proportion of the overall opportunity, will receive 6.4% of base salary for the personal objectives element of the annual bonus for the delivery of personal objectives that included the successful integration of key new acquisitions, the delivery of a related IT project and delivering a successful handover to his successor.

North America performance

	On-target bonus opportunity as % of salary	Target NA PBITA (constant exchange rate US\$)	% PBITA of NA businesses relative to target	Bonus as % of salary before modifier applied	RAOC for the NA businesses relative to target	2018 bonus award as % of salary
Patrick Larmon	56.25	US\$421.6m	100% of target performance	56.4	0.924	52.1

Notes

a) The annual on-target bonus opportunity for Frank van Zanten is 90% of salary with a threshold award of 49% of salary and a maximum award of 180%. For Brian May and Patrick Larmon the annual on-target bonus opportunity is 75% of salary with a threshold award of 49% of salary for Brian May and 31% of salary for Patrick Larmon and a maximum award of 150% of salary for both Brian May and Patrick Larmon.

b) The actual PBITA of North America relative to target was just over 100% at 100.03%.

Accordingly the total payments under the annual bonus plans were:

	Total bonus payment (cash and deferred shares) as a % of salary				
	2018 %	2017 %	2016 %	2015 %	2014 %
Frank van Zanten	126.7	109.2	75.3	–	–
Brian May	105.6	94.9	76.6	73.8	98.0
Patrick Larmon	78.9	84.2	65.7	54.5	69.7

Note

Patrick Larmon did not receive deferred shares as part of his bonus payment for 2018. See page 83 for the departure terms for Patrick Larmon.

The monetary values of the bonus payments for 2018 and 2017 are included in the table on page 76. The deferred shares portion of the bonus is required to be held for a period of three years.

LTIP grants/awards with performance periods ending in 2018 (audited information)

Executive share option awards – LTIP Part A

Executive share option awards, granted three years previously, are due to vest on 3 March 2019 and 2 September 2019. The Committee assessed the performance of the Company against the relevant performance condition and no discretion was exercised:

LTIP Part A – 3 March 2016 and 2 September 2016 awards

Performance measure	Vesting schedule	Threshold target (5% p.a. compounded)	Maximum target (8% p.a. compounded)	Actual eps growth	% vesting (max 100%)
Eps growth (over three year period to 31 December 2018)	25% vesting for threshold performance, 100% vesting for maximum performance	15.8%	26.0%	42.4%	100%

	Date of grant	Number of shares granted	Vesting outcome	Estimated value of award vesting
Frank van Zanten	3 March 2016	16,135	100%	£59,629
	2 September 2016	42,636	100%	£0
Brian May	3 March 2016	25,887	100%	£95,668
	2 September 2016	21,553	100%	£0
Patrick Larmon	3 March 2016	36,810	100%	£136,035
	2 September 2016	32,411	100%	£0

Note

The estimated values of awards vesting are 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 2018 (2,315p) and is the same as the figures included in the single total remuneration table on page 76.

Performance shares – LTIP Part B

Awards of performance shares were made to the executive directors on 2 April 2015 and 5 October 2015 under the 2014 LTIP and vested during 2018. The Committee assessed the performance of the Company against the relevant performance conditions and no discretion was exercised:

LTIP Part B – 2 April and 5 October 2015 awards

Performance measure	Vesting schedule	Threshold target (6% p.a. compounded)	Maximum target (12% p.a. compounded)	Actual eps growth	% vesting (max 50%)
Eps growth (over three year period to 31 December 2017)	25% vesting for threshold performance, 100% vesting for maximum performance	19.1%	40.5%	38.5%	46.6%

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 2015 to 31 March 2018	25% vesting for threshold performance, 100% vesting for maximum performance	27.1% 16 out of 31	74.2% 8.25 out of 31	14.9% 17.79 out of 31	0.0%
	1 October 2015 to 30 September 2018		37.7% 16 out of 31	64.1% 8.25 out of 31	39.3% 15.42 out of 31	15.3%

	Date of grant	Number of shares granted	Vesting outcome – eps	Vesting outcome – TSR	Value of award vesting
Frank van Zanten	2 April 2015	10,200	46.6%	0%	£98,568
	5 October 2015	10,587	46.6%	15.3%	£150,493
Brian May	2 April 2015	14,700	46.6%	0%	£142,040
	5 October 2015	14,988	46.6%	15.3%	£213,048
Patrick Larmon	2 April 2015	20,000	46.6%	0%	£193,276
	5 October 2015	19,834	46.6%	15.3%	£281,949

Note

Included in the single total figure of remuneration on page 76 is the value of these vested awards at the closing mid-market share price on the dates of vesting, 5 April 2018 (being the closest day three years after the grant date of 2 April 2015) and 5 October 2018, which were 2,076p and 2,299p 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 2018	Total pension 2018
Frank van Zanten	–	–	–	£209,100	£209,100
Brian May	60	–	£81,178	£118,455	£199,633
Patrick Larmon	65	–	–	£16,800	£16,800

Notes

- a) As Chief Executive Frank van Zanten receives a pension allowance of 25% of base salary.
- b) Brian May, who joined the Group in the UK prior to the closure of the defined benefit ('DB') sections of the Bunzl Pension Plan ('BPP'), is a member of the Bunzl Senior Pension Section of the BPP. His pension accrues at the rate of 2.4% per annum up to two thirds of the pensionable salary cap. The pensionable salary cap is notionally £160,800 for tax year 2018/19 and £154,200 for tax year 2017/18.
- c) In addition to benefits from the BPP, Brian May receives a pension allowance of 30% of base salary above the pensionable salary cap which permits him to make provision, of his own choice, in respect of that part of his salary which exceeds the cap.
- d) Patrick Larmon originally joined the US Plan, subject to IRS limits, which accrued at a rate of 1.67% per annum up to 50% of the five year average pensionable salary less the primary social security benefit, with a normal retirement age of 65 years. Pensionable salary in the US Plan is capped at US\$140,000. On closure of the US Plan, Patrick Larmon chose to freeze his benefit and no further benefits have accrued. Until his retirement Patrick Larmon was 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 2018 of £7,519 (2017: £7,752).
- e) In addition, Patrick Larmon receives a supplementary pension through a defined benefit Senior Executive Retirement Agreement ('SERA'). Patrick Larmon's SERA, which became fully accrued in 2012, provides for a lifetime pension of US\$100,000 per annum, payable upon retirement. No further SERA payments were made in 2018 and 2017.
- f) Patrick Larmon also participated in the Bunzl USA, LLC Deferred Savings (401k) Plan. The Company made matching contributions to this Plan. During 2018 contributions for Patrick Larmon amounted to £9,305 (2017: £9,419).

Directors' remuneration report continued

LTIP grant policy

Conditional awards of executive share options and performance shares are granted twice a year to executive directors and other senior executives. Executive share option awards are normally granted in February or March and August or September dependent on the date of announcement of the Company's results. Performance share awards are normally granted in April and October each year. Executive share options were granted in March and August 2018 and performance share awards were granted in April and October 2018 under the 2014 LTIP in accordance with the policy and performance conditions as approved at the 2017 AGM.

LTIP interests awarded during the financial year (audited information)

	Plan	Date of grant	Basis of award	Face value £000	Number of shares	Performance period end date
Frank van Zanten	2014 LTIP Part A	01.03.18	100% of salary	836.4	42,782	31.12.20
	2014 LTIP Part B	09.04.18	56.25% of salary	470.5	22,510	31.03.21
	2014 LTIP Part A	31.08.18	100% of salary	836.4	35,010	31.12.20
	2014 LTIP Part B	08.10.18	56.25% of salary	470.5	20,464	30.09.21
Brian May	2014 LTIP Part A	01.03.18	95% of salary	526.3	26,920	31.12.20
	2014 LTIP Part B	09.04.18	52.5% of salary	290.9	13,916	31.03.21
	2014 LTIP Part A	31.08.18	95% of salary	526.3	22,030	31.12.20
	2014 LTIP Part B	08.10.18	52.5% of salary	290.9	12,651	30.09.21
Patrick Larmon	2014 LTIP Part A	01.03.18	95% of salary	759.2	38,832	31.12.20
	2014 LTIP Part B	09.04.18	52.5% of salary	410.6	19,646	31.03.21

Notes

- a) 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 1 March 2018 and on 31 August 2018 at a value of 1,955p and 2,389p per share respectively. Performance shares were awarded under the 2014 LTIP Part B on 9 April 2018 and 8 October 2018 at a value of 2,090p and 2,299p per share respectively.
- b) No LTIP awards were granted to Patrick Larmon after the date of his retirement was announced on 18 April 2018. See page 83 for the departure terms for Patrick Larmon.

Performance conditions for 2018 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 2018 were as detailed below.

Executive share option awards – LTIP Part A

Executive share options may vest based solely on the Company's eps growth (adjusted to exclude items which do not reflect the Company's underlying financial performance) over three years, based on the following sliding scale:

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

Performance share awards – LTIP Part B

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

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

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 2018 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 92. 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.

	Cumulative options and performance shares granted as a percentage of issued share capital as at 31 December 2018
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 2018, each of the executive directors and their connected persons have a shareholding as follows:

	Requirement for share ownership as a percentage of salary	Actual share ownership as a percentage of salary at 31 December 2018 at the closing mid-market price (£2,369p)
Frank van Zanten	250%	266%
Brian May	200%	450%
Patrick Larmon	200%	380%

Note

The shareholding requirement for the Chief Executive, Frank van Zanten increased to 250% of salary under the new remuneration policy approved at the 2017 AGM. In his previous role, he was not required to meet a shareholding requirement. This target was met on 10 May 2018.

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 2018 were:

	Owned Outright	Shares		Options (LTIP Part A and Sharesave)		Total interests held	
		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		
Frank van Zanten	93,991	42,483	116,223	206,833	1,923	32,696	494,149
Brian May	105,240	31,952	76,494	140,616	2,173	0	356,475
Patrick Larmon	132,993	39,764	53,599	178,278	–	0	404,634
Philip Rogerson	10,000	–	–	–	–	–	10,000
Eugenia Ulasewicz	4,000	–	–	–	–	–	4,000
Jean-Charles Pauze	2,500	–	–	–	–	–	2,500
Vanda Murray	3,000	–	–	–	–	–	3,000
Lloyd Pitchford	4,000	–	–	–	–	–	4,000
Stephan Nanninga	–	–	–	–	–	–	–

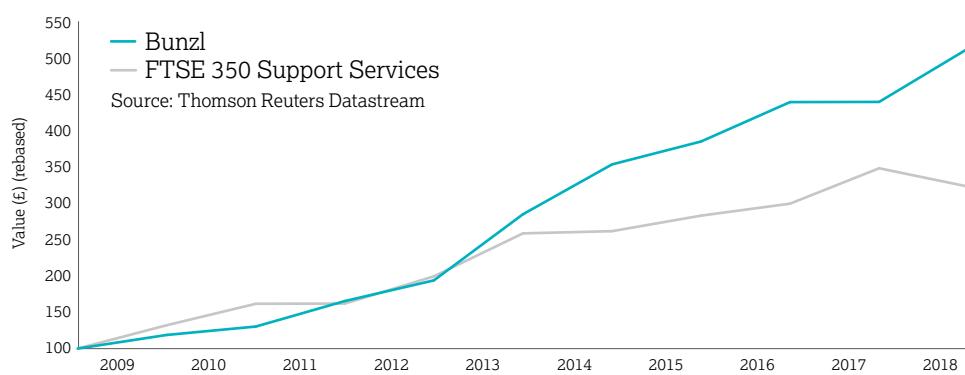
Note

Since 31 December 2018 Frank van Zanten has acquired interests in 57 ordinary shares as a result of his election to participate in the dividend reinvestment plan in respect of the interim dividend which was paid on 2 January 2019. No other changes to the directors' ordinary share interests shown in this remuneration report have taken place between 31 December 2018 and 25 February 2019.

Directors' remuneration report continued

Performance graph and table

Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 requires that the Company must provide a graph comparing the TSR performance of a hypothetical holding of shares in the Company with a broad equity market index over a 10 year period. The Company's TSR performance against the FTSE 350 Support Services Sector, considered to be the most appropriate comparator group, over a 10 year period commencing on 1 January 2009 is shown to the right.



Chief Executive's pay in last 10 years

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 2018 and the previous nine years.

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
Single total figure of remuneration £000	1,943.2	2,314.2	3,394.1	3,502.9	4,387.6	4,766.8	3,937.9	3,845.3	2,812.0	2,816.0	
Annual variable element award rates against maximum opportunity	45%	71%	99%	67%	91%	85%	64%	45%	73%	70%	
Long term incentive vesting rates against maximum opportunity	LTIP Part A (options)	100%	100%	100%	100%	100%	100%	100%	100%	100%	
	LTIP Part B (performance shares)	84%	65%	29%	45%	62%	89%	69%	82%	69%	54%

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) The single total figure of remuneration in relation to 2017 has been restated from the figure shown in the 2017 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 2018 on page 76.

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 2018 and leavers and joiners in either year have been removed from the data to prevent distortion.

	Chief Executive	UK and US
		management population
Salary	Percentage change (2018 vs 2017)	3%
Benefits		0%
Bonus		19%

Notes

- a) Benefits are annualised and exclude the international relocation package benefit for Frank van Zanten of £385,040.
- b) US and UK management population includes any promotional increases that occurred during either year.
- c) Bonus relates to the performance targets of the companies for which the relevant individuals work.

Relative importance of spend on pay

The table below shows a comparison between the overall expenditure on pay and dividends paid to shareholders for 2018 and 2017 (as stated in Note 22 and Note 18 to the consolidated financial statements on pages 142 and 137 respectively).

£m	2018	2017	Percentage change
Overall expenditure on pay	772.0	725.8	6.4%
Dividend paid in the year	152.2	138.2	10.1%

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 2017 to 2018, details of which are referred to in the Chief Executive's review on page 6 and in the Financial review on page 21.

Departure terms of Patrick Larmon (executive director and President and Chief Executive Officer of Bunzl North America)

As announced on 18 April 2018, Patrick Larmon retired as President and Chief Executive Officer of the Bunzl North America business area and as a director of Bunzl plc and left the Group on 31 December 2018. Full details of his departure terms are set out in the statement required by section 430(2B) of the Companies Act 2006 which can be found on www.bunzl.com in the Investors section under Corporate Governance (Remuneration). The Remuneration Committee determined the following treatment within the terms of the Company's approved remuneration policy approved by shareholders at the 2017 AGM and published in the 2017 Annual Report:

- salary, benefits and pension allowance was paid as usual until 31 December 2018 (the 'Leaving Date');
- no payment in lieu of notice was made;
- annual cash bonus for the 2018 financial year will be paid in March 2019 subject to performance over this period and as determined by the Committee in accordance with the rules of the bonus plan (any part of his bonus payment that would otherwise have been allocated to him under the DASBS in relation to the 2018 financial year will be satisfied in cash);
- any deferred shares outstanding at the Leaving Date, which were awarded under the DASBS in relation to the 2016 and 2017 financial years, will vest in full on 1 March 2019;
- no grants or awards under the LTIP were made after 18 April 2018, the date of the 2018 AGM;
- any grants and awards outstanding at the Leaving Date, which were made under the LTIP Parts A and B in 2016, 2017 and earlier in 2018, will vest on the normal vesting date subject to satisfaction of (i) the existing performance conditions and (ii) his outstanding awards under the LTIP Part B (performance shares) being time pro-rated and reduced in proportion to the amount of the relevant three years vesting period that has elapsed since the relevant grant date up to the Leaving Date. This is provided that prior to the relevant vesting date Patrick Larmon has not worked in any capacity for a competitor organisation. Malus and clawback provisions will continue to apply; and
- the grants and awards outstanding at the Leaving Date which were made under the LTIP Part A and Part B after 19 April 2017 will also be subject to a two year post-vesting holding requirement in accordance with the relevant rules of the LTIP (with the exception of any shares sold to meet any income tax and other withholding obligations).

Committee remit and membership

The following independent non-executive directors were members of the Committee during 2018:

	Date of appointment to the Committee	Meetings eligible to attend	Meetings attended
Eugenia Ulasewicz	20 April 2011	3	3
Jean-Charles Pauze	1 January 2013	3	2
Vanda Murray	1 February 2015	3	3
Lloyd Pitchford	1 March 2017	3	3
Stephan Nanninga	1 May 2017	3	3

Note

Jean-Charles Pauze retired from the Board on 31 December 2018.

The Director of Group Human Resources also attends the meetings. No director plays any part in determining his or her remuneration. During the year ended 31 December 2018, 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.

Directors' remuneration report continued

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

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

Advisers to the Remuneration Committee

In carrying out their responsibilities, the Committee seeks external remuneration advice as necessary. During the year the Committee received advice from Willis Towers Watson ('WTW') and Aon Hewitt. WTW provided external survey data on directors' remuneration and benefit levels. Aon Hewitt provided information to determine whether, and if so to what extent, the performance conditions attached to existing share option and performance share awards under the LTIP had been satisfied and in addition advised the Committee on the changes to the remuneration policy. The fees payable to each adviser, based on hourly rates, were: £10,560 (WTW) and £85,569 (Aon Hewitt) respectively for such work undertaken in 2018. Advisors are appointed by the Committee and reviewed periodically. The Committee conducts regular reviews of the effectiveness of the advisors.

Statement of voting at the 2018 AGM for the remuneration report and at the 2017 AGM for the remuneration policy

The remuneration report and remuneration policy received the following shareholder votes in 2018 and 2017 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 (2018 AGM)	272,183,608	261,909,933	96.23	10,273,675	3.77	46,916
Remuneration policy (2017 AGM)	259,865,084	239,494,126	92.16	20,370,958	7.84	11,215,438

Notes

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

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

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 2019 AGM
Philip Rogerson*	1 January 2010	18 April 2018	9 years 3 months
Eugenia Ulasewicz	1 April 2011	18 April 2018	8 years
Jean-Charles Pauze**	1 January 2013	18 April 2018	6 years 3 months
Vanda Murray	1 February 2015	18 April 2018	4 years 2 months
Lloyd Pitchford	1 March 2017	18 April 2018	2 years 1 month
Stephan Nanninga	1 May 2017	18 April 2018	1 year 11 months

* The Board has started a process, led by the Senior Independent Director, to identify and appoint a successor to Philip Rogerson as Chairman. It is presently the Board's intention that Philip Rogerson should remain as Chairman until the 2020 AGM in order to provide sufficient time to complete this process in an orderly and considered manner and to oversee a successful handover.

** Jean-Charles Pauze retired as a director on 31 December 2018.

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.

2019 remuneration

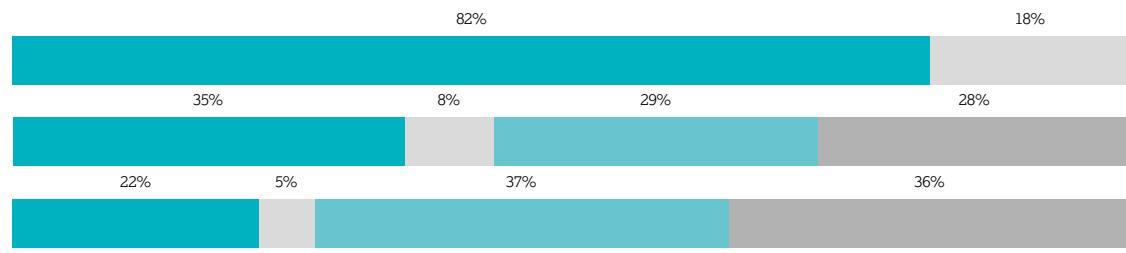
The current remuneration policy was implemented with effect from the 2017 AGM and continues to apply for 2019.

2019 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 two executive directors for 2019, in line with the remuneration policy, is illustrated in the bar charts below.

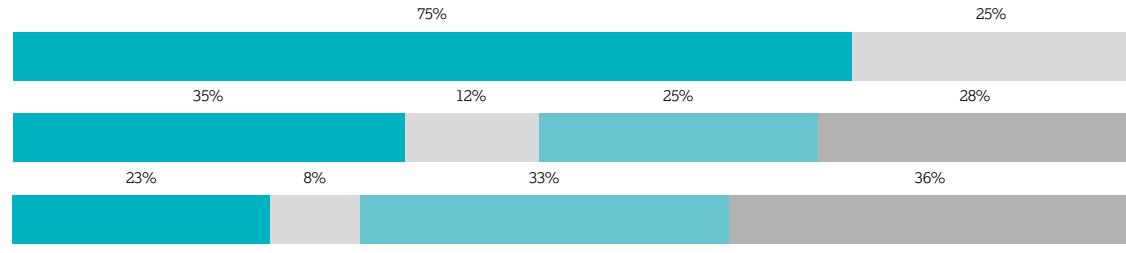
Frank van Zanten

Below threshold performance
(Total £1,149,594)



Brian May

Below threshold performance
(Total £787,292)



Salary and benefits Pension Bonus (Cash/DASBS) LTIP

Notes

- For 2019 there are two executive directors, following the retirement of Patrick Larmon on 31 December 2018.
- Salary represents annual salary for 2019. Benefits such as a car or car allowance and private medical insurance have been included based on 2018 figures. In the case of Frank van Zanten, benefits also include certain outstanding elements of the international relocation package including accommodation, which are gross amounts before taxes, referred to on page 76.
- Pension represents the cost of pension accrued in 2018 in the Defined Benefit section of the Bunzl Pension Plan for Brian May and the value of the annual pension allowance for Frank van Zanten and Brian May.
- Below threshold performance comprises salary, benefits and pension only with no bonus awarded and no LTIP awards vested.
- Target performance comprises annual bonus awarded at target level (i.e. for 2019 an on-target bonus of 90% of base salary for Frank van Zanten and 75% of base salary for Brian May 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.
- Stretch performance comprises annual bonus awarded at maximum level (i.e. for 2019, the maximum annual bonus will be 180% of base salary for Frank van Zanten and 150% of base salary for Brian May comprised of half cash and half deferred shares under the DASBS) and, for the LTIP, an assumption that 100% of performance shares will vest delivering 100% of their face value in gain to the executive directors and 100% of share options will vest and deliver 30% of their face value in gain to the executives.

Directors' remuneration report continued

Salary (audited information)

The salary increases for the executive directors for 2019, which are in line with increases that have been implemented for other employees in the Group as discussed on page 97, are as follows:

	Salary from 1 January 2019	Salary from 1 January 2018	Increase in salary 2018 to 2019
Frank van Zanten	£861,500	£836,400	3.0%
Brian May	£570,600	£554,000	3.0%

2019 bonus targets

The structure for Frank van Zanten's and Brian May's annual bonus for 2019 is described on pages 90 and 91. The balanced scorecard of performance measures, based on eps, RAOC, operating cash flow and specified strategic goals and with an eps underpin continues as outlined for 2018. If eps performance falls below the threshold level there will be no bonus paid. The relevant performance points are: threshold (which must be exceeded to attract any payment of bonus); target; and maximum amount (the level at which the bonus for that measure is capped). These performance points are determined at the start of the year by reference to the annual budget. No elements of the bonus are guaranteed. As in previous years, financial performance measures including profit targets are commercially sensitive and therefore are not disclosed until the following year.

Performance measures for long term incentives to be awarded in 2019

Grants of executive share options and performance shares awarded to executive directors and senior executives in 2019 will be subject to the same performance conditions as those executive share options and performance share awards granted in 2018 as detailed on page 80.

Chairman's and non-executive directors' fees for 2019

The Chairman's fee is reviewed every two years with the most recent review taking effect from 1 January 2018. The non-executive directors' fees are reviewed annually and were most recently reviewed with effect from 1 January 2019. The current fee structure for the Chairman and the non-executive directors is shown below:

	With effect from 1 January 2019	Fees paid in 2018	Increase in fees 2018 to 2019
Chairman's fee	£357,000	£357,000	—
Non-executive director basic fee	£71,800	£70,400	2.0%
Supplements:			
Senior Independent Director	£18,000	£18,000	—
Audit Committee Chairman	£19,000	£18,000	5.6%
Remuneration Committee Chairman	£19,000	£18,000	5.6%

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 2018

The awards granted to each director of the Company and any director with an interest in the Company under the DASBS are set out in the table below. Further information relating to the deferred bonus is provided on page 90.

	Awards (shares) held at 1 January 2018	Shares awarded during 2018	Shares vested during 2018	Total number of awards (shares) at 31 December 2018	Normal vesting date	Share price at grant p	Market price at vesting p	Monetary value of vested awards £000
Frank van Zanten	7,976	22,789	7,976	—	01.03.18	1,896	1,936	154
	8,190			8,190	01.03.19	1,933		
	11,504			11,504	01.03.20	2,255		
				22,789	01.03.21	1,955		
Brian May	12,921	13,120	12,921	—	01.03.18	1,896	1,936	250
	9,831			9,831	01.03.19	1,933		
	9,001			9,001	01.03.20	2,255		
				13,120	01.03.21	1,955		
Patrick Larmon	12,061	16,871	12,061	—	01.03.18	1,896	1,936	234
	10,478			10,478	01.03.19	1,933		
	12,415			12,415	01.03.20	2,255		
				16,871	01.03.21	1,955		

Note

The deferred element of the 2018 annual bonus plan as shown on page 76 is not included in the table above as the appropriate number of shares have not yet been awarded. No shares lapsed during the year. Patrick Larmon's awards due to vest in 2020 and 2021 will vest in line with his departure terms as set out on page 83.

LTIP

The tables below show the number of executive share options and performance shares held by the executive directors under the LTIP during 2018.

Executive share options – LTIP Part A

	Options held at 1 January 2018	Grant date	Exercise price p	Options exercisable between	Options held at 31 December 2018
Frank van Zanten	18,800	29.08.14	1,641	29.08.17–28.08.24	–
	15,300	26.02.15	1,920	26.02.18–25.02.25	15,300
	17,396	27.08.15	1,687	27.08.18–26.08.25	17,396
	16,135	03.03.16	1,945	03.03.19–02.03.26	16,135
	42,636	02.09.16	2,336	02.09.19–01.09.26	42,636
	34,946	02.03.17	2,335	02.03.20–01.03.27	34,946
	35,324	01.09.17	2,310	01.09.20–31.08.27	35,324
	–	01.03.18	1,955	01.03.21–29.02.28	42,782
	–	31.08.18	2,389	31.08.21–30.08.28	35,010
Total	180,537				239,529
Brian May	24,500	30.08.13	1,375	30.08.16–29.08.23	–
	22,500	27.02.14	1,566	27.02.17–26.02.24	–
	29,000	29.08.14	1,641	29.08.17–28.08.24	–
	25,500	26.02.15	1,920	26.02.18–25.02.25	–
	29,001	27.08.15	1,687	27.08.18–26.08.25	–
	25,887	03.03.16	1,945	03.03.19–02.03.26	25,887
	21,553	02.09.16	2,336	02.09.19–01.09.26	21,553
	21,994	02.03.17	2,335	02.03.20–01.03.27	21,994
	22,232	01.09.17	2,310	01.09.20–31.08.27	22,232
	–	01.03.18	1,955	01.03.21–29.02.28	26,920
Total	222,167				140,616
Patrick Larmon	34,000	31.08.12	1,116	31.08.15–30.08.22	–
	31,500	28.02.13	1,240	28.02.16–27.02.23	–
	28,500	30.08.13	1,375	30.08.16–29.08.23	–
	25,500	27.02.14	1,566	27.02.17–26.02.24	–
	35,500	29.08.14	1,641	29.08.17–28.08.24	–
	33,300	26.02.15	1,920	26.02.18–25.02.25	–
	37,639	27.08.15	1,687	27.08.18–26.08.25	–
	36,810	03.03.16	1,945	03.03.19–02.03.20	36,810
	32,411	02.09.16	2,336	02.09.19–01.09.20	32,411
	35,716	02.03.17	2,335	02.03.20–01.03.21	35,716
Total	365,385				178,278

Notes

a) Executive share options were exercised during 2018 by:

- (i) Frank van Zanten on 8 May 2018 in respect of 18,800 ordinary shares at an exercise price of 1,641p, at a market price of 2,188p, resulting in a gain of £102,836;
- (ii) Brian May on 29 August 2018 in respect of 24,500 ordinary shares at an exercise price of 1,375p, 22,500 ordinary shares at an exercise price of 1,566p, 29,000 ordinary shares at an exercise price of 1,641p, 25,500 ordinary shares at an exercise price of 1,920p and 29,001 ordinary shares at an exercise price of 1,687p, at a market price of 2,383p, resulting in a total gain of £966,275; and
- (iii) Patrick Larmon on 9 May 2018 in respect of 34,000 ordinary shares at an exercise price of 1,116p, at a market price of 2,197p; on 24 May 2018 in respect of 31,500 ordinary shares at an exercise price of 1,240p, at a market price of 2,274p; on 26 September 2018 in respect of 28,500 ordinary shares at an exercise price of 1,375p, at a market price of 2,404p; on 28 November 2018 in respect of 25,500 ordinary shares at an exercise price of 1,566p and 35,500 ordinary shares at an exercise price of 1,641p, at a market price of 2,400p; and on 5 December 2018 in respect of 33,300 ordinary shares at an exercise price of 1,920p and 37,639 ordinary shares at an exercise price of 1,687p, at a market price of 2,371p; resulting in a total gain of £1,876,241.

b) The mid-market price of a share on 31 December 2018 was 2,369p and the range during 2018 was 1,936p to 2,452p.

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

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

Directors' remuneration report continued

Performance shares – LTIP Part B

	Awards (shares) held at 1 January 2018	Conditional shares awarded during 2018	Award date	Market price per share at award p	Lapsed awards (shares) during 2018	Exercised awards (shares) during 2018	Market price per share at exercise p	Value at exercise £000	Awards (shares) held at 31 December 2018
Frank van Zanten	6,864	–	06.10.14	1,597	–	6,864	2,172	149	–
	10,200	–	02.04.15	1,840	5,452	4,748	2,172	103	–
	10,587	–	05.10.15	1,804	4,041	6,546	2,346	154	–
	10,369	–	11.04.16	2,051	–	–	–	–	10,369
	23,428	–	11.10.16	2,325	–	–	–	–	23,428
	19,565	–	10.04.17	2,346	–	–	–	–	19,565
	19,887	–	09.10.17	2,308	–	–	–	–	19,887
	–	22,510	09.04.18	2,090	–	–	–	–	22,510
	–	20,464	08.10.18	2,299	–	–	–	–	20,464
Total	100,900	42,974			9,493	18,158			116,223
Brian May	14,700	–	02.04.15	1,840	7,858	6,842	2,069	142	–
	14,988	–	05.10.15	1,804	5,721	9,267	2,346	217	–
	13,566	–	11.04.16	2,051	–	–	–	–	13,566
	11,967	–	11.10.16	2,325	–	–	–	–	11,967
	12,097	–	10.04.17	2,346	–	–	–	–	12,097
	12,297	–	09.10.17	2,308	–	–	–	–	12,297
	–	13,916	09.04.18	2,090	–	–	–	–	13,916
	–	12,651	08.10.18	2,299	–	–	–	–	12,651
Total	79,615	26,567			13,579	16,109			76,494
Patrick Larmon	20,000	–	02.04.15	1,840	10,690	9,310	2,071	193	–
	19,834	–	05.10.15	1,804	7,570	12,264	2,318	284	–
	19,235	–	11.04.16	2,051	2,138	–	–	–	17,097
	19,338	–	11.10.16	2,325	5,372	–	–	–	13,966
	19,525	–	10.04.17	2,346	8,678	–	–	–	10,847
	18,834	–	09.10.17	2,308	11,510	–	–	–	7,324
	–	19,646	09.04.18	2,117	15,281	–	–	–	4,365
Total	116,766	19,646			61,239	21,574			53,599

All employees share scheme

The table below shows the number of share options granted to the executive directors under the Sharesave Schemes. Details of the Sharesave Schemes are set out on page 92.

Sharesave schemes

	Options at 1 January 2018	Grant date	Exercise Price p	Options exercisable between	Options at 31 December 2018
Frank van Zanten	678	01.04.15	1,536	01.05.18–31.10.18	–
	964	29.03.16	1,556	01.05.21–31.10.21	964
	–	27.03.18	1,564	01.05.23–31.10.23	959
Brian May	1,197	21.03.14	1,253	01.05.19–31.10.19	1,197
	976	20.03.15	1,536	01.05.20–31.10.20	976

Vanda Murray OBE

Chair of the Remuneration Committee
25 February 2019

Directors' remuneration policy

The full Directors' remuneration policy, as approved by shareholders at the 2017 Annual General Meeting ('AGM'), is set out in the 2017 Annual Report which can be found on our website (www.bunzl.com). We continue to pursue our well defined strategy of developing the business through organic growth, consolidating our position in the markets in which we compete through focused acquisitions in both existing and new geographies and continuously improving our operating model. Bunzl's business model relies on excellent customer and supplier relationships and the skills, knowledge and experience of its directors and employees. The Company's remuneration policy supports this strategy by ensuring that the overall remuneration package is set at a competitive level while ensuring that additional reward is paid for high performance over a sustained period. This policy is designed to ensure the recruitment, retention and motivation of the executive directors and other senior executives over the long term.

The performance related elements of the remuneration package are designed to incentivise executives to meet key performance metrics which align their interests and remuneration with those of shareholders, for example targets relating to adjusted earnings per share ('eps') and total shareholder return ('TSR'). In setting such targets, the Committee takes due account of the potential effect on the attitude of executives toward risk within the business. In addition the Committee has the discretion to take into account performance on environmental, social and governance matters.

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

The directors' remuneration policy was approved by shareholders at the 2017 Annual General Meeting ('AGM') and is not subject to a vote at the 2019 AGM.

Objectives of the policy

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

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

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

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

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

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.

Directors' remuneration report continued

Remuneration policy for executive directors

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

Salary

Purpose	<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 2018 and 2019 are set out on pages 76 and 86 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
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 Frank van Zanten the maximum annual bonus is 180% of base salary with the on-target award at 50% of the maximum, equating to an on-target bonus of 90% of base salary • for Brian May and Patrick Larmon the maximum annual bonus is 150% of base salary with the on-target award at 50% of the maximum, equating to an on-target bonus of 75% of base salary • the current threshold levels of bonus are 49% of base salary for Frank van Zanten and Brian May and was 31% of base salary for Patrick Larmon

Annual bonus continued

Performance metrics	<p>Metrics will be set each year by the Committee aligned to the Company's key strategic objectives.</p> <p>The principal bonus metrics are as follows:</p> <ul style="list-style-type: none"> • growth at constant exchange rates in the Company's eps against a relevant target • the Company's RAOC performance • the Company's operating cash flow, being cash generated from operations before acquisition related items less net capital expenditure • personal objectives linked to certain specified strategic goals • the use of eps, RAOC and operating cash flow measures are seen as appropriate as they are, or form part of, three of the Company's financial Key Performance Indicators ('KPIs'). The use of eps growth aligns the executive directors' interests with those of the shareholders, RAOC ensures the continued focus on the management of capital employed together with profitability and cash flow ensures the focus on cash generation. Operating cash flow is a measure that forms part of the Company's cash conversion KPI. The use of operating cash flow ensures the focus on cash generation enabling the Group to pay dividends and to support the growth strategy by making acquisitions and reinvesting in the underlying business • strategic non-financial goals reward individual contribution to the success of the Company linked to certain specified strategic goals • bonus awards are at the Committee's discretion and may take into account performance on environmental, social and governance matters as appropriate • the performance metrics and targets are reviewed annually to ensure they remain appropriate. The Committee retains the discretion to set alternative metrics as appropriate • the current relevant performance metrics are: threshold (which must be exceeded to attract any payment of bonus); target; and maximum amount (the level at which the bonus is capped). These performance metrics are determined by reference to the Group's annual budget. No elements of the bonus are guaranteed. As in previous years, the specific targets will not be disclosed while still commercially sensitive <p>The weighting of these metrics is as follows:</p> <ul style="list-style-type: none"> • eps – 50% • RAOC – 15% • operating cash flow – 15%, and • strategic non-financial goals – 20% <p>There will be an eps underpin, such that if eps is below threshold there is no bonus payout.</p> <p>This combination of performance measures provides a balance relevant to the Group's business and market conditions as well as providing a common goal for the executive directors, senior management and shareholders.</p>
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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 2019 grants, awards will not exceed 130% 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 2014 LTIP are shown on page 78 <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. It also aligns the rewards received by executives with the returns received by shareholders 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 2014 LTIP are shown on page 79

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% per annum on salary up to the notional pensionable salary cap (from 6 April 2019 £166,200 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

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

Directors' remuneration report continued

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

The following table summarises the fees policy for the Chairman and the NEDs.

Fees

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 latest review being with effect from January 2018 the Board as a whole considers the policy and structure for the NEDs' fees on the recommendation of the Chairman and the Chief Executive. The NEDs do not participate in discussions on their specific levels of remuneration; the Chairman's fees are set by the Committee
Maximum potential value	<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 consulted with major shareholders and proxy voting groups on the remuneration policy that was approved at the 2017 AGM and the performance measures for the annual bonus plan for executive directors in 2018.

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.

Legacy arrangements

The directors' remuneration policy approved by shareholders at the 2017 AGM gave authority to the Company to honour any commitments entered into with current or former directors (that have been disclosed to shareholders in previous remuneration reports) or internally promoted future directors (in each case, such as the payment of a pension or the unwind of legacy share plans). Details of any payments to former directors will be set out in the remuneration report as they arise.

Policy of executive directors' external appointments

With the specific approval of the Board in each case, executive directors may accept external appointments as non-executive directors of other companies and retain any related fees paid to them.

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. Brian May is employed on a contract that provides for 12 months' notice from the Company and six months' notice from the executive. 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 retired on 31 December 2018.

Directors' remuneration report continued

Policy on payment for departure from office

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

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

Note

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

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 28 people) are granted both executive share option and performance share awards. Approximately 440 senior managers are granted executive share option awards on an annual basis, which helps to provide a common focus for management in the Company's decentralised organisation structure, whereas the annual bonuses are related to the performance of individual operating units.

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

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

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

Statement of consideration of employment conditions elsewhere in the Group

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

In 2019 the majority of employees across the Group have received average salary increases ranging from 2.5%–5%, dependent on geographical location with the principal exception being those employees based in parts of Latin America, China and Turkey where current market salary increases are higher. The actual increases received by employees have been based on each individual's contribution and performance as well as the market competitiveness of the salary.

The Committee considers the general basic salary increase within the geographical regions for the broader employee population when determining the annual salary increases for the executive directors and is cognisant of the Group's overall employment arrangements when reviewing and implementing the executive directors' remuneration policy. Although the Committee did not consult with employees with regard to the remuneration policy of the executive directors, the Company does monitor employees' views through regular employee surveys.

Other statutory information

Annual General Meeting

The Notice convening the Company's Annual General Meeting ('AGM'), to be held at The Park Suite, The Dorchester, Park Lane, London W1K 1QA on Wednesday 17 April 2019 at 11.00 am, is set out in a separate letter from the Chairman to shareholders.

Dividends

An interim dividend of 15.2p was paid on 2 January 2019 in respect of 2018 and the directors recommend a final dividend of 35.0p, making a total for the year of 50.2p per share (2017: 46.0p). Dividend details are given in Note 18 to the consolidated financial statements. Subject to shareholder approval at the 2019 AGM, the final dividend will be paid on 1 July 2019 to those shareholders on the register at the close of business on 24 May 2019.

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 market in the form of American Depository Receipts.

Details of changes to the issued share capital during the year are set out in Note 17 to the consolidated financial statements.

Bunzl Group General Employee Benefit Trust

The trustee of the Bunzl Group General Employee Benefit Trust ('the EBT') holds shares in respect of employee share options and awards that have not been exercised or vested. The EBT abstains from voting in respect of these shares. The trustee has agreed to waive the right to dividend payments on shares held within the EBT. Details of the shares so held are set out in Note 17 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 2018 AGM to allot shares in the Company up to approximately one third of the Company's issued share capital or two thirds in respect of a rights issue. The directors were also given the power to allot ordinary shares for cash up to a limit representing approximately 10% of the Company's issued share capital as at 12 March 2018, without regard to the pre-emption provisions of the Companies Act 2006 (however, more than 5% can only be used in connection with an acquisition or specified capital investment).

No such shares were issued or allotted under these authorities in 2018, nor is there any current intention to do so, other than to satisfy share options under the Company's share option schemes and, if necessary, to satisfy the consideration payable for businesses to be acquired.

These authorities are valid until the conclusion of the forthcoming AGM and the directors again propose to seek equivalent authorities at such AGM.

Restrictions on transfer of shares

Dealings in the Company's ordinary shares by its directors, persons discharging managerial responsibilities, certain employees of the Company and, in each case, any persons closely associated with them, are subject to the Company's Share Dealing Code.

Certain restrictions, which are customary for a listed company, apply to transfers of shares in the Company. The Board may refuse to register an instrument of transfer of any share which is not a fully paid share and of a certificated share at its discretion unless it is:

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

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

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

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

Restrictions on voting rights

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

Purchase of own shares

At the 2018 AGM, shareholders gave the Company authority to purchase up to a maximum amount equivalent to approximately 10% of its issued share capital. During the year ended 31 December 2018, the Company did not purchase any of its own shares pursuant to this authority or the authority granted at the 2017 AGM and no shares have been purchased between 31 December 2018 and 25 February 2019. As a result, directors again propose to seek the equivalent authority at the 2019 AGM.

Directors

Directors may be elected by ordinary resolution at a duly convened general meeting or appointed by the Board. Under the Articles, the minimum number of directors shall be two and the maximum shall be 15. In accordance with the Articles, each director is required to retire at the AGM

held in the third calendar year after which he or she was appointed or last appointed and any director who has held office with the Company, other than employment or executive office, for a continuous period of nine years or more at the date of the AGM is subject to annual re-appointment. The Board may also appoint a person willing to act as a director during the year either to fill a vacancy or as an additional director but so that the total number of directors shall not at any time exceed 15. However, such appointee shall only hold office until the next AGM of the Company.

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

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

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

Biographical details of all of the current directors are set out on pages 56 and 57. Notwithstanding the retirement by rotation provisions in the Articles, each of the directors will retire and offer themselves for re-election at the forthcoming AGM in accordance with the UK Corporate Governance Code.

Directors' interests in the Company's ordinary shares are shown in Note 20 to the consolidated financial statements. None of the directors was materially interested in any contract of significance with the Company or any of its subsidiary undertakings during or at the end of 2018. 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 73 to 97.

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 2018 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.

Substantial shareholdings

As at 31 December 2018, the Company had been notified of the following significant interests in the issued share capital of the Company, in accordance with rule 5 of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

Shareholder	Date of notification	Number of shares	% of issued share capital
FMR LLC	09.11.18	22,177,887	6.59
BlackRock, Inc.	06.03.17	17,257,793	5.14
Massachusetts Financial Services Company	21.03.18	16,351,046	4.87
APG Asset Management N.V.	24.06.15	10,265,263	3.06

No other notifications have been received between 31 December 2018 and 25 February 2019.

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 40 to 50.

Greenhouse gas emissions

Information relating to greenhouse gas emissions has been set out in the Corporate responsibility report on pages 40 to 50.

Employment policies

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

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

Further information relating to the Group's employees can be found in the Our people section of this Annual Report on pages 36 to 39.

Significant agreements

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

Political donations

During 2018, no contributions were made for political purposes.

Use of financial instruments

Information on the use of financial instruments can be found in the Financial review on pages 20 to 25 and in the Notes to the financial statements on pages 107 to 147.

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 EBT referred to in Note 17 to the consolidated financial statements on page 135, there are no disclosures required to be made under UK Listing Rule 9.8.4.

External auditors

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

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

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

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

Future developments within the Group

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

Strategic report and Directors' report

Pages 1 to 55 inclusive consist of the Strategic report and pages 56 to 100 inclusive consist of the Directors' report. These reports have been drawn up and presented in accordance with, and in reliance upon, applicable English company law and any liability of the directors in connection with these reports shall be subject to the limitations and restrictions provided by such law.

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

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

The Strategic report and the Directors' report were approved by the Board on 25 February 2019.

On behalf of the Board

Paul Hussey

Secretary
25 February 2019

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Consolidated income statement

for the year ended 31 December 2018

	Notes	2018 £m	2017 £m
Revenue	4	9,079.4	8,580.9
Operating profit	4	466.2	456.0
Finance income	6	11.6	10.6
Finance expense	6	(66.6)	(57.3)
Disposal of businesses	26	13.6	—
Profit before income tax		424.8	409.3
Income tax	7	(98.3)	(98.8)
Profit for the year attributable to the Company's equity holders		326.5	310.5
Earnings per share attributable to the Company's equity holders			
Basic	8	98.4p	94.2p
Diluted	8	97.8p	93.5p
Alternative performance measures[†]			
Operating profit	4	466.2	456.0
Adjusted for:			
Customer relationships amortisation	4	111.1	96.6
Acquisition related items	4	33.4	36.7
GMP equalisation charge	5	3.3	—
Adjusted operating profit[◊]		614.0	589.3
Finance income	6	11.6	10.6
Finance expense	6	(66.6)	(57.3)
Adjusted profit before income tax[◊]		559.0	542.6
Tax on adjusted profit	7	(129.1)	(149.2)
Adjusted profit for the year[◊]		429.9	393.4
Adjusted earnings per share[◊]	8	129.6p	119.4p

[†] See Note 3 on page 114 for further details of the alternative performance measures.

[◊] Excluding the profit on disposal of businesses and associated tax where relevant.

The Accounting policies and other Notes on pages 107 to 147 form part of these consolidated financial statements.

Consolidated statement of comprehensive income

for the year ended 31 December 2018

	Notes	2018 £m	2017 £m
Profit for the year		326.5	310.5
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss:			
Actuarial gain on defined benefit pension schemes	21	11.0	27.0
Tax on items that will not be reclassified to profit or loss	7	(3.7)	(9.6)
Total items that will not be reclassified to profit or loss		7.3	17.4
Items that may be reclassified to profit or loss:			
Foreign currency translation differences on foreign operations		3.0	(53.3)
Movement from translation reserve to income statement on disposal of foreign operation		(2.4)	–
(Loss)/gain taken to equity as a result of effective net investment hedges		(7.5)	7.2
Gain recognised in cash flow hedge reserve		7.9	2.4
Movement from cash flow hedge reserve to inventory/income statement		(4.4)	(7.0)
Tax on items that may be reclassified to profit or loss	7	(0.4)	1.3
Total items that may be reclassified subsequently to profit or loss		(3.8)	(49.4)
Other comprehensive income/(expense) for the year		3.5	(32.0)
Total comprehensive income attributable to the Company's equity holders		330.0	278.5

Consolidated balance sheet

at 31 December 2018

	Notes	2018 £m	2017 £m
Assets			
Property, plant and equipment	9	122.4	125.2
Intangible assets	10	2,382.5	2,351.7
Defined benefit pension assets	21	3.4	—
Derivative financial assets		5.9	10.0
Deferred tax assets	16	4.0	3.4
Total non-current assets		2,518.2	2,490.3
Inventories	11	1,213.6	1,064.9
Trade and other receivables	12	1,330.0	1,258.4
Income tax receivable		4.0	4.4
Derivative financial assets		12.6	10.3
Cash at bank and in hand	24	477.7	333.6
Assets classified as held for sale	27	—	27.7
Total current assets		3,037.9	2,699.3
Total assets		5,556.1	5,189.6
Equity			
Share capital	17	108.1	108.0
Share premium		178.5	171.4
Translation reserve		(24.6)	(17.9)
Other reserves		20.2	17.3
Retained earnings		1,412.3	1,169.8
Total equity attributable to the Company's equity holders		1,694.5	1,448.6
Liabilities			
Interest bearing loans and borrowings	24	1,456.3	1,499.2
Defined benefit pension liabilities	21	41.9	51.0
Other payables		29.4	30.7
Income tax payable		2.9	3.0
Provisions	15	41.3	39.0
Derivative financial liabilities		5.1	0.9
Deferred tax liabilities	16	153.7	158.0
Total non-current liabilities		1,730.6	1,781.8
Bank overdrafts	24	333.5	221.3
Interest bearing loans and borrowings	24	74.9	145.1
Trade and other payables	13	1,613.6	1,468.4
Income tax payable		91.9	90.5
Provisions	15	6.1	6.2
Derivative financial liabilities		11.0	12.4
Liabilities classified as held for sale	27	—	15.3
Total current liabilities		2,131.0	1,959.2
Total liabilities		3,861.6	3,741.0
Total equity and liabilities		5,556.1	5,189.6

Approved by the Board of directors of Bunzl plc (Company registration number 358948) on 25 February 2019 and signed on its behalf by Frank van Zanten, Chief Executive and Brian May, Finance Director.

Consolidated statement of changes in equity

for the year ended 31 December 2018

	Share capital £m	Share premium £m	Translation reserve £m	Merger £m	Capital redemption £m	Cash flow hedge £m	Other reserves	Retained earnings	Total equity £m
								Own shares £m	Earnings £m
At 1 January 2018	108.0	171.4	(17.9)	2.5	16.1	(1.3)	(122.9)	1,292.7	1,448.6
Profit for the year								326.5	326.5
Actuarial gain on defined benefit pension schemes								11.0	11.0
Foreign currency translation differences on foreign operations				3.0					3.0
Movement from translation reserve to income statement on disposal of foreign operation				(2.4)					(2.4)
Loss taken to equity as a result of effective net investment hedges				(7.5)					(7.5)
Gain recognised in cash flow hedge reserve							7.9		7.9
Movement from cash flow hedge reserve to inventory/income statement						(4.4)			(4.4)
Income tax credit/(charge) on other comprehensive income				0.2		(0.6)		(3.7)	(4.1)
Total comprehensive income				(6.7)		2.9		333.8	330.0
2017 interim dividend								(46.2)	(46.2)
2017 final dividend								(106.0)	(106.0)
Issue of share capital	0.1	7.1							7.2
Employee trust shares							45.6		45.6
Movement on own share reserves							13.4	(13.4)	–
Share based payments								15.3	15.3
At 31 December 2018	108.1	178.5	(24.6)	2.5	16.1	1.6	(63.9)	1,476.2	1,694.5

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

Consolidated cash flow statement

for the year ended 31 December 2018

	Notes	2018 £m	2017 £m
Cash flow from operating activities			
Profit before income tax		424.8	409.3
Adjusted for:			
net finance expense	6	55.0	46.7
customer relationships amortisation	10	111.1	96.6
acquisition related items	4	33.4	36.7
disposal of businesses	26	(13.6)	–
GMP equalisation charge		3.3	–
Adjusted operating profit		614.0	589.3
Adjustments:			
non-cash items	28	31.8	28.9
working capital movement	28	(38.7)	(15.6)
Cash generated from operations before acquisition related items		607.1	602.6
Cash outflow from acquisition related items	25	(13.9)	(13.9)
Income tax paid		(113.2)	(113.1)
Cash inflow from operating activities		480.0	475.6
Cash flow from investing activities			
Interest received		2.0	2.3
Purchase of property, plant and equipment and software	9,10	(31.1)	(33.8)
Sale of property, plant and equipment		2.5	0.9
Purchase of businesses	25	(170.3)	(574.6)
Disposal of businesses	26	55.1	–
Cash outflow from investing activities		(141.8)	(605.2)
Cash flow from financing activities			
Interest paid		(51.1)	(46.8)
Dividends paid	18	(152.2)	(138.2)
Increase in borrowings		71.6	418.7
Repayment of borrowings		(228.5)	(87.3)
Realised gains/(losses) on foreign exchange contracts		3.3	(10.2)
Proceeds from issue of ordinary shares to settle share options		7.2	4.0
Proceeds from exercise of market purchase share options		42.8	24.7
Purchase of employee trust shares		–	(48.1)
Cash (outflow)/inflow from financing activities		(306.9)	116.8
Increase/(decrease) in cash and cash equivalents		31.3	(12.8)
Cash and cash equivalents at start of year		112.3	126.7
Increase/(decrease) in cash and cash equivalents		31.3	(12.8)
Currency translation		0.6	(1.6)
Cash and cash equivalents at end of year	24	144.2	112.3
Alternative performance measures[†]			
Cash generated from operations before acquisition related items		607.1	602.6
Purchase of property, plant and equipment and software		(31.1)	(33.8)
Sale of property, plant and equipment		2.5	0.9
Operating cash flow		578.5	569.7
Cash conversion % (operating cash flow to adjusted operating profit)		94%	97%

[†] See Note 3 on page 114 for further details of the alternative performance measures.

Notes

1 Basis of preparation

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

(i) Basis of accounting

The consolidated financial statements for the year ended 31 December 2018 have been approved by the Board of directors of Bunzl plc. They are prepared in accordance with (i) EU endorsed International Financial Reporting Standards ('IFRS') and interpretations of the IFRS Interpretations Committee ('IFRS IC') and those parts of the Companies Act 2006 as applicable to companies using IFRS and (ii) IFRS as issued by the International Accounting Standards Board ('IASB'). They are prepared under the historical cost convention with the exception of certain items which are measured at fair value as described in the accounting policies below. The directors consider that it is appropriate to adopt the going concern basis of accounting in preparing the financial statements.

(ii) New accounting standards and interpretations

The Group has adopted all relevant amendments to existing standards and interpretations issued by the IASB that are effective from 1 January 2018 with no material impact on its consolidated results or financial position. In addition, the Group has adopted the two new standards issued by the IASB that are applicable to the Group for the year ended 31 December 2018, these being IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments'.

The Group has adopted IFRS 15 'Revenue from Contracts with Customers' retrospectively from 1 January 2018. IFRS 15 requires companies to apportion revenue from customer contracts to separate performance obligations and recognise revenue as these performance obligations are satisfied. The vast majority of the Group's revenue is generated from the delivery of goods to customers representing a single performance obligation which is satisfied upon delivery of the relevant goods. The Group's other revenue generating activities represent approximately 1% of total revenue. The majority of this other revenue relates to design and fit out services for foodservice customers and fulfilment services where the Group does not take title to inventory. For these and other services performed by the Group, the recognition of revenue under IFRS 15 does not differ materially from the previous accounting practices. Accordingly, the adoption of IFRS 15 has not had a material impact on the timing of revenue recognition and has not had a material impact on the Group's operating profit or financial position. Prior year comparatives have not been restated because the transition adjustment was not material.

The Group has adopted IFRS 9 'Financial Instruments' retrospectively from 1 January 2018 except where prospective application is required as specified in the standard. The adoption of IFRS 9 resulted in a change to the Group's accounting estimates to reflect the new expected credit loss impairment model for financial assets, particularly in relation to the provision for trade receivables, but did not have a material impact on the Group's operating profit or financial position. Prior year comparatives have not been restated because the transition adjustment was not material.

In September 2017 an agenda decision of the IFRS IC was issued which provided clarity over the treatment of interest and penalties related to income taxes. This confirmed that entities do not have an accounting policy choice between applying IAS 12 'Income Taxes' and IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and that the treatment should be determined on a case-by-case basis. As a result, the Group's finance expense now includes a charge for interest related to income tax and acquisition related items include interest on acquisition related income tax whereas in prior years all such items were shown in income tax. The amounts involved are not material and prior year comparatives have not been restated.

There are no other new standards or amendments to existing standards and interpretations that are effective for the year ended 31 December 2018 that have had a material impact on the Group.

IFRS 16 'Leases' is effective in the consolidated financial statements for the year ending 31 December 2019 and will have a material impact on the consolidated financial statements. The Group has adopted IFRS 16 with effect from 1 January 2019 and intends to use the modified retrospective approach to transition utilising certain practical expedients outlined in the standard, notably the exclusion of low value (less than £5,000) and short term leases (less than 12 months). Data has been collated on all of the Group's leases for which IFRS 16 is applicable, of which there are more than 5,000, and these are principally for warehouses, offices and vehicles. This data has been used in conjunction with a lease accounting tool specifically developed for the Group by third party experts to calculate the impact of transitioning to IFRS 16 as at 1 January 2019.

The new standard requires 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 present value of the future payments required under each lease discounted at the incremental borrowing rate. It is currently estimated that the adoption of IFRS 16 will increase the carrying value of property, plant and equipment at 1 January 2019 by between £430m and £450m with liabilities increasing by between £480m and £500m and retained earnings decreasing by between £20m and £50m. Under the new standard, the existing operating lease expense previously recorded in operating costs will be replaced by a depreciation charge, which will be lower than the previous operating lease expense by approximately £20m, and a separate financing expense, which will be recorded in finance expense, of approximately £20m. There will be no net cash flow impact arising from the adoption of the new standard. Net debt to EBITDA is expected to increase by approximately 0.3 times compared to the previous accounting standard but performance against current banking covenants will not be affected because these are based on historical accounting standards. The Group does not currently intend to alter its approach going forward as to whether assets should be leased or bought.

Notes continued

1 Basis of preparation continued

Apart from this standard, the Group does not anticipate that any other new or revised standards and interpretations currently issued by the IASB that are effective from 1 January 2019 and beyond will have a material impact on its consolidated results or financial position.

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 162 to 164 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 the issued share capital of a subsidiary is acquired, and the acquisition includes an option to purchase the remaining share capital of the subsidiary, the anticipated acquisition method is applied, where judged appropriate to do so, meaning that no non-controlling interest is recognised. A liability is carried on the balance sheet equal to the fair value of the option and this is revised to fair value at each reporting date with differences being recorded in acquisition related items in the income statement.

(iii) Disposal of businesses

Where a subsidiary undertaking is sold, the profit or loss on disposal is calculated as the difference between the aggregate of the fair value of the consideration received and the carrying amount of the assets and liabilities of the subsidiary on the date of disposal less any transaction costs relating to the disposal. On the disposal of a subsidiary with assets and liabilities denominated in foreign currency, the cumulative translation difference associated with that subsidiary in the translation reserve is credited or debited to the profit or loss on disposal recognised in the income statement. Cash received on disposal of businesses is shown within investing activities in the Consolidated cash flow statement, net of cash and cash equivalents disposed of and transaction costs.

(iv) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

b Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate prevailing at that date. Foreign exchange differences arising on translation are recognised in the income statement, unless they qualify for cash flow or net investment hedge accounting treatment, in which case the effective portion is recognised directly in other comprehensive income.

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

c Revenue

The Group is principally engaged in the delivery of goods to customers representing a single performance obligation which is satisfied upon delivery of the relevant goods. Revenue related to the provision of services is recognised when the service is provided, which for the majority of the Group's service revenue represents a single performance obligation. Revenue is not recognised if there is significant uncertainty regarding recovery of the consideration due.

Revenue is valued at invoiced amounts, excluding sales taxes and including estimates for variable consideration where relevant, such as returns and trade discounts. Returns provisions and early settlement discounts are based on experience over an appropriate period whereas volume discounts are based on agreements with customers and expected volumes. There has been no significant change to the Group's accounting policy for revenue as a result of the adoption of IFRS 15 from 1 January 2018.

2 Accounting policies continued

d Cost of goods sold

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

e Supplier rebates

The Group has various rebate arrangements with a number of suppliers. Some of these arrangements are based on the volume of products purchased and others are based on the volume of products sold. Supplier rebate income is recognised in cost of goods sold concurrent with the sale of the inventories to which it relates and is calculated by reference to the expected consideration receivable from each rebate arrangement. 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 17 and the Directors' remuneration report. The total expected expense is based on the fair value of options and other share based incentives on the grant date, calculated using a valuation model, and is spread over the expected vesting period with a corresponding credit to equity.

g Leases

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

h Income tax

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

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the balance sheet date and any adjustments in respect of prior years. Current tax payable is recognised when it is probable that the Group will be required to settle the obligation. The Group's policy for accounting for current tax payable or receivable where it is uncertain is described in more detail in Note 2y – Sources of estimation uncertainty part (iv) – Taxation.

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

Deferred tax is not recognised for the following temporary differences: goodwill not deductible for tax purposes, the initial recognition of assets and liabilities that affect neither accounting nor taxable profits and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future and where the Company controls the timing of the reversal. A deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

i Property, plant and equipment

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

j Depreciation

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

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

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

Notes continued

2 Accounting policies continued

k Intangible assets

(i) Goodwill

Acquisitions are accounted for using the acquisition method. As permitted by IFRS 1 'First-time Adoption of International Financial Reporting Standards', the Group chose to apply IFRS 3 'Business Combinations' from 1 January 2004 and elected not to restate previous business combinations. For acquisitions made before 1 January 2004, goodwill represents the amount previously recorded under UK Generally Accepted Accounting Practice ('UK GAAP'). For acquisitions that occurred between 1 January 2004 and 31 December 2009, goodwill represents the cost of the business combination in excess of the fair value of the identifiable assets, liabilities and contingent liabilities acquired. For acquisitions that have occurred on or after 1 January 2010, goodwill represents the cost of the business combination (excluding payments contingent on future employment and transaction costs and expenses) in excess of the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is allocated to cash generating units ('CGUs') and is tested annually for impairment. Negative goodwill arising on acquisition is recognised immediately in the income statement.

(ii) Customer relationships

Customer relationships intangible assets acquired in a business combination are recognised on acquisition and recorded at fair value. Subsequent to initial recognition, customer relationships intangible assets are stated at cost less accumulated amortisation and any impairment losses. Amortisation is charged to the income statement on a straight line basis over the estimated useful economic lives which range from 10 to 19 years.

(iii) Software

Software is stated at historical cost less accumulated amortisation and any impairment losses. The carrying values of software are periodically reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. Amortisation is charged to the income statement on a straight line basis over the estimated useful economic lives which range from three to seven years.

l Impairment

The carrying amounts of the Group's assets are reviewed annually to determine if there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. The recoverable amounts of assets carried at amortised cost are calculated as the present value of estimated future cash flows, discounted at appropriate pre-tax discount rates. The recoverable amounts of other assets are the greater of their fair value less the costs of disposal and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present values using appropriate pre-tax discount rates. Impairment losses are recognised when the carrying amount of an asset or CGU 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, which for trade receivables is equal to the consideration expected to be received from the satisfaction of performance obligations, plus any directly attributable transaction costs. Subsequent to initial recognition these assets are measured at amortised cost less any provision for impairment losses including expected credit losses. In accordance with IFRS 9 the Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics such as the ageing of the debt and the credit risk of the customers. An historical credit loss rate is then calculated for each group and then adjusted to reflect expectations about future credit losses. The Group does not have any significant contract assets.

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. The Group has contract liabilities in the form of deferred income which arises from consideration received in advance of the satisfaction of performance obligations.

2 Accounting policies continued

p Financial instruments

Classification and measurement

Under IFRS 9 'Financial Instruments', 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.

All non-derivative financial assets and liabilities are subsequently held at amortised cost unless they are in a fair value hedge relationship. Financial assets and liabilities held in a fair value hedge relationship are classified at fair value through profit or loss and are initially measured at fair value with subsequent changes in fair value recorded in the income statement.

Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- a hedge of the fair value of recognised assets or liabilities or a firm commitment ('fair value hedge');
- a hedge of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions ('cash flow hedge'); or
- a hedge of a net investment in a foreign operation ('net investment hedge').

The Group documents its risk management objectives and strategy for undertaking its hedge transactions. At inception of hedge relationships, the Group documents the economic relationship between the hedging instruments and the hedged items.

The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is 12 months or less.

(i) Fair value hedge

Where a derivative 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 within finance expense. 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, also within finance expense. The gain or loss relating to any ineffective portion of the hedging arrangement is recognised immediately in the income statement.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to any ineffective portion is recognised immediately in the income statement.

Where a derivative instrument is designated and qualifies as a hedge of a forecast transaction, only the change in fair value of the forward contract related to the spot component is designated as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contract are initially recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item is recognised in the income statement.

Gains or losses accumulated in equity are reclassified to the income statement when the hedged item affects profit or loss or to the non-financial asset when the hedged item results in the recognition of a non-financial asset with the deferred gains or losses ultimately being recognised in the income statement as the non-financial asset affects profit or loss.

When a hedging instrument expires, any cumulative deferred gain/loss in equity relating to that instrument remains in equity until the forecast transaction occurs at which point it is reclassified to the income statement. When the forecast transaction is no longer expected to occur, the cumulative deferred gain/loss recorded in equity is immediately reclassified to the income statement.

(iii) Net investment hedge

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 and are accumulated in a separate reserve within equity. To the extent that the hedge is ineffective such differences are recognised in the income statement.

Notes continued

2 Accounting policies continued

(iv) Other derivative instruments

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that do not qualify for hedge accounting are immediately 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 risk and currency profile less cash and cash equivalents.

s Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

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

t Investment in own shares

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

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

u Retirement benefits

(i) Defined contribution pension schemes

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

(ii) Defined benefit pension schemes

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

The present value of pension scheme liabilities is 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) is deducted from the present value of pension scheme liabilities to determine the net deficit or surplus of each scheme. Remeasurements arising from defined benefit pension schemes comprise actuarial gains and losses on pension scheme liabilities and the actual return on pension scheme assets excluding amounts already included in net interest. The net actuarial gain or loss for the year is recorded in full in the statement of comprehensive income.

Current service cost, past service cost or gain and gains and losses on any settlements and curtailments are credited or charged to the income statement. Past service cost is recognised immediately to the extent benefits are already vested. Net interest on the net defined benefit pension liability or asset is calculated by applying the discount rate used to measure the defined benefit pension scheme deficit or surplus at the beginning of the year to the net defined benefit pension liability or asset at the beginning of the year. Net interest is recorded within finance expense or income 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.

2 Accounting policies continued

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 Hyperinflationary economies

Where the Group has operations in countries to which hyperinflation accounting applies, the financial statements of the business concerned are accounted for under IAS 29 'Financial Reporting in Hyperinflationary Economies'.

x Judgements made in applying the Group's accounting policies

In the course of preparing the financial statements, other than judgements involved in determining estimates and assumptions (see Note 2y below), no judgements have been made in the process of applying the Group's accounting policies that have had a significant effect on the amounts recognised in the financial statements.

y Sources of estimation uncertainty

In applying the Group's accounting policies various transactions and balances are valued using estimates or assumptions. Should these estimates or assumptions prove incorrect, there may be an impact on the following year's financial statements. As at 31 December 2018, sources of estimation uncertainty where there was a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year were limited to the following items:

(i) 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 25.

(ii) 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, which is allocated across CGUs, is tested annually to determine if there is any indication of impairment by comparing the carrying amount of the goodwill to the recoverable amount of the CGU to which it has been allocated. Assumptions and estimates are 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 estimates and assumptions used in performing impairment testing are described in Note 10. Customer relationships assets are also reviewed annually for indicators of impairment and if an indicator of impairment exists then similar recoverability testing, involving the use of estimates and assumptions, is performed for the business to which the customer relationships asset relates. 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. The goodwill balance at the end of 31 December 2018 was £1,420.4m (2017: £1,378.0m) and the amount of customer relationships intangible assets as at 31 December 2018 was £941.2m (2017: £954.6m).

(iii) Defined benefit pension schemes

The measurement of the present value of defined benefit pension scheme liabilities involves the use of various actuarial assumptions. 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 21. The Group's net pension deficit balance as at 31 December 2018 was £38.5m (2017: £51.0m).

(iv) 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 assumptions based on interpretations of tax statute and case law, which it does after taking account of professional advice and prior experience.

The majority of the Group's tax payable balance of £94.8m (2017: £93.5m) relates to provisions for uncertain tax matters. 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 and 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.

The principal uncertainty relates to the legal arguments between the European Commission and the UK government over whether part of the UK's tax regime is contrary to European Union State Aid provisions. Other than the risk relating to this, management does not consider there to exist a significant risk of material adjustment within the next financial year because 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 Alternative performance measures

In addition to the various performance measures defined under IFRS, the Group reports a number of other 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 are therefore known as 'alternative performance measures'. Accordingly, these measures, which are not designed to be a substitute for any of the IFRS measures of performance, may not be directly comparable with other companies' alternative performance measures. The principal alternative performance measures used within the consolidated financial statements and the location of the reconciliations to equivalent IFRS measures are shown and defined in the table below:

Adjusted operating profit	Operating profit before customer relationships amortisation, acquisition related items, the GMP equalisation charge and disposal of businesses (reconciled in the table below and in the Consolidated income statement)
Operating margin %	Adjusted operating profit as a percentage of revenue
Adjusted profit before income tax	Profit before income tax, customer relationships amortisation, acquisition related items, the GMP equalisation charge and disposal of businesses (reconciled in the table below)
Adjusted profit for the year	Profit for the year before customer relationships amortisation, acquisition related items, the GMP equalisation charge, disposal of businesses and the associated tax (reconciled in the table below)
Effective tax rate	Tax on adjusted profit before income tax as a percentage of adjusted profit before income tax (reconciled in Note 7)
Adjusted earnings per share	Adjusted profit for the year divided by the weighted average number of ordinary shares in issue (reconciled in the table below and in Note 8)
Adjusted diluted earnings per share	Adjusted profit for the year divided by the diluted weighted average number of ordinary shares (reconciled in Note 8)
Operating cash flow	Cash generated from operations before acquisition related items after deducting purchases of property, plant and equipment and software and adding back the proceeds from the sale of property, plant and equipment and software (as shown in the Consolidated cash flow statement)
Cash conversion %	Operating cash flow as a percentage of adjusted operating profit (as shown in the Consolidated cash flow statement)
Return on average operating capital %	The ratio of adjusted operating profit to the average of the month end operating capital employed (being property, plant and equipment, software, inventories and trade and other receivables less trade and other payables)
Return on invested capital %	The ratio of adjusted operating profit to the average of the month end invested capital (being equity after adding back net debt, net defined benefit pension scheme liabilities, cumulative customer relationships amortisation, acquisition related items and amounts written off goodwill, net of the associated tax)
EBITDA	Adjusted operating profit before depreciation of property, plant and equipment and software amortisation and after adjustments as permitted by the Group's banking covenants, principally to exclude share option charges and to annualise for the effect of acquisitions and disposals of businesses
Constant exchange rates	Growth rates at constant exchange rates are calculated by retranslating the results for the year ended 31 December 2017 at the average rates for the year ended 31 December 2018 so that they can be compared without the distorting impact of changes caused by foreign exchange translation. The principal exchange rates used for 2018 and 2017 can be found in the Financial review on page 21

These alternative performance measures exclude the charge for customer relationships amortisation, acquisition related items, the GMP equalisation charge, disposal of businesses and any associated tax, where relevant. The definitions of these measures are similar to those used in the prior year but this year have been updated to exclude disposal of businesses and the GMP equalisation charge, these being items impacting the reported results for 2018 (no impact in 2017) which do not relate to the underlying operating performance of the business.

Acquisition related items comprise deferred consideration payments relating to the retention of former owners of businesses acquired, transaction costs and expenses, adjustments to previously estimated earn outs and interest on acquisition related income tax. Customer relationships amortisation, acquisition related items and any associated tax are considered by management to form part of the total spend on acquisitions or are non-cash items resulting from acquisitions. The GMP equalisation charge is a non-recurring cost of the equalisation of guaranteed minimum pensions between male and female members of the Group's UK defined benefit pension scheme following the High Court judgment during 2018 in the case of Lloyds Banking Group Pensions Trustees Limited vs Lloyds Bank plc and others. Disposal of businesses represents the profit or loss on disposal of non-core businesses. None of these items relate to the underlying operating performance of the business and, as a result, they distort comparability between businesses and reporting periods. Accordingly, these items are not taken into account by management when assessing the results of the business and are removed in calculating the profitability measures by which management assesses the performance of the Group.

3 Alternative performance measures continued

Other alternative performance measures, including the Group's key performance indicators which are set out and defined on pages 18 and 19, are used to monitor the performance of the Group and a number of these are based on, or derived from, the alternative performance measures noted above. All alternative performance measures have been calculated consistently with the methods applied in the consolidated financial statements for the year ended 31 December 2017 with the exception of the amendments made to the alternative performance measures for the year ended 31 December 2018 relating to the GMP equalisation charge and disposal of businesses which were not applicable in the prior year.

The principal profit related alternative performance measures, these being adjusted operating profit, adjusted profit before income tax, adjusted profit for the year and adjusted earnings per share, are reconciled to the most directly reconcilable IFRS measures in the table below.

Reconciliation of alternative performance measures to IFRS measures

	Alternative performance measures £m	Customer relationships amortisation £m	Acquisition related items £m	GMP equalisation charge £m	Disposal of businesses £m	IFRS measures £m	Adjusting items
2018							
Adjusted operating profit	614.0	(111.1)	(33.4)	(3.3)		466.2	Operating profit
Finance income	11.6					11.6	Finance income
Finance expense	(66.6)					(66.6)	Finance expense
Disposal of businesses					13.6	13.6	Disposal of businesses
Adjusted profit before income tax	559.0	(111.1)	(33.4)	(3.3)	13.6	424.8	Profit before income tax
Tax on adjusted profit	(129.1)	29.6	3.5	0.5	(2.8)	(98.3)	Income tax
Adjusted profit for the year	429.9	(81.5)	(29.9)	(2.8)	10.8	326.5	Profit for the year
 Adjusted earnings per share	 129.6p	 (24.6)p	 (9.0)p	 (0.9)p	 3.3p	 98.4p	 Basic earnings per share

	Alternative performance measures £m	Customer relationships amortisation £m	Acquisition related items £m	GMP equalisation charge £m	Disposal of businesses £m	IFRS measures £m	Adjusting items
2017							
Adjusted operating profit	589.3	(96.6)	(36.7)	–		456.0	Operating profit
Finance income	10.6					10.6	Finance income
Finance expense	(57.3)					(57.3)	Finance expense
Disposal of businesses					–	–	Disposal of businesses
Adjusted profit before income tax	542.6	(96.6)	(36.7)	–	–	409.3	Profit before income tax
Tax on adjusted profit	(149.2)	44.7	5.7	–	–	(98.8)	Income tax
Adjusted profit for the year	393.4	(51.9)	(31.0)	–	–	310.5	Profit for the year
 Adjusted earnings per share	 119.4p	 (15.8)p	 (9.4)p	 –	 –	 94.2p	 Basic earnings per share

Notes continued

4 Segment analysis

	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Corporate £m	Total £m
Year ended 31 December 2018						
Revenue	5,277.8	1,797.5	1,263.6	740.5		9,079.4
Adjusted operating profit/(loss)	317.1	176.8	86.8	56.4	(23.1)	614.0
Customer relationships amortisation	(34.1)	(51.0)	(9.4)	(16.6)		(111.1)
Acquisition related items	(11.8)	(14.5)	(3.0)	(4.1)		(33.4)
GMP equalisation charge					(3.3)	(3.3)
Operating profit/(loss)	271.2	111.3	74.4	35.7	(26.4)	466.2
Finance income						11.6
Finance expense						(66.6)
Disposal of businesses						13.6
Profit before income tax						424.8
Adjusted profit before income tax						559.0
Income tax						(98.3)
Profit for the year						326.5
Purchase of property, plant and equipment	6.6	8.0	4.0	3.1	0.2	21.9
Depreciation of property, plant and equipment	9.1	8.2	4.1	3.0	0.1	24.5
Purchase of software	4.2	2.9	1.3	0.7	0.1	9.2
Software amortisation	1.9	3.6	1.2	1.2	0.2	8.1
Year ended 31 December 2017						
Revenue	5,061.1	1,610.4	1,190.8	718.6		8,580.9
Adjusted operating profit/(loss)	318.3	151.1	88.5	53.9	(22.5)	589.3
Customer relationships amortisation	(28.1)	(41.0)	(10.5)	(17.0)		(96.6)
Acquisition related items	(15.6)	(12.7)	(4.2)	(4.2)		(36.7)
Operating profit/(loss)	274.6	97.4	73.8	32.7	(22.5)	456.0
Finance income						10.6
Finance expense						(57.3)
Profit before income tax						409.3
Adjusted profit before income tax						542.6
Income tax						(98.8)
Profit for the year						310.5
Purchase of property, plant and equipment	11.0	6.0	5.6	3.6	0.1	26.3
Depreciation of property, plant and equipment	9.1	7.5	4.0	3.2	0.1	23.9
Purchase of software	1.6	3.1	0.9	1.8	0.1	7.5
Software amortisation	1.6	3.4	1.0	1.2	0.2	7.4
Acquisition related items						
Deferred consideration payments relating to the retention of former owners of businesses acquired					19.1	28.5
Transaction costs and expenses					5.5	12.1
Adjustments to previously estimated earn outs					8.3	(3.9)
Interest on acquisition related income tax					0.5	–
					33.4	36.7

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

4 Segment analysis continued

segments and are therefore disclosed separately above. The Rest of the World business area contains businesses in Latin America and Asia Pacific 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 results.

Information related to each reportable segment is set out above. The revenue presented relates to external customers. Sales between the business areas are not material. Each of the business areas supplies a range of products to customers operating primarily in the foodservice, grocery, safety, cleaning & hygiene, retail and healthcare market sectors but results are not monitored on this basis. The performance of the four business areas is assessed by reference to adjusted operating profit and this measure also represents the segment results for the purposes of reporting in accordance with IFRS 8. Debt and associated interest is managed at a Group level and therefore has not been allocated across the business areas.

In the year ended 31 December 2018 the Group had one customer with revenue of £926.6m (2017: one customer with revenue of £876.7m) across North America, UK & Ireland and Rest of the World, representing 10% (2017: 10%) of total Group revenue.

Revenue generated in the parent company's country of domicile, the UK, for the year ended 31 December 2018 was £1,168.9m (2017: £1,103.1m).

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, with the vast majority of revenue generated from the delivery of goods to customers. 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	2018 £m	2017 £m
Foodservice	2,656.5	2,470.8
Grocery	2,388.5	2,323.0
Safety	1,090.8	1,011.8
Cleaning & hygiene	1,065.3	996.5
Retail	1,001.6	897.0
Healthcare	618.3	599.0
Other	258.4	282.8
	9,079.4	8,580.9

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, bank overdrafts, interest bearing loans and borrowings, derivative financial assets and liabilities and defined benefit pension assets and liabilities. Non-current assets (other than derivative financial assets and deferred tax assets) in the parent company's country of domicile, the UK, at 31 December 2018 were £334.4m (2017: £361.1m).

At 31 December 2018	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Unallocated £m	Total £m
Segment assets	2,125.4	1,594.0	727.3	595.7		5,042.4
Unallocated assets					513.7	513.7
Total assets	2,125.4	1,594.0	727.3	595.7	513.7	5,556.1
Segment liabilities	745.5	444.0	327.8	126.2		1,643.5
Unallocated liabilities					2,218.1	2,218.1
Total liabilities	745.5	444.0	327.8	126.2	2,218.1	3,861.6
At 31 December 2017	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Unallocated £m	Total £m
Segment assets	1,885.7	1,580.6	753.6	600.1		4,820.0
Unallocated assets					369.6	369.6
Total assets	1,885.7	1,580.6	753.6	600.1	369.6	5,189.6
Segment liabilities	651.7	409.8	329.3	124.8		1,515.6
Unallocated liabilities					2,225.4	2,225.4
Total liabilities	651.7	409.8	329.3	124.8	2,225.4	3,741.0

Notes continued

5 Analysis of operating income and expenses

	2018 £m	2017 £m
Cost of goods sold	6,851.8	6,490.6
Employee costs (Note 22)	859.4	800.4
GMP equalisation charge	3.3	–
Depreciation of property, plant and equipment (Note 9)	24.5	23.9
Amortisation of intangible assets (Note 10)	119.2	104.0
Acquisition related items (Note 4)	33.4	36.7
Impairment losses on trade receivables (Note 12)	3.5	2.9
(Profit)/loss on disposal of property, plant and equipment	(1.4)	0.5
Rentals payable under operating leases and subleases	145.4	138.0
Lease and sublease income	(0.9)	–
Other operating expenses	575.0	527.9
Net operating expenses	8,613.2	8,124.9

The GMP equalisation charge in 2018 of £3.3m is the non-recurring cost of the equalisation of guaranteed minimum pensions between male and female members of the Group's UK defined benefit pension scheme following the High Court judgment during the year in the case of Lloyds Banking Group Pensions Trustees Limited vs Lloyds Bank plc and others.

Auditors' remuneration	UK £m	Overseas £m	Total £m	2018			2017		
				UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
Audit of these financial statements	0.4	–	0.4	0.4	–	0.4	0.4	–	0.4
Amounts receivable by the Company's auditors and their associates in respect of:									
audit of financial statements of subsidiaries of the Company	0.4	2.5	2.9	0.4	2.3	2.7			
audit related assurance services	0.1	–	0.1	0.1	–	0.1	0.1	–	0.1
tax advisory services	–	–	–	–	–	0.1	0.1	–	0.1
all other services	0.1	–	0.1	0.1	–	0.1	0.1	–	0.1
Total auditors' remuneration	1.0	2.5	3.5	1.0	2.4	3.4			

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

The Audit Committee, which consists entirely of independent non-executive directors, reviews and approves the level and type of non-audit work which the external auditors perform, including the fees paid for such work, to ensure that the auditors' objectivity and independence are not compromised. Further information is set out in the Audit Committee's report on pages 68 to 72.

6 Finance income/(expense)

	2018 £m	2017 £m
Interest on cash and cash equivalents	5.3	4.1
Interest income from foreign exchange contracts	5.7	5.2
Net interest income on defined benefit pension schemes in surplus	0.1	–
Other finance income	0.5	1.3
Finance income	11.6	10.6
Interest on loans and overdrafts	(59.8)	(50.9)
Interest expense from foreign exchange contracts	(3.6)	(1.6)
Net interest expense on defined benefit pension schemes in deficit	(1.4)	(2.3)
Fair value gain on US private placement notes in a hedge relationship	8.3	2.3
Fair value loss on interest rate swaps in a hedge relationship	(8.2)	(2.9)
Foreign exchange gain/(loss) on intercompany funding	43.5	(46.0)
Foreign exchange (loss)/gain on external debt and foreign exchange forward contracts	(43.5)	44.7
Interest related to income tax	(1.2)	–
Other finance expense	(0.7)	(0.6)
Finance expense	(66.6)	(57.3)
Net finance expense	(55.0)	(46.7)

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 and foreign exchange forward contracts which minimises the foreign currency exposure in the income statement.

As explained in Note 1 on page 107, as a result of an agenda decision of the IFRS IC, the Group now determines on a case-by-case basis whether interest related to income tax is classified within finance expense or income tax. In the year ended 31 December 2018, finance expense includes £1.2m of interest related to income tax. In previous years all interest related to income tax was classified as income tax.

7 Income tax

	2018 £m	2017 £m
Current tax on profit		
current year	122.8	134.8
adjustments in respect of prior years	(6.9)	(8.0)
	115.9	126.8
Deferred tax on profit		
current year	(16.6)	(28.5)
adjustments in respect of prior years	(1.0)	0.5
	(17.6)	(28.0)
Income tax on profit	98.3	98.8

In assessing the underlying performance of the Group, management uses adjusted profit before income tax. The tax effect of the adjusting items (see Note 3) is excluded in monitoring the effective tax rate (being the tax rate on adjusted profit before income tax) which is shown in the table below. The Group's expectations for the effective tax rate in 2019 are included in the Financial review on pages 20 to 25.

	2018 £m	2017 £m
Income tax on profit	98.3	98.8
Tax associated with adjusting items	30.8	50.4
Tax on adjusted profit	129.1	149.2
Profit before income tax	424.8	409.3
Adjusting items	134.2	133.3
Adjusted profit before income tax	559.0	542.6
Reported tax rate	23.1%	24.1%
Effective tax rate	23.1%	27.5%

Notes continued

7 Income tax continued

The effective tax rate for 2018 has significantly decreased from 2017 principally due to the reduction in the US federal tax rate from 35% to 21% effective from 1 January 2018 and also due to the positive outcome of some previous tax uncertainties. The reported tax rate for 2018 is also lower than in 2017 due to the reduction in the US federal tax rate but to a lesser degree as a result of a one-time deferred tax credit on intangible assets in 2017 from enactment of the new rate before 31 December 2017.

Tax on other comprehensive income/(expense) and equity	2018			2017		
	Gross £m	Tax (charge)/credit £m	Net £m	Gross £m	Tax (charge)/credit £m	
Actuarial gain on defined benefit pension schemes	11.0	(3.7)	7.3	27.0	(9.6)	17.4
Foreign currency translation differences on foreign operations	3.0	–	3.0	(53.3)	–	(53.3)
Movement from translation reserve to income statement on disposal of foreign operation	(2.4)	–	(2.4)	–	–	–
(Loss)/gain taken to equity as a result of effective net investment hedges	(7.5)	0.2	(7.3)	7.2	0.5	7.7
Gain recognised in cash flow hedge reserve	7.9	(1.3)	6.6	2.4	(0.4)	2.0
Movement from cash flow hedge reserve to inventory/income statement	(4.4)	0.7	(3.7)	(7.0)	1.2	(5.8)
Other comprehensive income/(expense)	7.6	(4.1)	3.5	(23.7)	(8.3)	(32.0)
Dividends	(152.2)	–	(152.2)	(138.2)	–	(138.2)
Issue of share capital	7.2	–	7.2	4.0	–	4.0
Employee trust shares	45.6	–	45.6	(20.8)	–	(20.8)
Share based payments	12.9	2.4	15.3	11.8	0.8	12.6
Other comprehensive income/(expense) and equity	(78.9)	(1.7)	(80.6)	(166.9)	(7.5)	(174.4)

Factors affecting the tax charge for the year

The Group operates in many countries and is subject to different rates of income tax in those countries. The expected tax rate is calculated as a weighted average of the tax rates in the tax jurisdictions in which the Group operates, most of which are higher than the UK statutory rate for the year of 19.0% (2017: 19.25%). The adjustments to the tax charge at the weighted average rate to determine the income tax on profit are as follows:

	2018 £m	2017 £m
Profit before income tax	424.8	409.3
Tax charge at weighted average rate (2018: 25.1%; 2017: 29.5%)	106.5	120.6
Effects of:		
non-deductible expenditure	7.5	8.5
impact of intercompany finance	(5.1)	(3.7)
change in tax rates	(2.3)	(20.1)
prior year adjustments	(7.9)	(7.5)
other	(0.4)	1.0
Income tax on profit	98.3	98.8

Deferred tax in the income statement	2018 £m	2017 £m
Property, plant and equipment	–	(2.0)
Defined benefit pension schemes	0.8	4.4
Goodwill and customer relationships	(14.3)	(30.9)
Provisions	(0.5)	0.9
Inventories	0.7	(2.9)
Other	(4.3)	2.5
Deferred tax on profit	(17.6)	(28.0)

8 Earnings per share

	2018 £m	2017 £m
Profit for the year	326.5	310.5
Adjusted for:		
customer relationships amortisation	111.1	96.6
acquisition related items	33.4	36.7
GMP equalisation charge	3.3	–
disposal of businesses	(13.6)	–
tax credit on adjusting items	(30.8)	(50.4)
Adjusted profit for the year	429.9	393.4
	2018	2017
Basic weighted average number of ordinary shares in issue (million)	331.7	329.5
Dilutive effect of employee share plans (million)	2.2	2.6
Diluted weighted average number of ordinary shares (million)	333.9	332.1
	2018	2017
Basic earnings per share	98.4p	94.2p
Adjustment	31.2p	25.2p
Adjusted earnings per share	129.6p	119.4p
	2018	2017
Diluted basic earnings per share	97.8p	93.5p
Adjustment	31.0p	25.0p
Adjusted diluted earnings per share	128.8p	118.5p

Notes continued

9 Property, plant and equipment

	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
2018				
Cost				
Beginning of year	93.3	148.5	103.9	345.7
Acquisitions	0.2	1.3	1.6	3.1
Additions	1.8	10.1	10.0	21.9
Disposals	(2.8)	(6.4)	(4.5)	(13.7)
Disposal of business	(4.8)	(2.0)	(6.4)	(13.2)
Currency translation	2.4	5.5	0.5	8.4
End of year	90.1	157.0	105.1	352.2
Accumulated depreciation				
Beginning of year	45.3	97.7	77.5	220.5
Charge in year	3.5	12.0	9.0	24.5
Disposals	(2.4)	(5.8)	(4.4)	(12.6)
Disposal of business	(3.0)	(1.6)	(4.2)	(8.8)
Currency translation	1.8	3.1	1.3	6.2
End of year	45.2	105.4	79.2	229.8
Net book value at 31 December 2018	44.9	51.6	25.9	122.4
2017				
Cost				
Beginning of year	92.3	145.6	97.2	335.1
Acquisitions	–	2.5	2.3	4.8
Additions	4.1	12.4	9.8	26.3
Disposals	(3.1)	(5.2)	(2.9)	(11.2)
Transfer to assets held for sale	–	(0.5)	(0.3)	(0.8)
Currency translation	–	(6.3)	(2.2)	(8.5)
End of year	93.3	148.5	103.9	345.7
Accumulated depreciation				
Beginning of year	44.7	93.0	74.1	211.8
Charge in year	3.6	11.6	8.7	23.9
Disposals	(2.5)	(4.8)	(2.5)	(9.8)
Transfer to assets held for sale	–	(0.4)	(0.2)	(0.6)
Currency translation	(0.5)	(1.7)	(2.6)	(4.8)
End of year	45.3	97.7	77.5	220.5
Net book value at 31 December 2017	48.0	50.8	26.4	125.2

Commitments for capital expenditure not provided for at 31 December 2018 were £0.2m (2017: £0.7m).

10 Intangible assets

	Goodwill £m	Customer relationships £m	Software £m	Total £m
2018				
Cost				
Beginning of year	1,378.0	1,613.8	64.5	3,056.3
Acquisitions	33.9	96.7	0.1	130.7
Additions		–	9.2	9.2
Disposals		–	(0.3)	(0.3)
Disposal of business	(10.1)	(15.9)	(2.7)	(28.7)
Currency translation	18.6	24.6	1.7	44.9
End of year	1,420.4	1,719.2	72.5	3,212.1
Accumulated amortisation				
Beginning of year	659.2	45.4	704.6	
Charge in year	111.1	8.1	119.2	
Disposals	–	(0.3)	(0.3)	
Disposal of business	(3.9)	(2.5)	(6.4)	
Currency translation	11.6	0.9	12.5	
End of year	778.0	51.6	829.6	
Net book value at 31 December 2018	1,420.4	941.2	20.9	2,382.5
2017				
Cost				
Beginning of year	1,191.5	1,306.4	57.3	2,555.2
Acquisitions	217.8	338.3	0.5	556.6
Additions		–	7.5	7.5
Disposals		–	(0.7)	(0.7)
Transfer to assets held for sale	(4.1)	–	–	(4.1)
Currency translation	(27.2)	(30.9)	(0.1)	(58.2)
End of year	1,378.0	1,613.8	64.5	3,056.3
Accumulated amortisation				
Beginning of year	568.7	38.9	607.6	
Charge in year	96.6	7.4	104.0	
Disposals	–	(0.7)	(0.7)	
Currency translation	(6.1)	(0.2)	(6.3)	
End of year	659.2	45.4	704.6	
Net book value at 31 December 2017	1,378.0	954.6	19.1	2,351.7

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 25 together with details of an acquisition committed to be acquired in 2018 which was completed in 2019.

Notes continued

10 Intangible assets continued

Impairment tests

The carrying amount of goodwill is allocated across 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 the business is managed and monitored on a geographical basis, taking into account the generation of cash flows and the sharing of synergies. Given the similar nature of the activities of each CGU, a consistent methodology is applied across the Group in assessing CGU recoverable amounts. The recoverable amount is the higher of the value in use and the fair value less the costs of disposal. The value in use is the present value of the cash flows expected to be generated by the CGU over a projection period together with a terminal value. The projection period is the time period over which future cash flows are predicted. The Group's methodology is to use a projection period of five years consisting of detailed cash flow forecasts for the first two years and CGU specific growth assumptions for years three, four and five. For periods after this five year period, the methodology applies a long term growth rate specific to the CGU to derive a terminal value. Cash flow expectations exclude any future cash flows that may arise from restructuring or other enhancements to the cash generating activities of the CGU and reflect management's expectations of the range of economic conditions that may exist over the projection period.

The value in use calculations are principally sensitive to revenue growth, including any significant changes to the customer base, achievability of future profit margins and the discount rates used in the present value calculation. The information used for valuation purposes takes into consideration past experience and the current economic environment with regard to customer attrition rates and additions to the customer base, the ability to introduce price increases and new products and experience in controlling the underlying cost base. This information is used to determine a long term growth rate which is consistent with the geographic segments in which the Group operates and management's assessment of future operating performance and market share movements. The discount rates used are determined with assistance provided by external valuation specialists.

The Group last reviewed the composition of the Group's CGUs in 2016. 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 2018 impairment testing exercise, with goodwill allocated across 11 CGUs in 2018 (2017: 12). Impairment testing was also performed in 2018 based on the previous 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 previous and updated CGUs, no impairments were identified to the carrying value of goodwill within the Group.

At 31 December 2018 North America, France and Rest of Continental Europe carried a significant amount of goodwill in comparison with the total value of the Group's goodwill. At 31 December 2018 the carrying value of goodwill in respect of North America was £417.7m (2017: £388.6m), France was £262.7m (2017: £257.3m) and Rest of Continental Europe was £195.0m (2017: £186.5m). At 31 December 2018 the aggregate amount of goodwill attributable to the Group's CGUs, excluding North America, France and Rest of Continental Europe, was £545.0m (2017: £545.6m), none of which is individually significant.

For North America, France and Rest of Continental Europe, the weighted average long term growth rate used in 2018 was in the range of 2.5%–3.5% (2017: 2.5%–3.5%) reflecting anticipated revenue and profit growth. A pre-tax discount rate in the range of 7%–9% (2017: 7%–10%) has been applied to the value in use calculations reflecting market assessments of the time value of money at the balance sheet date. Similar assumptions have been applied to the other CGUs but where appropriate the directors have considered alternative market risk assumptions to reflect the specific conditions arising in individual CGUs with long term growth rates ranging from 2.5%–6.5% (2017: 2.5%–6.5%) and discount rates ranging from 6%–16% (2017: 7%–15%).

As part of the annual impairment testing for goodwill, the Group also considered whether there were any indicators that individual customer relationships assets were impaired and concluded that there was no such impairment.

Sensitivity to changes in key assumptions

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

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

11 Inventories

	2018 £m	2017 £m
Goods for resale	1,213.6	1,064.9

During the year £6.0m (2017: £8.2m) was written off from inventories due to obsolescence or damage. The provision for slow moving, obsolete or defective inventories at 31 December 2018 was £84.4m (2017: £79.8m).

12 Trade and other receivables

	2018 £m	2017 £m
Trade receivables	1,083.1	1,029.6
Prepayments	74.2	73.9
Other receivables	172.7	154.9
	1,330.0	1,258.4

The Group does not have any significant contract assets.

The ageing of trade receivables at 31 December was:

	Gross £m	2018 Provision £m	Gross £m	2017 Provision £m
Current	847.5	3.4	824.1	4.7
0–30 days overdue	186.4	1.8	166.3	0.7
31–90 days overdue	55.6	2.2	46.1	1.5
Over 90 days overdue	19.2	18.2	18.3	18.3
	1,108.7	25.6	1,054.8	25.2

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

	2018 £m	2017*
Beginning of year	25.2	20.8
Acquisitions	0.8	6.1
Charge	3.5	2.9
Utilised and unused	(3.8)	(4.1)
Currency translation	(0.1)	(0.5)
End of year	25.6	25.2

* The provision amounts shown for 2017 are calculated in accordance with IAS 39 and have not been restated for the requirements of IFRS 9 because the value of the differences involved was not significant.

13 Trade and other payables – current

	2018 £m	2017*
Trade payables	1,143.9	1,032.1
Other tax and social security contributions	25.9	24.2
Other payables	161.1	158.5
Accruals and contract liabilities	282.7	253.6
	1,613.6	1,468.4

The Group's contract liabilities are limited to deferred income of £5.5m (2017: £3.1m). This arises from contracts with customers in the form of consideration that has been received in advance of the satisfaction of performance obligations.

* Following a review of the Group's payable balances, the amounts disclosed for 2017 have been revised to reclassify £27.1m from other payables to accruals and contract liabilities to ensure that balances are classified consistently between years.

Notes continued

14 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 114) as well as the level of total shareholders' equity and the amount of dividends paid to ordinary shareholders.

The principal covenant limits are net debt, calculated at average exchange rates, to EBITDA of no more than 3.5 times and interest cover of no less than 3.0 times. Sensitivity analyses using various scenarios are applied to forecasts to assess their impact on covenants and net debt. Additionally, compliance with the Group's biannual debt covenants is monitored on a monthly basis and formally tested at 30 June and 31 December. During 2018 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. Banking covenants are based on historical accounting standards.

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

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

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

Treasury policies and controls

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

Derivatives and 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 and derivatives is set out in the financial instruments' accounting policy in Note 2p. The Group tests the effectiveness of hedges on a prospective basis to ensure compliance with IFRS 9. Information about the methods and assumptions used in determining the fair value of derivatives is provided under the 'Financial instruments' section on page 132.

Hedge effectiveness

For hedges of foreign currency purchases and sales, the Group enters into cash flow hedge relationships where the critical terms of the hedging instrument are similar to those of the hedged item, such as notional amount, expected maturity date and currency. Hedge ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated. The Group therefore performs a quantitative hedge effectiveness assessment to calculate any ineffectiveness during the period.

Part of the Group's fixed rate debt portfolio is swapped to floating using interest rate swaps where the hedged items are individual tranches of fixed rate debt. These interest rate swaps are held in fair value hedges with critical terms exactly matching those of the underlying hedged items, such as notional amounts, payment dates, reset dates, maturity dates and currencies. As all critical terms matched during the year, the economic relationship was 100% effective. The Group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group will perform a quantitative assessment of effectiveness. Hedge ineffectiveness may arise due to a change in credit risk of the counterparty or if there is a change in timings or amounts of the hedged cash flows.

There was no material ineffectiveness during 2018 or 2017 in relation to the interest rate swaps or the forward currency contracts.

14 Risk management and financial instruments continued

Risk management

(a) Liquidity risk

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

The Group has substantial funding available comprising multi-currency credit facilities from the Group's banks, US private placement notes and a senior unsecured bond.

Loans, borrowings and net debt

	2018 £m	2017 £m
Bank overdrafts	(333.5)	(221.3)
Bank loans	(6.9)	(107.4)
US private placement notes	(67.8)	(37.3)
Finance lease creditors	(0.2)	(0.4)
Borrowings due within one year	(408.4)	(366.4)
Bank loans	(104.3)	(121.5)
US private placement notes	(1,054.3)	(1,080.3)
Senior bond	(297.6)	(297.2)
Finance lease creditors	(0.1)	(0.2)
Borrowings due after one year	(1,456.3)	(1,499.2)
Derivatives managing the interest rate risk and currency profile of the debt	0.5	8.4
Gross debt	(1,864.2)	(1,857.2)
Cash at bank and in hand	477.7	333.6
Net debt	(1,386.5)	(1,523.6)

Further information on the movement in net debt is shown in Note 24.

The total available committed funding at 31 December 2018 was £2,464.4m (2017: £2,464.5m). The committed funding maturity profile at 31 December 2018 is set out in the chart below.

Committed funding maturity profile by year

£m



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

	2018 £m	2017 £m
Expiring within one year	40.0	50.0
Expiring after one year but within two years	152.6	100.0
Expiring after two years	746.9	682.3
	939.5	832.3

In addition, the Group maintains overdraft and uncommitted facilities to provide short term flexibility. At 31 December 2018 there were no loans secured by fixed charges on property (2017: none).

Notes continued

14 Risk management and financial instruments continued

Contractual maturity profile

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

	Total contractual cash flows £m	Contractual cash (outflows)/inflows				
		Within one year £m	After one year but within two years £m	After two years but within five years £m	After five years £m	
2018						
Financial liabilities						
Bank overdrafts	(333.5)	(333.5)	–	–	–	
Bank loans	(117.1)	(8.5)	(1.5)	(107.1)	–	
US private placement notes	(1,338.0)	(106.9)	(121.7)	(451.1)	(658.3)	
Senior bond	(347.4)	(6.8)	(6.8)	(20.3)	(313.5)	
Finance lease creditors	(0.3)	(0.2)	(0.1)	–	–	
Trade and other payables	(1,643.0)	(1,613.6)	(29.4)	–	–	
	(3,779.3)	(2,069.5)	(159.5)	(578.5)	(971.8)	
Derivative financial instruments						
Net settled:						
Interest rate swaps	(3.5)	(0.3)	(0.3)	(0.8)	(2.1)	
Gross settled:						
Foreign exchange inflows	1,741.9	1,741.5	0.4	–	–	
Foreign exchange outflows	(1,738.2)	(1,737.8)	(0.4)	–	–	
	0.2	3.4	(0.3)	(0.8)	(2.1)	
Total	(3,779.1)	(2,066.1)	(159.8)	(579.3)	(973.9)	

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

14 Risk management and financial instruments continued

(b) Interest rate risk

The Group is funded by a mixture of fixed and floating rate debt with the Group's main interest rate risk arising on its floating rate debt. Interest rate swaps and interest rate caps are used to manage the interest rate risk profile.

The table below shows the fixed/floating rate debt mix after interest rate swaps. Of the US private placement notes of £1,122.1m (2017: £1,117.6m), there are US dollar denominated amounts totalling £377.1m (2017: £353.3m), with maturities ranging from 2025 to 2028, which have been swapped to floating rates using interest rate swaps which reprice every three or six months. Bank loans are drawn for various periods of up to three months at interest rates linked to LIBOR.

The interest rate risk on the floating rate debt is managed using interest rate options. Borrowings with a notional principal of £104.3m were capped at 31 December 2018 (31 December 2017: £150.0m). 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 and are repriced every three months.

Fixed vs floating interest rate table

	2018 £m	2017 £m
Fixed rate debt		
US private placement notes	(1,122.1)	(1,117.6)
Senior bond	(297.6)	(297.2)
Total fixed rate debt	(1,419.7)	(1,414.8)
Interest rate swaps (fixed leg)	377.1	353.3
Fixed rate liability	(1,042.6)	(1,061.5)
Floating rate debt		
Bank overdrafts	(333.5)	(221.3)
Bank loans	(111.2)	(228.9)
Total floating rate debt	(444.7)	(450.2)
Interest rate swaps (floating leg)	(377.1)	(353.3)
Floating rate liability	(821.8)	(803.5)
Derivatives managing the interest rate risk and currency profile of the debt	0.5	8.4
Finance lease creditors	(0.3)	(0.6)
Gross debt	(1,864.2)	(1,857.2)

Effects of hedge accounting on the financial position and performance

The effects of the interest rate swaps on the Group's financial position and performance are as follows:

	2018			
Interest rate swaps				
Net carrying amount (asset/(liability)) (£m)				0.7
Notional amount (£m)				375.6
Maturity date range				2025 – 2028
Hedge ratio				1:1
Fair value gain on US private placement notes in a hedge relationship (£m)				8.3
Fair value loss on interest rate swaps in a hedge relationship (£m)				(8.2)

Sensitivity to movements in interest rates

After taking account of hedge relationships, a change of 1% in the interest rate forward curves on 31 December would have affected profit before income tax for the year and equity as at the year end 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
2018	1.3	–	1.3	–
2017	1.4	(0.1)	1.4	(0.1)

Notes continued

14 Risk management and financial instruments continued

(c) Foreign currency risk

The majority of the Group's sales are made and income is earned in US dollars, euros and other foreign currencies. The Group does not hedge the impact of exchange rate movements arising on translation of earnings into sterling at average exchange rates.

The following significant exchange rates applied during the year:

	Average rate		Closing rate	
	2018	2017	2018	2017
US dollar	1.33	1.29	1.27	1.35
Euro	1.13	1.14	1.11	1.13

The majority of the Group's transactions are carried out in the respective functional currencies of the Group's operations and so transaction exposures are usually relatively limited. Where they do occur the Group's policy is to hedge exposures of highly probable forecast transactions using forward foreign exchange contracts and these are designated as cash flow hedges. During the year the Group hedged highly probable forecast transactions for periods of up to 18 months. 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 the resulting price increases on to customers.

For the year ended 31 December 2018, all foreign exchange cash flow hedges were effective with a cumulative pre-tax gain of £1.9m (2017: loss of £1.6m) recognised in equity at the end of the year and this will affect the income statement during 2019 and 2020.

Effects of hedge accounting on the financial position and performance

2018

Forward foreign currency hedges in relation to inventory purchases

Net carrying amount (asset/(liability)) (£m)	1.9
Notional amount (£m)	140.5
Maturity date range	2019 – 2020
Hedge ratio	1:1
Change in value of hedged items since 1 January (£m)	(3.6)
Change in fair value of outstanding foreign currency forward contracts since 1 January (£m)	3.6

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, which are designated as hedging instruments to achieve net investment hedge accounting at a Group level. This currency composition minimises the impact of movements in foreign exchange rates on the ratio of net debt to EBITDA. No ineffectiveness was recorded from net investments in foreign entity hedges.

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

	2018 £m	2017 £m
US dollar	598.4	604.7
Sterling	351.4	437.8
Euro	375.2	373.0
Other	61.5	108.1
	1,386.5	1,523.6

The Group also enters into foreign currency derivatives to hedge intercompany loans economically although these do not qualify for hedge accounting and therefore gains and losses are recorded in the income statement. These currency derivatives are subject to the same risk management policies as all other derivative contracts.

14 Risk management and financial instruments continued

Sensitivity to movements in foreign exchange rates

For the year ended 31 December 2018, a movement of one cent in the US dollar and euro average exchange rates would have changed profit before income tax by £1.5m and £0.7m respectively (2017: £1.6m and £0.6m) and adjusted profit before income tax by £1.8m and £1.2m respectively (2017: £1.9m and £1.0m).

If a 10% strengthening or weakening of sterling had taken place on 31 December it would have increased/(decreased) profit before income tax and (decreased)/increased 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 income tax since equity is translated using the closing exchange rates at the year end and profit before income 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 income tax to a movement in exchange rates on 31 December and the resulting movement in profit before income tax is due solely to the translation effect on monetary items. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Impact on profit before tax		Impact on equity	
	+10% £m	-10% £m	+10% £m	-10% £m
2018	0.8	(1.0)	(82.0)	96.5
2017	0.7	(0.9)	(74.3)	84.4

(d) Credit risk

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

The Group's financial assets are cash at bank and in hand, derivative financial instruments and trade and other receivables which represent the Group's maximum exposure to credit risk in relation to financial assets. The maximum exposure to credit risk for cash at bank and in hand, derivative financial assets (see page 133) and trade and other receivables (see Note 12) 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 any impairment losses measured using the expected credit loss model. Note 12 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 (2017: none).

Notes continued

14 Risk management and financial instruments continued

Financial instruments

Financial assets and liabilities

	2018 £m	2017 £m
Financial assets held at amortised cost		
Cash at bank and in hand	477.7	333.6
Trade and other receivables	1,330.0	1,258.4
Financial assets held at fair value		
Interest rate derivatives in fair value hedges	5.8	10.1
Foreign exchange derivatives in cash flow hedges	3.8	0.6
Foreign exchange derivatives in net investment hedges	4.9	5.8
Other foreign exchange and interest rate derivatives	4.0	3.8
Total financial assets	1,826.2	1,612.3
Financial liabilities held at amortised cost		
Bank overdrafts	(333.5)	(221.3)
Bank loans	(111.2)	(228.9)
US private placement notes	(745.0)	(754.5)
Senior bond	(297.6)	(297.2)
Finance lease creditors	(0.3)	(0.6)
Trade and other payables	(1,643.0)	(1,499.1)
Financial liabilities held at fair value		
US private placement notes	(377.1)	(363.1)
Interest rate derivatives in fair value hedges	(5.1)	(0.9)
Foreign exchange derivatives in cash flow hedges	(1.9)	(2.3)
Foreign exchange derivatives in net investment hedges	(2.1)	(7.3)
Other foreign exchange derivatives	(7.0)	(2.8)
Total financial liabilities	(3,523.8)	(3,378.0)

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. There were no transfers between levels for recurring fair value measurements during the year.

At 31 December 2018 the fair values, based on unadjusted market data, of the US private placement notes was £1,132.1m (2017: £1,158.2m) and of the senior unsecured bond was £290.1m (2017: £304.4m).

For other financial assets and financial liabilities not measured at fair value, including cash at bank and in hand, bank loans and overdrafts, trade and other receivables and trade and other payables, their carrying amount is a reasonable approximation of fair value due to their short term nature. Bank loans are priced based on floating interest rates and the credit spread has not changed since the inception of the loan. However, within other payables there is £14.1m (2017: £12.0m) 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.

14 Risk management and financial instruments continued

Offsetting of financial assets and liabilities

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

	Gross amounts £m	Gross 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
2018					
Derivative financial assets	18.5	—	18.5	—	18.5
Derivative financial liabilities	(16.1)	—	(16.1)	—	(16.1)
2017					
Derivative financial assets	20.5	(0.2)	20.3	—	20.3
Derivative financial liabilities	(13.5)	0.2	(13.3)	—	(13.3)

15 Provisions

	2018 £m	2017 £m
Current	6.1	6.2
Non-current	41.3	39.0
	47.4	45.2

	Properties £m	Other £m	Total £m	Properties £m	Other £m	Total £m
Beginning of year	20.8	24.4	45.2	18.5	20.8	39.3
Charge	0.5	6.0	6.5	1.4	0.9	2.3
Acquisitions	0.9	4.4	5.3	4.7	9.9	14.6
Disposal of business	(1.0)	—	(1.0)	—	—	—
Utilised or released	(2.6)	(6.2)	(8.8)	(3.5)	(6.9)	(10.4)
Currency translation	0.1	0.1	0.2	(0.3)	(0.3)	(0.6)
End of year	18.7	28.7	47.4	20.8	24.4	45.2

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

Other provisions include expected legal and environmental claims, onerous contracts and other liabilities based on management's best estimate of the liability at the balance sheet date, determined by reference to known factors and past experience of similar items. Management expects these amounts to be settled within the next one to five years.

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

Notes continued

16 Deferred tax

	Asset £m	Liability £m	Net £m	2018	Asset £m	Liability £m	Net £m	2017
Property, plant and equipment	1.3	(10.0)	(8.7)		0.9	(8.2)	(7.3)	
Defined benefit pension schemes	6.3	(0.7)	5.6		11.9	—	11.9	
Goodwill and customer relationships	3.2	(183.5)	(180.3)		—	(190.6)	(190.6)	
Share based payments	8.6	—	8.6		8.9	—	8.9	
Provisions	12.2	(0.2)	12.0		11.4	(0.3)	11.1	
Inventories	7.1	(10.2)	(3.1)		6.8	(5.8)	1.0	
Other	19.4	(3.2)	16.2		14.6	(4.2)	10.4	
Deferred tax asset/(liability)	58.1	(207.8)	(149.7)		54.5	(209.1)	(154.6)	
Set-off of tax	(54.1)	54.1	—		(51.1)	51.1	—	
Net deferred tax asset/(liability)	4.0	(153.7)	(149.7)		3.4	(158.0)	(154.6)	

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

The Company is able to control the dividend policy of its subsidiaries and, therefore, the timing of the remittance of the undistributed earnings of overseas subsidiaries. In general, the Company has determined either that such earnings will not be distributed in the foreseeable future or, where there are plans to remit those earnings, no tax liability is expected to arise.

Deferred tax assets in respect of temporary differences have only been recognised in respect of tax losses and other temporary differences where it is probable that these assets will be realised. No deferred tax asset has been recognised in respect of unutilised tax losses of £16.7m (2017: £12.7m).

No deferred tax has been recognised in respect of unutilised capital losses of £96.1m (2017: £96.1m) 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:

	2018 £m	2017 £m
Beginning of year	154.6	122.6
Acquisitions	4.2	55.6
Credit to income statement	(17.6)	(28.0)
Recognised in other comprehensive income and equity	4.6	12.3
Reclassified to current tax	2.5	(2.8)
Currency translation	1.4	(5.1)
End of year	149.7	154.6

17 Share capital and share based payments

	2018 £m	2017 £m
Issued and fully paid ordinary shares of 32½p each	108.1	108.0
Number of ordinary shares in issue and fully paid	2018	2017
Beginning of year	335,931,546	335,607,091
Issued – option exercises	493,758	324,455
End of year	336,425,304	335,931,546

The Company operates a number of share plans for the benefit of employees of the Company and its subsidiaries. Further details of the share plans as they relate to the directors of the Company are set out in the Directors' remuneration report.

Sharesave Scheme, International Sharesave Plan and Irish Sharesave Plan

For many years, the Company has operated all employee savings related share option schemes. The existing scheme in the UK, the Sharesave Scheme (2011), was approved by shareholders at the 2011 Annual General Meeting. It is an HM Revenue & Customs ('HMRC') tax advantaged scheme and is open to all UK employees, including UK based executive directors.

The Irish Sharesave Plan, which is approved by the Irish Revenue Commissioners, and the International Sharesave Plan, were first introduced in 2006 and have since been extended, most recently following the approval of the Sharesave Scheme (2011).

The Sharesave Scheme, International Sharesave Plan and Irish Sharesave Plan operate on a similar basis with options granted to participating employees who have completed at least three months of continuous service at a discount of up to 20% of the market price prevailing shortly before the invitation to apply for the options. Depending on the scheme, options are normally exercisable either three or five years after they have been granted with employees saving up to £500 (2017: £500) per month (or the equivalent value in other currencies under the International Sharesave Plan) or €500 (2017: €500) per month under the Irish Sharesave Plan.

Long Term Incentive Plan 2004 ('2004 LTIP') and 2014 ('2014 LTIP')

The 2004 LTIP was approved by shareholders at the 2004 Annual General Meeting and expired in May 2014. No further share options or performance share awards have been granted under the 2004 LTIP since that date. The 2014 LTIP was approved by shareholders at the 2014 Annual General Meeting and replaced the 2004 LTIP. The operation of both LTIPs is overseen by the Remuneration Committee of the Board and each is divided into two parts.

Part A of the LTIP relates to the grant of market priced executive share options. In normal circumstances options granted under Part A are only exercisable if the relevant performance condition has been satisfied. The performance condition is based on the Company's adjusted earnings per share growth exceeding UK RPI inflation over three financial years by a specified margin (for the 2004 LTIP) or meeting certain specified targets (for the 2014 LTIP).

Part B of the LTIP relate to the grant of performance share awards which are conditional rights to receive shares in the Company for nil consideration. A performance share award will usually vest (i.e. become exercisable) on the third anniversary of its grant. The extent to which a performance share award will vest is usually subject to the extent to which the applicable performance conditions have been satisfied, based partly on the Company's total shareholder return performance, relative to a comparator group of companies over a three year period, and partly subject to the Company's adjusted earnings per share growth exceeding UK RPI inflation over three years by a specified margin (for the 2004 LTIP) or meeting certain specified targets (for the 2014 LTIP).

Investment in own shares

The Company holds a number of its ordinary shares in an employee benefit trust. The principal purpose of this trust is to hold shares in the Company for subsequent transfer to certain senior employees and executive directors in relation to options granted and awards made under the LTIPs and the Deferred Annual Share Bonus Scheme ('DASBS') over market purchase shares. Details of these plans are set out above and in the Directors' remuneration report. The assets, liabilities and expenditure of the trust have been incorporated in the consolidated financial statements. Finance expenses and administration charges are included in the income statement on an accruals basis. At 31 December 2018 the trust held 2,698,287 (2017: 5,930,284) shares, upon which dividends have been waived, with an aggregate nominal value of £0.9m (2017: £1.9m) and market value of £63.9m (2017: £122.9m).

Notes continued

17 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:

	2018	2017
Grant date	01.03.18–19.12.18	02.03.17–09.10.17
Share price at grant date (£)	19.36–24.04	22.71–23.38
Exercise price (£)	nil–24.01	nil–23.35
Number of options granted during the year (shares)	3,179,752	3,121,549
Vesting period (years)	3–5	3–5
Expected volatility (%)	17–18	17–18
Option life (years)	2–10	3–10
Expected life (years)	2.2–6.3	3.0–6.5
Risk free rate of return (%)	0.9–1.3	0.1–0.9
Expected dividends expressed as a dividend yield (%)	1.9–2.4	1.8–2.1
Fair value per option (£)	1.91–13.38	1.84–11.07

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

The weighted average share price for options exercised by employees of the Company and its subsidiaries during the year was £23.04 (2017: £23.27). The total charge for the year relating to share based payments was £12.9m (2017: £11.8m). After tax the total charge was £10.6m (2017: £9.5m).

Details of share options and awards which have been granted and exercised, those which have lapsed during 2018 and those outstanding and available to exercise at 31 December 2018, whether over new issue or market purchase shares, under the Sharesave Scheme (2011), International Sharesave Plan, Irish Sharesave Plan, 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 01.01.18		Grants/awards	Exercises		Lapses*	Options outstanding at 31.12.18		Options available to exercise at 31.12.18
	Number	Number		2018	2018		2018	2018	
	Number	Number	Price (£)	Number	Price (£)	Number	Number	Price (£)	Number
Sharesave Scheme (2011)	749,074	338,609	15.64	275,438	9.92–18.68	105,461	706,784	12.53–18.68	9,006
International Sharesave Plan	281,777	125,175	15.64	94,638	15.36–18.68	33,778	278,536	15.56–18.68	–
Irish Sharesave Plan	40,833	29,197	15.64	13,134	15.36–15.56	10,864	46,032	15.56–18.68	–
2004 LTIP Part A	2,550,743	–	–	1,112,103	5.64–15.66	2,500	1,436,140	5.85–15.97	1,436,140
2004 LTIP Part B	18,943	–	–	–	–	4,147	14,796	nil	14,796
2014 LTIP Part A	8,204,493	2,296,404	19.55–24.01	1,865,237	16.38–23.36	138,717	8,496,943	16.38–24.01	2,033,394
2014 LTIP Part B	1,270,302	390,367	nil	227,932	–	369,595	1,063,142	–	33,762
	13,116,165	3,179,752		3,588,482		665,062	12,042,373		3,527,098

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

For the options outstanding at 31 December 2018, the weighted average fair values and the weighted average remaining contractual lives (being the time period from 31 December 2018 until the lapse date of each share option) are set out below:

	Weighted average fair value of options outstanding (£)	Weighted average remaining contractual life (years)
Sharesave Scheme (2011)	4.42	2.22
International Sharesave Plan	4.70	1.96
Irish Sharesave Plan	4.64	2.12
2004 LTIP and 2014 LTIP Part A	2.81	7.46
2004 LTIP and 2014 LTIP Part B	15.68	4.43

The outstanding share options and performance share awards are exercisable at various dates up to September 2028.

18 Dividends

	2018 £m	2017 £m
2016 interim	42.8	
2016 final		95.4
2017 interim	46.2	
2017 final	106.0	
Total	152.2	138.2

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

	Per share	
	2018	2017
Interim	15.2p	14.0p
Final	35.0p	32.0p
Total	50.2p	46.0p

The 2018 interim dividend of 15.2p per share was paid on 2 January 2019 and comprised £50.7m of cash. The 2018 final dividend of 35.0p per share will be paid on 1 July 2019 to shareholders on the register at the close of business on 24 May 2019. The 2018 final dividend will comprise approximately £117m of cash.

19 Contingent liabilities

	2018 £m	2017 £m
Bank guarantees	2.5	1.5

20 Directors' ordinary share interests

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

	2018	2017
Philip Rogerson	10,000	10,000
Frank van Zanten	93,991	81,478
Patrick Larmon*	132,993	130,896
Brian May	105,240	105,240
Eugenia Ulasewicz	4,000	4,000
Jean-Charles Pauze*	2,500	2,500
Vanda Murray	3,000	3,000
Lloyd Pitchford	4,000	4,000
Stephan Nanninga	—	—
	355,724	341,114

* Patrick Larmon and Jean-Charles Pauze both retired as directors on 31 December 2018.

Details of the directors' options and awards over ordinary shares made under the 2004 LTIP, 2014 LTIP, Sharesave Scheme (2011) and DASBS are set out in the Directors' remuneration report. Since 31 December 2018 Frank van Zanten has acquired interests in 57 ordinary shares as a result of his election to participate in the dividend reinvestment plan in respect of the interim dividend which was paid on 2 January 2019. No other changes to the directors' ordinary share interests shown in this note and the Directors' remuneration report have taken place between 31 December 2018 and 25 February 2019.

Notes continued

21 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 2018 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 trustee, in agreement with the Company, has 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. The triennial valuation as at 5 April 2018 is ongoing.

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 2018 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 of 1974, the Pension Protection Act of 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 pension scheme. The last annual review was carried out by a qualified actuary as at 1 January 2018 and showed that there was a required annual contribution of \$6.5m. In 2019, the Group plans to contribute \$8.0m for the 2018 plan year to cover prudently this required contribution and anticipate future funding needs. In 2018, the Group also paid a contribution of \$8.0m for the 2017 plan year. The annual review as at 1 January 2019 is ongoing.

Risks

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

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

21 Retirement benefits continued

- 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 trustee 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:

	2018 £m	2017 £m
Amounts included in the income statement		
Defined contribution pension schemes	22.4	20.5
Defined benefit pension schemes		
current service cost (net of contributions by employees)	6.9	7.0
Total included in employee costs excluding past service cost	29.3	27.5
Defined benefit pension schemes		
past service cost	3.3	–
Total included in employee costs	32.6	27.5
Amounts included in finance (income)/expense		
Net interest income on defined benefit pension schemes in surplus	(0.1)	–
Net interest expense on defined benefit pension schemes in deficit	1.4	2.3
Total charge to the income statement	33.9	29.8

The past service cost in 2018 of £3.3m relates to the cost of the equalisation of guaranteed minimum pensions between male and female members of the Group's UK defined benefit pension scheme following the High Court judgment during the year in the case of Lloyds Banking Group Pensions Trustees Limited vs Lloyds Bank plc and others.

	2018 £m	2017 £m
Amounts recognised in the statement of comprehensive income		
Actual return less expected return on pension scheme assets	(25.6)	31.5
Experience gain/(loss) on pension scheme liabilities	2.0	(2.6)
Impact of changes in financial assumptions relating to the present value of pension scheme liabilities	32.1	(10.3)
Impact of changes in demographic assumptions relating to the present value of pension scheme liabilities	2.5	8.4
Actuarial gain on defined benefit pension schemes	11.0	27.0

The cumulative amount of net actuarial losses arising since 1 January 2004 recognised in the statement of comprehensive income at 31 December 2018 was £91.5m (2017: £102.5m).

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

UK	2018	2017
Longevity at age 65 for current pensioners (years)	22.2	22.3
Longevity at age 65 for future pensioners (years)	23.6	23.7
US		
Longevity at age 65 for current and future pensioners (years)	21.7	21.7

Notes continued

21 Retirement benefits continued

	2018	2017	2016	UK	2018	2017	US
	2018	2017	2016	2018	2017	2016	2016
Rate of increase in salaries	3.6%	3.6%	3.7%	3.0%	3.0%	3.0%	3.0%
Rate of increase in pensions	2.2%	2.2%	2.3%	—	—	—	—
Discount rate	2.9%	2.6%	2.7%	4.2%	3.6%	4.1%	—
Inflation rate	2.2%	2.2%	2.3%	2.3%	2.3%	2.3%	2.3%

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

The (increase)/decrease that would arise on the overall net pension deficit as at 31 December 2018 as a result of reasonably possible changes to key assumptions was:

	Impact of change in longevity		Impact of change in inflation rate		Impact of change in discount rate	
	+1 year £m	-1 year £m	+0.25% £m	-0.25% £m	+0.25% £m	-0.25% £m
UK	(11.4)	11.2	(8.2)	8.3	14.6	(15.6)
US	(2.5)	3.5	(0.1)	0.1	3.8	(4.0)

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

2018	UK £m	US £m	Other £m	Total £m
Equities	101.0	49.4	4.7	155.1
Bonds	231.1	49.7	5.6	286.4
Other	0.4	16.0	11.3	27.7
Total market value of pension scheme assets	332.5	115.1	21.6	469.2
Present value of funded obligations	(329.1)	(131.1)	(24.4)	(484.6)
Present value of unfunded obligations	—	(11.8)	(11.3)	(23.1)
Present value of funded and unfunded obligations	(329.1)	(142.9)	(35.7)	(507.7)
Defined benefit pension schemes in deficit	—	(27.8)	(14.1)	(41.9)
Defined benefit pension schemes in surplus	3.4	—	—	3.4
Total surplus/(deficit) before tax	3.4	(27.8)	(14.1)	(38.5)
Deferred tax	(0.6)	2.5	3.7	5.6
Total surplus/(deficit) after tax	2.8	(25.3)	(10.4)	(32.9)

2017	UK £m	US £m	Other £m	Total £m
Equities	118.3	53.1	5.7	177.1
Bonds	227.7	46.8	4.2	278.7
Other	0.3	14.4	10.0	24.7
Total market value of pension scheme assets	346.3	114.3	19.9	480.5
Present value of funded obligations	(347.4)	(136.3)	(23.0)	(506.7)
Present value of unfunded obligations	—	(12.5)	(12.3)	(24.8)
Present value of funded and unfunded obligations	(347.4)	(148.8)	(35.3)	(531.5)
Total deficit before tax	(1.1)	(34.5)	(15.4)	(51.0)
Deferred tax	0.2	7.2	4.5	11.9
Total deficit after tax	(0.9)	(27.3)	(10.9)	(39.1)

Of the pension scheme assets, £449.4m (2017: £464.1m) are valued based on a quoted market prices.

21 Retirement benefits continued

	2018 £m	2017 £m
Movement in net deficit		
Beginning of year	(51.0)	(84.1)
Acquisitions	–	(3.1)
Current service cost	(6.9)	(7.0)
Past service cost	(3.3)	–
Contributions	14.9	15.3
Net interest expense	(1.3)	(2.3)
Actuarial gain	11.0	27.0
Transfer to liabilities classified as held for sale	–	0.3
Currency translation	(1.9)	2.9
End of year	(38.5)	(51.0)

	2018 £m	2017 £m
Changes in the present value of defined benefit pension scheme liabilities		
Beginning of year	531.5	536.2
Acquisitions	0.7	3.1
Current service cost	6.9	7.0
Past service cost	3.3	–
Interest expense	14.6	15.6
Contributions by employees	0.7	0.8
Actuarial (gain)/loss	(36.6)	4.5
Benefits paid	(22.6)	(23.5)
Transfer to liabilities classified as held for sale	–	(0.3)
Currency translation	9.2	(11.9)
End of year	507.7	531.5

	2018 £m	2017 £m
Changes in the fair value of defined benefit pension scheme assets		
Beginning of year	480.5	452.1
Acquisitions	0.7	–
Interest income	13.3	13.3
Actuarial (loss)/gain	(25.6)	31.5
Contributions by employer	14.9	15.3
Contributions by employees	0.7	0.8
Benefits paid	(22.6)	(23.5)
Currency translation	7.3	(9.0)
End of year	469.2	480.5

The actual return on pension scheme assets was a loss of £12.3m (2017: gain of £44.8m).

The Group expects to pay approximately £15.6m in contributions to the defined benefit pension schemes in the year ending 31 December 2019 (expected as of 31 December 2017 for the year ending 31 December 2018: £15.5m) including £7.3m for the UK (expected as of 31 December 2017 for the year ending 31 December 2018: £7.5m).

The weighted average duration of the defined benefit pension scheme liabilities at 31 December 2018 was approximately 18.3 years (2017: 19.3 years) for the UK and 11.4 years (2017: 12.0 years) for the US.

The total defined benefit pension scheme liabilities are divided between active members (£174.0m (2017: £196.4m)), deferred members (£150.7m (2017: £156.4m)) and pensioners (£183.0m (2017: £178.6m)).

Notes continued

22 Directors and employees

Average number of employees	2018	2017
North America	6,531	6,071
Continental Europe	5,007	4,414
UK & Ireland	4,037	3,937
Rest of the World	3,210	3,112
	18,785	17,534
Corporate	61	61
	18,846	17,595

Employee costs	2018 £m	2017 £m
Wages and salaries	729.8	686.5
Social security costs	87.4	74.6
Pension costs excluding past service cost	29.3	27.5
Share based payments	12.9	11.8
	859.4	800.4
GMP equalisation charge	3.3	—
	862.7	800.4

In addition to the above, acquisition related items for the year ended 31 December 2018 include deferred consideration payments of £19.1m (2017: £28.5m) relating to the retention of former owners of businesses acquired.

Key management remuneration	2018 £m	2017 £m
Salaries and short term employee benefits	7.1	6.7
Share based payments	1.7	2.0
Retirement benefits	0.9	0.9
	9.7	9.6

The Group considers key management personnel as defined in IAS 24 'Related Party Disclosures' to be the directors of the Company and those members of the Executive Committee and the Managing Directors of the major geographic regions who are not directors of the Company.

Directors' emoluments	2018 £m	2017 £m
Non-executive directors	0.8	0.7
Executive directors:		
remuneration excluding performance related elements	2.7	2.6
annual bonus	2.3	2.1
	5.8	5.4

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 £2.9m (2017: £0.8m). The aggregate market value of performance share awards exercised by directors under long term incentive schemes during the year was £1.2m (2017: £1.4m). The aggregate market value of share awards exercised by directors under the DASBS was £0.6m (2017: £1.0m).

23 Lease commitments

The Group leases certain property, plant, equipment and vehicles 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:

	2018	2017		
	Land & buildings £m	Other £m	Land & buildings £m	Other £m
Within one year	104.8	36.8	93.6	31.9
Between one and five years	286.5	70.1	247.5	61.7
After five years	121.2	4.3	67.2	4.3
	512.5	111.2	408.3	97.9

24 Cash and cash equivalents and net debt

	2018 £m	2017 £m
Cash at bank and in hand	477.7	333.6
Bank overdrafts	(333.5)	(221.3)
Cash and cash equivalents	144.2	112.3
Interest bearing loans and borrowings – current liabilities	(74.9)	(145.1)
Interest bearing loans and borrowings – non-current liabilities	(1,456.3)	(1,499.2)
Derivatives managing the interest rate risk and currency profile of the debt	0.5	8.4
Net debt	(1,386.5)	(1,523.6)

The cash at bank and in hand and bank overdrafts amounts included in the table above include the amounts associated with the Group's cash pool. The cash pool enables the Group to access cash in its subsidiaries to pay down the Group's borrowings. The Group has the legal right of set-off of balances within the cash pool which is an enforceable right which the Group intends to use. The cash at bank and in hand and bank overdrafts figures net of the amounts in the cash pool are disclosed below for reference:

	2018 £m	2017 £m
Cash at bank and in hand net of amounts in the cash pool	187.8	141.4
Bank overdrafts net of amounts in the cash pool	(43.6)	(29.1)
Cash and cash equivalents	144.2	112.3

Movement in net debt

2018	Net debt £m	Cash and cash equivalents £m	Other components £m
Beginning of year	(1,523.6)	112.3	(1,635.9)
Net cash inflow	184.9	31.3	153.6
Realised gains on foreign exchange contracts	3.3	–	3.3
Currency translation	(51.1)	0.6	(51.7)
End of year	(1,386.5)	144.2	(1,530.7)
2017	Net debt £m	Cash and cash equivalents £m	Other components £m
Beginning of year	(1,228.6)	126.7	(1,355.3)
Net cash outflow	(334.0)	(12.8)	(321.2)
Realised losses on foreign exchange contracts	(10.2)	–	(10.2)
Currency translation	49.2	(1.6)	50.8
End of year	(1,523.6)	112.3	(1,635.9)

The net cash inflow (2017: outflow) on other components of net debt comprises an increase in borrowings of £71.6m (2017: £418.7m), a repayment of borrowings of £228.5m (2017: £87.3m) and the impact of a realised gain of £3.3m on foreign exchange contracts (2017: loss of £10.2m).

Notes continued

25 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. There were no significant adjustments to the assets acquired and liabilities assumed in 2018 relating to acquisitions completed in 2017, including for Groupe Hedis ('Hedis') which was considered to be an individually significant acquisition. At 31 December 2018 the allocation period for all acquisitions completed since 1 January 2018 remained open and accordingly the fair values presented are provisional.

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

The consideration paid or payable in respect of acquisitions comprises amounts paid on completion, deferred consideration and payments which are contingent on the retention of former owners of businesses acquired. IFRS 3 requires that any payments that are contingent on future employment, including payments which are contingent on the retention of former owners of businesses acquired, are charged to the income statement. All other consideration has been allocated against the identified net assets, with the balance recorded as goodwill. Transaction costs and expenses such as professional fees are charged to the income statement. The acquisitions provide opportunities for further development of the Group's activities and to 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.

2018
Summary details of the businesses acquired or agreed to be acquired during the year ended 31 December 2018 are shown in the table below:

Business	Sector	Country	Acquisition date 2018	Annualised revenue £m
Aggora	Foodservice	UK	2 January	27.0
Talge	Foodservice	Brazil	3 January	28.4
Revco	Safety	US	9 January	28.6
QS [◊]	Cleaning & hygiene	Netherlands	1 March	4.9
Monte Package Company	Foodservice	US	9 March	43.4
Enor	Foodservice	Norway	12 July	25.7
CM Supply	Foodservice	Denmark	11 December	4.0
Acquisitions completed in the current year				162.0
Aggora*	Foodservice	UK	2 January 2018	(27.0)
Talge*	Foodservice	Brazil	3 January 2018	(28.4)
Volk do Brasil†	Safety	Brazil	2 January 2019	41.5
Acquisitions agreed in the current year				148.1

◊ Acquisition of 85% of share capital.

* Acquisitions committed at 31 December 2017.

† Acquisition committed at 31 December 2018.

Although not considered to be individually material, Revco accounts for approximately 25% of the total cash outflow in respect of acquisitions during the year.

25 Acquisitions continued

There were no significant acquisitions in 2018. In 2017 Hedis was considered to be individually significant due to its impact on intangible assets and was disclosed separately.

A summary of the effect of acquisitions completed in 2018 and 2017 is shown below:

	2018 £m	2017 Total £m	2017 Hedis £m	2017 Other £m
Customer relationships	96.7	338.3	131.7	206.6
Property, plant and equipment and software	3.2	5.3	1.3	4.0
Inventories	26.8	66.4	10.6	55.8
Trade and other receivables	23.5	103.2	38.1	65.1
Trade and other payables	(21.0)	(78.9)	(25.2)	(53.7)
Net cash	3.6	29.1	11.0	18.1
Provisions	(5.3)	(14.6)	(3.1)	(11.5)
Defined benefit pension liabilities	—	(3.1)	(3.1)	—
Income tax payable and deferred tax liabilities	(10.8)	(61.9)	(36.4)	(25.5)
Fair value of net assets acquired	116.7	383.8	124.9	258.9
Goodwill	33.9	217.8	119.0	98.8
Consideration	150.6	601.6	243.9	357.7

Satisfied by:

cash consideration	148.5	594.2	243.9	350.3
deferred consideration	2.1	7.4	—	7.4
	150.6	601.6	243.9	357.7
Contingent payments relating to retention of former owners	12.7	23.3	2.2	21.1
Net cash acquired	(3.6)	(29.1)	(11.0)	(18.1)
Transaction costs and expenses	5.5	12.1	2.2	9.9
Total committed spend in respect of acquisitions completed in the current year	165.2	607.9	237.3	370.6
Spend on acquisitions committed but not completed at the year end	39.5	32.6	—	32.6
Spend on acquisitions committed at prior year end but completed in the current year	(22.0)	(24.4)	—	(24.4)
Total committed spend in respect of acquisitions agreed in the current year	182.7	616.1	237.3	378.8

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

	2018 £m	2017 Total £m	2017 Hedis £m	2017 Other £m
Cash consideration	148.5	594.2	243.9	350.3
Net cash acquired	(3.6)	(29.1)	(11.0)	(18.1)
Deferred consideration in respect of prior year acquisitions	25.4	9.5	—	9.5
Net cash outflow in respect of acquisitions	170.3	574.6	232.9	341.7
Transaction costs and expenses paid	7.8	9.2	0.8	8.4
Payments relating to retention of former owners	6.1	4.7	—	4.7
Total cash outflow in respect of acquisitions	184.2	588.5	233.7	354.8

Acquisitions completed in the year ended 31 December 2018 contributed £151.2m (2017: £297.4m) to the Group's revenue and £19.2m (2017: £25.4m) to the Group's adjusted operating profit for the year ended 31 December 2018.

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:

	2018 £m	2017 £m
Revenue	162.0	587.7
Adjusted operating profit	20.7	57.0

The estimated revenue which would have been contributed by the acquisitions agreed during the current year to the results for the year ended 31 December 2018 if such acquisitions had been made at the beginning of the year is £148.1m (2017: £620.9m).

Notes continued

25 Acquisitions continued

2017

Summary details of the businesses acquired or agreed to be acquired during the year ended 31 December 2017 are shown in the table below:

Business	Sector	Country	Acquisition date 2017	Annualised revenue £m
Sæbe Compagniet	Foodservice	Denmark	2 January	13.3
Packaging Film Sales	Foodservice	US	9 January	4.7
LSH	Safety	Singapore	31 January	5.1
Prorisk and GM Equipement	Safety	France	31 January	6.8
ML Kishigo	Safety	US	31 March	26.0
Neri	Safety	Italy	31 March	41.2
DDS	Retail	US	23 May	241.9
AMFAS	Safety	Canada	31 May	5.8
Western Safety	Safety	Canada	31 May	4.2
Tecnopacking	Foodservice, retail, other	Spain	31 May	37.5
Pixel Inspiration	Retail	UK	30 June	7.3
HSESF	Safety	China	1 August	25.6
Interpath	Healthcare	Australia	31 October	13.4
Groupe Hedis	Cleaning & hygiene, foodservice	France	22 November	140.2
Lightning Packaging	Retail	UK	30 November	14.7
Acquisitions completed in 2017				587.7
Sæbe Compagniet*	Foodservice	Denmark	2 January 2017	(13.3)
Prorisk and GM Equipement*	Safety	France	31 January 2017	(6.8)
Aggora†	Foodservice	UK	2 January 2018	27.0
Talge†	Foodservice	Brazil	3 January 2018	26.3
Acquisitions agreed in 2017				620.9

* Acquisitions committed at 31 December 2016.

† Acquisitions committed at 31 December 2017.

Although the acquisition of DDS in 2017 was not considered to be individually material, it was nevertheless a larger acquisition and accounted for approximately 22% of the total cash outflow in respect of acquisitions in 2017.

26 Disposal of businesses

During the year the Group completed the disposal of two businesses which were no longer considered to be a strategic fit within the portfolio of the Group's businesses. OPM, the assets and liabilities of which were classified as held for sale at 31 December 2017, was considered to be a non-core business which has most recently focused on the distribution and sale of SodaStream products to retailers throughout France. Marketing Services was also a non-core group of businesses focused on marketing services in the UK with limited opportunities to expand overseas.

The disposals were completed on 2 February 2018 and 7 June 2018 respectively. As a result, the net assets of the Group increased by £10.8m representing the profit on disposal of £13.6m offset by an associated tax charge of £2.8m. The profit on disposal reflects the cash consideration received of £59.1m and a gain of £2.4m from amounts held in the translation reserve within equity, offset by the net book value of the assets disposed (£45.4m), including the associated customer relationships intangible assets (£12.0m) and the carrying value of allocated goodwill (£14.2m) less the associated transaction costs of £2.5m.

The net cash inflow in the period in respect of disposal of businesses comprised:

Cash flow from disposal of businesses	2018 £m
Cash consideration received	59.1
Cash and cash equivalents disposed	(2.4)
Net cash proceeds	56.7
Transaction costs paid	(1.6)
Net cash inflow	55.1

27 Items classified as held for sale

At 31 December 2018, the Group did not have any assets and liabilities held for sale (2017: net assets held for sale of £12.4m related to OPM, a non-core subsidiary in France, the disposal of which completed on 2 February 2018).

28 Cash flow from operating activities

The tables below give further details on the adjustments for non-cash items and the working capital movement shown in the Consolidated cash flow statement.

Non-cash items	2018 £m	2017 £m
Depreciation and software amortisation	32.6	31.3
Share based payments	12.9	11.8
Provisions	(6.4)	(7.5)
Retirement benefit obligations	(8.0)	(8.3)
Other	0.7	1.6
	31.8	28.9

Working capital movement

Working capital movement	2018 £m	2017 £m
Increase in inventories	(96.6)	(94.3)
Increase in trade and other receivables	(44.6)	(62.8)
Increase in trade and other payables	102.5	141.5
	(38.7)	(15.6)

29 Related party disclosures

The Group has identified the directors of the Company, their close family members, the Group's 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 21 and Note 22 respectively. All transactions with subsidiaries are eliminated on consolidation.

Company balance sheet

at 31 December 2018

	Notes	2018 £m	2017 £m
Fixed assets			
Tangible assets	3	0.3	0.3
Intangible assets	3	1.2	1.3
Investments	4	695.9	687.5
Defined benefit pension asset	9	3.4	—
		700.8	689.1
Current assets			
Deferred tax asset	5	1.0	1.7
Debtors: amounts falling due after more than one year	6	952.4	1,209.0
Debtors: amounts falling due within one year	6	604.8	429.9
Cash at bank and in hand		0.7	0.5
		1,558.9	1,641.1
Current liabilities			
Creditors: amounts falling due within one year	7	(110.1)	(106.6)
Net current assets		1,448.8	1,534.5
Total assets less current liabilities		2,149.6	2,223.6
Non-current liabilities			
Provisions	8	(1.7)	(1.7)
Defined benefit pension liability	9	—	(1.1)
Net assets		2,147.9	2,220.8
Capital and reserves			
Share capital	10	108.1	108.0
Share premium		178.5	171.4
Other reserves		5.6	5.6
Capital redemption reserve	11	16.1	16.1
Profit and loss account [†]	11	1,839.6	1,919.7
Total shareholders' funds		2,147.9	2,220.8

Approved by the Board of directors of Bunzl plc (Company registration number 358948) on 25 February 2019 and signed on its behalf by Frank van Zanten, Chief Executive and Brian May, Finance Director.

The Accounting policies and other Notes on pages 150 to 154 form part of these financial statements.

[†] Profit and loss account includes a net profit after tax of £6.3m (2017: £38.9m). As permitted by section 408(3) of the Companies Act 2006, the profit and loss account of the Company has not been separately presented in these financial statements.

Company statement of changes in equity

for the year ended 31 December 2018

	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 2018	108.0	171.4	5.6	16.1	(122.9)	2,042.6	2,220.8
Profit for the year						6.3	6.3
Other comprehensive income							
Contributions to pension scheme by participating subsidiaries						4.5	4.5
Actuarial gain on defined benefit pension scheme						3.1	3.1
Income tax charge on other comprehensive income						(0.4)	(0.4)
Total comprehensive income						13.5	13.5
2017 interim dividend						(46.2)	(46.2)
2017 final dividend						(106.0)	(106.0)
Issue of share capital	0.1	7.1					7.2
Employee trust shares					45.6		45.6
Movement on own share reserves					13.4	(13.4)	–
Share based payments						13.0	13.0
At 31 December 2018	108.1	178.5	5.6	16.1	(63.9)	1,903.5	2,147.9

	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 2017	107.9	167.5	5.6	16.1	(132.4)	2,139.8	2,304.5
Profit for the year						38.9	38.9
Other comprehensive income							
Contributions to pension scheme by participating subsidiaries						4.6	4.6
Actuarial gain on defined benefit pension scheme						20.3	20.3
Income tax charge on other comprehensive income						(4.2)	(4.2)
Total comprehensive income						59.6	59.6
2016 interim dividend						(42.8)	(42.8)
2016 final dividend						(95.4)	(95.4)
Issue of share capital	0.1	3.9					4.0
Employee trust shares					(20.8)		(20.8)
Movement on own share reserves					30.3	(30.3)	–
Share based payments						11.7	11.7
At 31 December 2017	108.0	171.4	5.6	16.1	(122.9)	2,042.6	2,220.8

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. The Company has adopted IFRS 9, 'Financial Instruments' from 1 January 2018 and as a result has reflected the new expected credit loss impairment model for financial assets in relation to its intercompany receivables. This did not have a material impact on the Company's results for the year or financial position at the year end and prior year comparatives have not been restated. There are no other new standards, amendments or interpretations that are applicable to the Company for the year ended 31 December 2018. IFRS 16 'Leases' is effective for the year ending 31 December 2019 but is not expected to have a material impact on the Company's financial statements. In preparing these financial statements the Company has applied the exemptions available under FRS 101 in respect of:

- a cash flow statement and related notes;
- comparative period reconciliations for share capital and tangible fixed assets;
- disclosures relating to transactions with wholly owned subsidiaries and capital management;
- the effects of new but not yet effective IFRSs; and
- disclosures relating to the compensation of key management personnel.

As the consolidated financial statements of the Company include the equivalent disclosures, the Company has also applied the exemptions available under FRS 101 in respect of:

- certain disclosures required by IFRS 2 'Share Based Payments' in respect of Group settled share based payments; and
- certain disclosures required by IFRS 13 'Fair Value Measurement' and disclosures required by IFRS 7 'Financial Instruments'.

2 Accounting policies

The accounting policies of the Company have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. In most cases the accounting policies for the Company are fully aligned with the equivalent accounting policies for the Group as stated on pages 108 to 113 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, trade and other payables, 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 2018 are disclosed in the Related undertakings note in the Shareholder information section on pages 162 to 164.

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 17 to the consolidated financial statements and the Directors' remuneration report. The total expected expense is based on the fair value of options and other share based incentives on the grant date, calculated using a valuation model, and is spread over the expected vesting period with a corresponding credit to equity.

Where the Company grants options over its own shares to the employees of its subsidiaries and it has not recharged the cost to the relevant subsidiaries, it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity settled share based payment charge recognised in its consolidated financial statements, with the corresponding credit being recognised directly in equity.

c Financial guarantee contracts

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

d Intercompany and other receivables

Intercompany and other receivables are initially measured at fair value. Subsequent to initial recognition these assets are measured at amortised cost less any provision for impairment losses. The Group measures impairment losses using the expected credit loss model in accordance with IFRS 9. The adoption of IFRS 9 on 1 January 2018 had no material impact on the Company.

2 Accounting policies continued

e 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.

f Judgements made in applying the Company's accounting policies

In the course of preparing the financial statements, other than judgements involved in determining estimates and assumptions (see Note 2g below), no judgements have been made in the process of applying the Company's accounting policies that have had a significant effect on the amounts recognised in the financial statements.

g Sources of estimation uncertainty

In applying the Company's accounting policies various transactions and balances are valued using estimates or assumptions. Should these estimates or assumptions prove incorrect, there may be an impact on the following year's financial statements. As at 31 December 2018, sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year 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.

Recoverability of investments

The carrying amounts of the Company's non-financial assets, in particular the investments in subsidiary undertakings, are reviewed annually to determine if there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. The recoverable amounts of assets are the greater of their fair value less the costs of disposal and their value in use. In assessing the value in use, the estimated future cash flows are discounted to their present values using appropriate pre-tax discount rates. Impairment losses are recognised when the carrying amount of an asset exceeds its estimated recoverable amount with impairment losses being recognised in profit or loss.

3 Tangible and intangible assets

	Short leasehold improvement £m	Fixtures, fittings and equipment £m	Total tangible assets £m	Total intangible assets £m
Cost				
Beginning of year	0.1	1.5	1.6	1.7
Additions	–	0.1	0.1	0.1
End of year	0.1	1.6	1.7	1.8
Accumulated depreciation				
Beginning of year	0.1	1.2	1.3	0.4
Charge in year	–	0.1	0.1	0.2
End of year	0.1	1.3	1.4	0.6
Net book value at 31 December 2018				
Net book value at 31 December 2017	–	0.3	0.3	1.2
	–	0.3	0.3	1.3

4 Investments

Investments in subsidiary undertakings	2018 £m	2017 £m
Cost		
Beginning of year	690.8	684.4
Additions	8.4	6.4
End of year	699.2	690.8
Impairment provisions		
Beginning and end of year	3.3	3.3
Net book value at 31 December		
Net book value at 31 December	695.9	687.5

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 2017	4.3	1.5	0.1	5.9
Recognised in profit or loss	0.1	–	–	0.1
Recognised in other comprehensive income or directly in equity	(4.2)	(0.1)	–	(4.3)
31 December 2017/1 January 2018	0.2	1.4	0.1	1.7
Recognised in profit or loss	(0.4)	–	–	(0.4)
Recognised in other comprehensive income or directly in equity	(0.4)	0.1	–	(0.3)
31 December 2018	(0.6)	1.5	0.1	1.0

Deferred tax is calculated in full on temporary differences under the liability method. The UK corporation tax rate will be reduced from 19% to 17% from 1 April 2020. Accordingly, the UK tax rate used for measuring deferred tax reflects the rate expected to be applied when the temporary differences reverse. It is probable that the deferred tax assets recognised will be realised and 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 (2017: £70.6m).

6 Debtors

	2018 £m	2017 £m
Debtors: amounts falling due within one year		
Amounts owed by Group undertakings	603.6	428.8
Prepayments and other debtors	1.2	1.1
	604.8	429.9
Debtors: amounts falling due after more than one year		
Amounts owed by Group undertakings	952.4	1,209.0

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

	2018 £m	2017 £m
Trade creditors	1.5	0.7
Amounts owed to Group undertakings	82.4	82.4
Other tax and social security contributions	0.4	0.9
Income tax payable	14.2	10.5
Accruals	11.6	12.1
	110.1	106.6

Amounts due to Group undertakings are repayable on demand and are not interest bearing.

8 Provisions

	2018 £m	2017 £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 21 to the consolidated financial statements. The amounts included in the Company financial statements relating to the defined benefit pension scheme at 31 December were:

Amounts included in profit for the year	2018 £m	2017 £m
Current service cost (net of contributions by employees)	2.5	2.8
Past service cost	3.3	–
Net interest (income)/expense	(0.1)	0.6
Contributions paid by participating subsidiaries linked to service	(1.4)	(1.5)
Total charge to profit for the year	4.3	1.9

The past service cost in 2018 of £3.3m relates to the cost of the equalisation of guaranteed minimum pensions between male and female members of the Group's UK defined benefit pension scheme following the High Court judgment during the year in the case of Lloyds Banking Group Pensions Trustees Limited vs Lloyds Bank plc and others.

Amounts recognised in other comprehensive income	2018 £m	2017 £m
Actual return less expected return on pension scheme assets	(18.3)	21.0
Experience gain/(loss) on pension scheme liabilities	0.4	(2.0)
Impact of changes in assumptions relating to the present value of pension scheme liabilities	21.0	1.3
Actuarial gain on defined benefit pension scheme	3.1	20.3
Contributions paid by participating subsidiaries not linked to service	4.5	4.6
Total credit to other comprehensive income	7.6	24.9

Movement in defined benefit pension scheme surplus/(deficit)	2018 £m	2017 £m
Beginning of year	(1.1)	(25.3)
Current service cost	(2.5)	(2.8)
Past service cost	(3.3)	–
Contributions	7.1	7.3
Net interest income/(expense)	0.1	(0.6)
Actuarial gain	3.1	20.3
End of year	3.4	(1.1)

Changes in the present value of defined benefit pension scheme liabilities	2018 £m	2017 £m
Beginning of year	347.4	347.6
Current service cost	2.5	2.8
Past service cost	3.3	–
Interest expense	8.9	9.2
Contributions by employees	0.6	0.7
Actuarial (gain)/loss	(21.4)	0.6
Benefits paid	(12.2)	(13.5)
End of year	329.1	347.4

Changes in the fair value of defined benefit pension scheme assets	2018 £m	2017 £m
Beginning of year	346.3	322.3
Interest income	9.0	8.6
Actuarial (loss)/gain	(18.3)	20.9
Contributions by the Company	1.2	1.2
Contributions by participating subsidiaries	5.9	6.1
Contributions by employees	0.6	0.7
Benefits paid	(12.2)	(13.5)
End of year	332.5	346.3

Notes to the Company financial statements continued

9 Retirement benefits continued

The actual return on pension scheme assets was a loss of £9.3m (2017: gain of £29.5m). The market value of scheme assets and the present value of retirement benefit obligations at 31 December are detailed in Note 21 to the consolidated financial statements.

The total defined benefit pension liability is divided between active members (£74.6m (2017: £91.5m)), deferred members (£127.8m (2017: £132.7m)) and pensioners (£126.7m (2017: £123.2m)).

10 Share capital

	2018 £m	2017 £m
Issued and fully paid ordinary shares of 32½p each	108.1	108.0
Number of ordinary shares in issue and fully paid	2018	2017
Beginning of year	335,931,546	335,607,091
Issued – option exercises	493,758	324,455
End of year	336,425,304	335,931,546

11 Reserves

Included in the profit and loss account within retained earnings is £952.4m (2017: £1,209.0m) 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 23.

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 17 to the consolidated financial statements.

The dividends paid and declared in the current and prior year are detailed in Note 18 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 £1,525.6m (2017: £1,633.2m) which are included in the Group's borrowings have been guaranteed by the Company.

Commitments

Non-cancellable operating lease rentals of £2.5m (2017: £3.2m) are payable in relation to a lease with a duration of between one and five years.

13 Employees' and directors' remuneration

The average number of persons employed by the Company during the year (including directors) was 53 (2017: 51) and the aggregate employee costs relating to these persons were:

	2018 £m	2017 £m
Wages and salaries	8.8	8.1
Social security costs	2.2	2.2
Share based payments	2.3	1.7
Pension costs	1.1	1.0
Total	14.4	13.0

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 17 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 21 and Note 22 to the consolidated financial statements respectively.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report, which includes the Directors' remuneration report and the financial statements, in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law). In preparing the Group financial statements, the directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board ('IASB'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union and IFRSs issued by IASB have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The directors are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and the Company's performance, business model and strategy.

Each of the directors, whose names and functions are set out on pages 56 and 57 of the Annual Report confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union – Dual IFRS (European Union and IASB), give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

Frank van Zanten
Chief Executive
25 February 2019

Brian May
Finance Director

Independent auditors' report to the members of Bunzl plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Bunzl plc's Group financial statements and Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2018 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 (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Company balance sheets as at 31 December 2018; the Consolidated income statement and Consolidated statement of comprehensive income, the Consolidated cash flow statement, and the Consolidated and Company statements of changes in equity for the year then ended; and the Notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in Note 1 to the financial statements, the Group, in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board ('IASB').

In our opinion, the Group financial statements have been properly prepared in accordance with IFRSs as issued by the IASB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in Note 5 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 1 January 2018 to 31 December 2018.

Our audit approach

Overview

Materiality	<ul style="list-style-type: none"> • Overall Group materiality: £28 million (2017: £20 million), based on 5% of adjusted profit before tax (2017: 5% of profit before tax). • Overall Company materiality: £6 million (2017: £5 million), based on 0.5% of net assets (2017: approximately 0.25% of net assets).
Audit scope	<ul style="list-style-type: none"> • We performed audits of the financial information of 88 components in 29 different countries across North America, Continental Europe, UK & Ireland and Rest of the World. • Specific audit procedures over central functions and areas of significant judgement, including taxation, pensions, acquisitions and the impairment of goodwill and other intangible assets, were performed by the Group audit team centrally.
Key audit matters	<ul style="list-style-type: none"> • Corporate tax exposures (Group). • Business combinations (Group). • Impairment of goodwill and other intangible assets (Group). • Defined benefit pension schemes (Group and Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of environmental regulations and unethical and prohibited business practices, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and the UK Listing Rules. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates.

The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included discussions with in-house legal counsel, assessment of matters reported on the Group's whistleblowing helpline, challenging assumptions and judgements made by management in their significant accounting estimates and testing journal entries.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter

How our audit addressed the key audit matter

Corporate tax exposures – Group

Refer to page 70 (Audit Committee report), page 109 (Accounting policies) and pages 119 and 120 (Note 7).

The Group operates in a number of countries with complex taxation rules and regulations. The interpretation of these complex regulations and the unknown future outcome of pending judgements by the tax authorities result in the need to provide against a number of uncertain tax positions.

We focused on this area because of the risk surrounding the level of estimation and judgement that is necessary in determining the provisions required.

We assessed management's process for identifying uncertain tax positions and the related accounting policy of providing for tax exposures.

We engaged our taxation specialists to assist us in challenging the appropriateness of management's judgements in relation to these positions and to understand the current status of tax assessments and investigations, including monitoring developments in ongoing disputes and regulatory changes. We read recent correspondence with local tax authorities to satisfy ourselves that the tax provisions had been appropriately recorded or adjusted to reflect the latest external developments. We also considered factors such as possible penalties and interest.

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.

We then determined whether the calculations were in line with the accounting standards and that the methodology and principles had been applied consistently.

Based on the procedures performed, we determined the provisions reflect management's current best estimate of the expected economic outflows.

We considered the appropriateness of the related disclosures in Note 7 to the financial statements.

Based on the procedures performed, we noted no material issues arising from our work.

Independent auditors' report to the members of Bunzl plc continued

Key audit matter

How our audit addressed the key audit matter

Business combinations – Group

Refer to page 70 (Audit Committee report), page 108 (Accounting policies) and pages 144 to 146 (Note 25).

Given that the Group continues to make significant investment in acquisitions, accounting for business combinations is an area of focus due to the level of judgement involved.

Business combinations can involve judgements in relation to the value of assets and liabilities that are recognised on acquisition, particularly the allocation of purchase consideration to goodwill and separately identified intangible assets.

Management relies on external valuation specialists for larger acquisitions to value significant intangibles acquired in business combinations. Where management has relied on such specialists, we assessed their objectivity and competence and tested the results of their work and found no material issues. We focused in particular on the following areas:

- We evaluated the consideration paid or payable in respect of acquisitions made;
- We challenged the methodology and key assumptions used in determining the value of the customer relationship assets for the more significant acquisitions;
- We determined whether 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; and
- We assessed material adjustments made to prior period acquisitions.

Based on the procedures performed, we noted no material issues arising from our work.

Impairment of goodwill and other intangible assets – Group

Refer to page 70 (Audit Committee report), page 110 (Accounting policies) and pages 123 and 124 (Note 10).

The Group has material goodwill balances of £1,420.4m (2017: £1,378.0m) and customer relationship intangible assets of £941.2m (2017: £954.6m) spread across multiple geographies and relating to multiple cash generating units ('CGUs').

In assessing whether the carrying amount of the goodwill assets has been impaired, management considers forecast cash flows of the 11 individual CGUs which are identified on a market or geographical basis.

We focused our goodwill impairment procedures on the CGUs with the lowest levels of headroom between each respective value in use model and carrying value.

We also focused our impairment procedures for other intangible assets on recently acquired businesses or in circumstances where a triggering event occurred during the year and where a further impairment assessment was performed by management.

Management's impairment assessments involves significant estimation, principally relating to short and long term revenue growth, future profitability and discount rates. Due to the acquisitive nature of the Group and the magnitude of the aggregated related goodwill and intangible assets, together with the subjectivity of the principal assumptions, a significant amount of audit effort was required, particularly as some of these assumptions are dependent on economic factors and trading conditions specific to overseas territories.

In our testing of management's annual goodwill and other intangible assets impairment calculations, we used valuation experts to assist our evaluation of the appropriateness of the models and the key assumptions used by management.

We evaluated the reasonableness of the directors' cash flow forecasts by comparing the assumptions made to internal and external data.

In particular:

- We compared short term revenue growth rates to the latest strategic plans and found them to be consistent;
- We determined that long term growth rates are generally consistent when compared to third party nominal growth 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 acceptable; and
- We obtained evidence to assess historical accuracy in management's forecasting process.

We also evaluated management's triggering event assessment regarding other intangible assets.

As described in Note 10 to the consolidated financial statements, management concluded that, based on their own sensitivity calculations, no reasonable change in assumptions would lead to an impairment of goodwill or other intangible assets.

Having ascertained the extent of changes in key assumptions either individually or collectively that would be required for goodwill and other intangible assets to be materially impaired, we considered such a change in those key assumptions to be unlikely.

Defined benefit pension schemes – Group and Company

Refer to page 70 (Audit Committee report), page 112 (Accounting policies), pages 138 to 141 (Note 21) and pages 153 and 154 (Note 9 of the Company).

The Group has defined benefit pension schemes (with material schemes in the US and the UK) with a net surplus in the UK of £3.4m in both the Consolidated and Company balance sheet and a net deficit across remaining schemes of £41.9m at the current year end (2017: net deficit of £51.0m) in the Consolidated balance sheet. The overall deficit is material in the context of the Consolidated balance sheet.

Management estimation is required in relation to the measurement of pension scheme obligations, and management employs independent actuarial experts to assist it in determining appropriate assumptions such as inflation levels, discount rates, salary increases and mortality rates.

Movements in these assumptions can have a material impact on the determination of the liability and, therefore, the extent of any surplus or deficit.

We used our own actuarial experts to satisfy ourselves that the assumptions used in calculating the US and UK pension scheme liabilities are appropriate, including confirming that salary increases and mortality rate assumptions were consistent with relevant 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 2018. In each case we considered the assumptions made by management to be reasonable in light of the available evidence.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

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 and other procedures on a further 83 components. The components where we performed audit procedures covered over 94% of Group revenue, adjusted profit before taxation and total assets.

Where work was performed by component auditors, detailed instructions were issued by us and the Group audit team visited North America, Brazil, France, Belgium, Austria, Australia, China and the UK. Telephone discussions were also held with component auditors at these locations and a number of other component teams 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 other intangible assets, were performed by the Group audit team centrally.

The Group audit team also performed the audit of the standalone Company financial statements, for which all work was performed by the Group audit team.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£28 million (2017: £20 million).	£6 million (2017: £5 million).
How we determined it	5% of adjusted profit before tax.	0.5% of net assets.
Rationale for benchmark applied	Given that the Group's businesses are profit oriented and the directors use adjusted profit measures to assess the performance of the business, we believe that adjusted profit before tax is the best benchmark to use. We changed to this benchmark in 2018 to remove volatility in profits (and materiality) and because the Group's performance is monitored on this measure, both internally and externally.	Considering the nature of the business and activities in Bunzl plc (holding activities) we use the Company net assets as a basis for the calculation of the overall materiality level.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components ranged up to £25 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1.4 million (Group audit) (2017: £1 million) and £1.4 million (Company audit) (2017: £1 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least 12 months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the Company's trade, customers, suppliers and the wider economy.
We are required to report if the directors' statement relating to going concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Independent auditors' report to the members of Bunzl plc continued

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 ('CA06'), ISAs (UK) and the Listing Rules of the Financial Conduct Authority ('FCA') require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report. (CA06)

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 52 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 55 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the 'Code'); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 155, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on pages 69 and 70 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' remuneration

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 155, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/ auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the directors on 19 May 2014 to audit the financial statements for the year ended 31 December 2014 and subsequent financial periods. The period of total uninterrupted engagement is five years, covering the years ended 31 December 2014 to 31 December 2018.

Paul Cragg (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London

25 February 2019

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 2018 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 165 to 167. Unless otherwise stated the subsidiary undertakings listed are wholly owned and held indirectly by Bunzl plc with ordinary shares issued (or the equivalent of ordinary shares in the relevant country of incorporation). In some of the jurisdictions in which the Group operates share classes are not defined and in these instances, for the purposes of this disclosure, the shares issued have been classified as ordinary shares. Bunzl plc does not have any joint venture companies or associated undertakings.

Subsidiary undertakings	Registered office address*	Subsidiary undertakings	Registered office address*
Argentina		Chile	
Vicsa Steelpro S.A.	1	B2B Web Distribuicao de Produtos Chile SpA	27
Australia		Bunzl Chile Holdings SpA	27
Atlas Health Care Pty Limited	5	DPS Chile Comercial Limitada	26
Bunzl Australasia Holdings Pty Limited	4	Tecno Boga Comercial Limitada	28
Bunzl Australasia Limited	4	Vicsa Safety Comercial Limitada	27
Bunzl Brands & Operations Pty Limited	3		
Bunzl Catering Supplies Limited	5	Beijing HSESF Safety Technology Co., Ltd.	34
Bunzl Food Processor Supplies Pty Limited	2	Bunzl Trading (Shanghai) Limited	31
Bunzl Outsourcing Services Limited	5	Diversified Distribution Systems Trading (Shanghai) Ltd.	37
Interpath Services Pty. Ltd.	4	Keenpac (Shenzhen) Trading Company Limited	38
Network Packaging Pty Limited	3	Shanghai BeiZhi Industrial Technology Co., Ltd.	33
Protect-A-Clean Pty Ltd	5	Shanghai Cosafety Technology Co., Ltd.	30
Robertsons Lifting & Rigging Pty Limited	3	Shanghai HSESF Safety Technology Co., Ltd.	29
Sanicare Australia Pty Limited	4	Shanghai Mai Xi Protection Technology Co., Ltd.	36
Star Wholesale Distribution Pty Limited	5	Shanghai Yinghao Protection Technology Co., Ltd.	32
Worksense Workwear and Safety Pty Limited	3	Suzhou Sai Wo Trading Co., Ltd.	39
Austria		Vicsa Commerce and Trading (Shanghai) Co., Ltd.	35
Bunzl Holdings Austria GmbH	6		
Meier Verpackungen GmbH	6		
Belgium			
Établissements Glorieux SA	7	Importadores Exportadores Solmaq	40
King Belgium NV	11	Tecnoboga Colombia S.A.S.	40
Polaris Chemicals SPRL	9	Vicsa Steelpro Colombia S.A.S.	41
Total Safety Supply Belgium BVBA	10		
Varia-Pack NV	8		
Brazil			
B2B Web Distribuicao De Produtos Ltda	13	Bunzl Distribution Danmark A/S	44
Bunzl Armazenagem, Logística e Prestação de Serviços Administrativos Ltda.	16	Bunzl Holding Danmark A/S	44
Bunzl Equipamentos para Proteção Individual Ltda.	15	Bunzl Properties Danmark A/S	44
Bunzl Higiene E Limpeza Ltda	12	Clean Care A/S	45
Dental Sorria Ltda.	17	CM Supply ApS	46
DVS Equipamentos de Proteção Individual Ltda	19	MultiLine A/S	47
Labor Import Comercial Importadora Exportadora Ltda	18	Saebe Compagniet ApS	48
Talge Descartáveis do Brasil Ltda.	14		
Canada			
462482 B.C. Ltd.	20	Alpes Entretien Distribution SAS	63
Atlas Environmental Facilities, Ltd.	23	Blanc SAS	78
Bunzl Canada, Inc.	25	Bourgogne Hygiene Entretien SAS	76
Emballages Maska Inc. ⁽ⁱⁱⁱ⁾	22	Bunzl Catering Développement SAS	51
Jan-Mar Sales Limited ⁽ⁱⁱ⁾	23	Bunzl Holdings France SAS	57
Plus II Sanitation Supplies Inc. ⁽ⁱⁱⁱ⁾	21	Comatec SAS	64
Wesclean Equipment & Cleaning Supplies Limited ⁽ⁱⁱ⁾	24	Comptoir de Bretagne SAS	73
Western Safety Products Ltd.	20	Daugeron & Fils SAS	65
		Fichot Hygiene SAS	54
		France Sécurité SAS	61
		Gama 29 SAS	59
		Générale Collectivités SAS	72
		GM Equipment S.A.S.	49
		Groupe Pierre Le Goff - Ile de France - Allodics - Adage SAS	55

Subsidiary undertakings	Registered office address*	Subsidiary undertakings	Registered office address*
Groupe Pierre Le Goff - Ile de France - ODI SAS	77	Bunzl de Mexico S.A. de C.V. ⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾	98
Groupe Pierre Le Goff - Ile de France-Adage SAS	57	Bunzl Servicios, SA. De CV	101
Groupe Pierre Le Goff Bourgogne Franche-Comte SAS	70	Cool Pak AG Packaging, S. de R. L. de C.V.	105
Groupe Pierre Le Goff Grand Ouest SAS	74	Cool Pak Exports S. de R.L. de C.V.	102
Groupe Pierre Le Goff Méditerranée SAS	60	CP AG Servicios, S. de R.L. de C.V.	105
Groupe Pierre Le Goff Nord-Est SAS	79	Diversified DS of Mexico, S. DE R.L. DE C.V.	100
Groupe Pierre Le Goff Normandie SAS	53	Espomega S. de R.L. de C.V. ⁽ⁱⁱⁱ⁾	104
Groupe Pierre Le Goff Rhône-Alpes Centre SAS	67	Proepta, S.A. DE C.V. ⁽ⁱⁱⁱ⁾	103
Groupe Pierre Le Goff Sud-Ouest SAS	66	Steelpro S.A de C.V. ⁽ⁱⁱⁱ⁾	99
Hedis SAS	51		
Hygiadis SAS	56		
Industrie du Compactage Alimentaire Hygiene ICA Hygiene			
L'image du Propre SAS	69	Allshoes Benelux B.V.	106
Keenpac France SAS	52	Bunzl Outsourcing Services B.V.	112
Ligne T SAS	58	Bunzl Verpakkingen Arnhem B.V.	109
Mat'hygiene SAS	62	De Ridder B.V.	111
Nicolas Entretien SAS	75	King Nederland B.V.	113
ORRU SAS	68	Majestic Products B.V.	108
PLG Finances SAS	57	QS Nederland B.V. (85%)	107
Prorisk S.A.S.	49	Worldpack Trading B.V.	110
SCI des Saules SCI	56		
Société Civile Immobilière Sainte Claire Deville SC	56		
Sodiscol SAS	50		
Sopecal Hygiene SAS	71		
Germany			
Bäumer Betriebshygiene Vertriebsgesellschaft mbH ⁽ⁱⁱⁱ⁾	84		
Bunzl Holding GmbH ⁽ⁱⁱⁱ⁾	81		
Bunzl Verpackungen GmbH	81		
Inkozell Zellstoff-Vertrieb GmbH	83		
Logmed GmbH	83		
Majestic GmbH	80		
Mo Ha Ge Mommsen Handelsgesellschaft mbH	83		
MoHaGe Holdings GmbH	81		
PKA Klöcker GmbH ⁽ⁱⁱⁱ⁾	82		
Protemo GmbH	84		
Hong Kong			
Bunzl Asia Limited ⁽ⁱⁱⁱ⁾	85		
DDS of Hong Kong Limited	86		
Keenpac Asia Limited	87		
Hungary			
Bunzl Magyarország Kft.	90		
Propack Kereskedelmi Korlátolt Felelősséggű Társaság	90		
Silwell Kereskedelmi Korlátolt Felelősséggű Társaság	89		
Ireland			
Bunzl Finance Ireland Unlimited Company ⁽ⁱⁱ⁾	91		
Bunzl Ireland Limited	91		
Latharna Ireland Finance No. 1 Unlimited Company	91		
Latharna Ireland Finance No. 2 Unlimited Company ⁽ⁱⁱ⁾	91		
Thomas McLaughlin(Ireland) Limited	91		
Yorse Ireland Unlimited Company	91		
Israel			
M.S. Global Limited	92		
Meichaley Zahav Packages Ltd	93		
Silco (Utensils) A.S. Limited ⁽ⁱⁱⁱ⁾	92		
Italy			
B2B Distribution Italy Holdings S.r.l.	95		
Keenpac Italia S.r.l.	94		
Neri S.p.A.	95		
Secure Line S.r.l.	97		
Secure Service S.r.l.	96		
Mexico			
Bunzl de Mexico S.A. de C.V. ⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾	98		
Bunzl Servicios, SA. De CV	101		
Cool Pak AG Packaging, S. de R. L. de C.V.	105		
Cool Pak Exports S. de R.L. de C.V.	102		
CP AG Servicios, S. de R.L. de C.V.	105		
Diversified DS of Mexico, S. DE R.L. DE C.V.	100		
Espomega S. de R.L. de C.V. ⁽ⁱⁱⁱ⁾	104		
Proepta, S.A. DE C.V. ⁽ⁱⁱⁱ⁾	103		
Steelpro S.A de C.V. ⁽ⁱⁱⁱ⁾	99		
Netherlands			
Allshoes Benelux B.V.	106		
Bunzl Outsourcing Services B.V.	112		
Bunzl Verpakkingen Arnhem B.V.	109		
De Ridder B.V.	111		
King Nederland B.V.	113		
Majestic Products B.V.	108		
QS Nederland B.V. (85%)	107		
Worldpack Trading B.V.	110		
New Zealand			
Bunzl Food Processor Supplies (NZ) Limited	116		
Bunzl Outsourcing Services NZ Limited	115		
Corded Strap (NZ) Limited	116		
ICB Cleaning Supplies Limited	114		
Nelson Packaging Supplies Limited	116		
Norway			
Art Trading AS	118		
Culina AS	118		
Enor AS	119		
Riise & G G Storkjøkken AS	119		
Skien Storkjøkken AS (51%)	117		
Peru			
Vicsa Safety Peru S.A.C.	120		
Puerto Rico			
Melissa Sales Corp.	121		
Romania			
Bunzl Distributie SRL	122		
Singapore			
LSH Industrial Solutions Pte. Ltd	123		
Slovakia			
Eurobal, spol. s.r.o.	124		
Spain			
Bunzl Distribution Spain, S.A.U.	126		
Bunzl Mallorca 2018, S.L.U.	127		
Faru, S.L.U.	131		
Guanter Juba, S.A.U.	132		
Juba Personal Protective Equipment, S.L.U.	132		
Lovilia Spain, S.L.U.	126		
Marca Protección Laboral, S.L.U.	128		
Marvel Protección Laboral, S.L.U.	129		
Quirumed, S.L.U.	130		
Tecnopacking, S.L.U.	125		
Switzerland			
Distrimondo AG	137		
Keenpac (Switzerland) SA	133		
MMH Holding AG	137		
Uehlinger AG	134		
Weita AG	136		
Weita Holding AG	136		
WGS AG	135		

Shareholder information continued

Related undertakings continued

Subsidiary undertakings	Registered office address*	Subsidiary undertakings	Registered office address*
Turkey		Bunzl Distribution Northeast, LLC	148
Bursa Pazarı İnşaat Sanayi Ve Ticaret Anonim Şirketi (80%)	138	Bunzl Distribution Oklahoma, Inc.	156
İstanbul Ticaret Hırdavat Sanayi A.Ş.	140	Bunzl Distribution Southeast, LLC	148
İstanbul Ticaret İş Güvenliği ve Endüstriyel Sanayi Ürünler A.Ş	139	Bunzl Distribution Southwest, L.P.	151
Kullanatmarket Elektronik Pazarlama Ticaret Anonim Şirketi (80%)	138	Bunzl Distribution USA, LLC	158
United Kingdom		Bunzl Holdings Inc.	158
365 Healthcare Limited	143	Bunzl International Services, Inc.	158
Aggora (Technical) Limited ⁽ⁱⁱⁱ⁾	143	Bunzl Mexican Holdings II, LLC	148
Aggora Group Ltd ⁽ⁱⁱⁱ⁾	143	Bunzl Mexican Holdings, LLC	148
Aggora Limited	143	Bunzl Midatlantic, LLC	148
Aggora Projects Ltd ⁽ⁱⁱⁱ⁾	143	Bunzl Minneapolis, LLC	144
Bunzl American Holdings (No.1) Limited	143	Bunzl North American Holdings, Inc.	158
Bunzl American Holdings (No.2) Limited	143	Bunzl Northeast, LLC	148
Bunzl Australia Forex LLP	143	Bunzl Processor Distribution, LLC	148
Bunzl Finance Public Limited Company ⁽ⁱ⁾	143	Bunzl Retail Services, LLC	158
Bunzl Group Services Limited ⁽ⁱ⁾	143	Bunzl Retail, LLC	148
Bunzl Overseas Holdings (No. 2) Limited ⁽ⁱ⁾	143	Bunzl Southwest Holdings, LLC	154
Bunzl Overseas Holdings (No. 3) Limited ⁽ⁱⁱ⁾	143	Bunzl US Holdings LLC	158
Bunzl Overseas Holdings (No.4) Limited	143	Bunzl USA Holdings LLC	158
Bunzl Overseas Holdings Limited	143	Bunzl USA LLC	158
Bunzl Pension Trustees Limited ⁽ⁱ⁾	143	Bunzl Utah, LLC	152
Bunzl Plastics Limited ⁽ⁱ⁾	143	Bunzl Western Holdings, Inc.	148
Bunzl Properties Limited ⁽ⁱ⁾	143	Cool-Pak, LLC	158
Bunzl Retail & Healthcare Supplies Limited	143	Destiny Packaging, LLC	158
Bunzl UK Limited	143	Earthwise Bag Company, Inc.	147
Classic Bag Company Holdings Limited	143	Foodhandler Inc.	149
Continental Chef Supplies Limited	143	Green Source, LLC	148
Dialene Limited	143	Hi-Valu, LLC	148
Greenham Trading Limited ⁽ⁱ⁾	143	International Sourcing Company Inc. ⁽ⁱⁱⁱ⁾	150
GrowModule 365 Limited	143	John Tillman Company	158
Guardsman Limited	143	Keenpac, LLC	148
Henares Limited ⁽ⁱ⁾	143	Keepsafe, LLC	145
Howper 800 Limited ⁽ⁱⁱⁱ⁾	143	M.L. Kishigo Manufacturing Company, LLC	154
Kingsbury Packaging (Limavady) Ltd	142	Masteragents LLC	148
Lee Brothers Bilston Limited	143	Papercraft Southwest, LLC	158
Lightning Packaging Supplies Limited	143	Prime Source, LLC	148
Lockhart Catering Equipment Limited	143	R3 Safety, LLC	148
London Bio Packaging Limited	143	R3, LLC	153
Packaging 2 Buy Limited	143	Revco Industries, Inc. ⁽ⁱⁱⁱ⁾	147
Portabottle Limited	143	SAS Safety Corporation	158
Portabrands Limited	143	Steiner Industries, Inc.	155
Selectuser Limited ⁽ⁱⁱ⁾	143	TSN East, LLC	148
The Classic Printed Bag Company Limited	143	TSN West, LLC	148
The Porta Group Limited	143	U.S. Glove Co., Inc.	159
Thomas McLaughlin	141	Western Glove Manufacturing, Inc.	147
Tri-Star Packaging Supplies Limited	143	Uruguay	
Woodway Packaging Limited	143	Steelpro Safety S.A.	160
Woodway UK Limited	143	Other shareholdings	
Woodway UK South Limited ⁽ⁱⁱⁱ⁾	143	Viner-Pack Gyártó Kereskedelmi és Szolgáltató	
Wycombe Marsh Paper Mills Limited ⁽ⁱ⁾	143	Korlátolt Felelősségi Társaság ⁽ⁱⁱⁱ⁾ (20%)	88
Yorse No. 1 Limited	143		
Yorse No. 3 Limited ⁽ⁱ⁾	143		
United States			
Arch Logistics, LLC	148		
Bunzl Corporate Holdings, Inc.	148		
Bunzl Distribution California, LLC	158		
Bunzl Distribution Leasing, Inc.	157		
Bunzl Distribution Midatlantic, LLC	146		
Bunzl Distribution Midcentral, Inc.	148		

* For the list of registered office addresses and principal places of business, refer to the following section headed 'List of registered office addresses' which forms part of these financial statements.

Classifications key

- (i) Directly owned by Bunzl plc
- (ii) Holding of ordinary and preference shares
- (iii) Holding of more than one class of ordinary share
- (iv) Holding of preference shares

List of registered office addresses

Address	Key	Address	Key
Maipú 1300, piso 13, Ciudad de Buenos Aires, Argentina	1	Room 368, Part 302, No. 211 Fute North Road, Free Trade	36
34-48 Cosgrove Road, Enfield NSW 2136, Australia	2	Zone, Shanghai, China	36
55 Sarah Andrews Close, Erskine Park NSW 2759, Australia	3	Room 850, No. 1111 Chang Shou Rd, Jingan District,	37
Level 2, 700 Springvale Road, Mulgrave VIC 3170, Australia	4	Shanghai, China	37
Unit 1, 52 Fox Drive, Dandenong South VIC 3175, Australia	5	Room 912, Central Business Tower, 88 Fuhua 1st Road,	38
Diepoldsauer Straße 37, 6845, Hohenems, Austria	6	Futian, Shenzhen, China	38
1 Rue du Bois des Hospices, 2iémé étage, 7522 Tournai, Belgium	7	Southwest of No. 1 House, 3F, Building A, Tower 2, Xinhaiyi,	39
Aarschotsesteenweg 114 3012 Leuven (Wilsele), Belgium	8	No. 58 Heshun Road, Suzhou Industrial Park, Jiangsu,	39
Avenue Sabin 23, 1300 Wavre, Belgium	9	China	39
Oudenaardsesteenweg 19 9000 Ghent, Belgium	10	Carrera 30 No. 15-30, Bogota D.C., Colombia	40
Rue du Cerf 190 1332 Genval, Belgium	11	Km 7 Via Medellín, Parque Empresarial Celta, Módulo 1,	40
Avenida Doutor Alberto Jackson Byington, 1435 Jardim Santa Fe, City of Osasco, São Paulo, CEP 06273-050, Brazil	12	Bodega 49, Funza (Cundinamarca), Colombia	41
Avenida Dr. Alberto Jackson Byington, 1435 Industrial Anhanguera, City of Osasco, São Paulo, CEP 06276-000, Brazil	13	Dolnokrčská 2029/54a, Krč, Praha 4, 140 00, Czech Republic	42
City of Itajaí, State of Santa Catarina, at Rua João Thomaz Pinto, No. 1570, Shed A, Modules 6, 7 and 8 Condominium Byblos, district of Canhanduba, 88.313-045, Brazil	14	Přátelství 1011/17, Uhřiněves, Praha 10, 10 400, Czech Republic	43
Estrada Velha de Guarulhos - São Miguel, 5135, Box 301 - Jardim Arapongas, city of Guarulhos, São Paulo, CEP 07210-250, Brazil	15	Greve Main 30, 2670 Greve, Denmark	44
Estrada Velha de Guarulhos - São Miguel, 5135, Box 311 - Jardim Arapongas, city of Guarulhos, São Paulo, CEP 07210-250, Brazil	16	Indkildevej 2 c, DK-9210, Aalborg SØ, Denmark	45
Rua Crepusculo, No 58 Bairro California, City of Belo Horizonte, Minas Gerais, CEP 30855-435, Brazil	17	Jydekorpen 7, DK-2625 , Vallensbaek, Denmark	46
Rua Padre Damaso 165, 173 e 189, Osasco, São Paulo, CEP 06016-010, Brazil	18	Kirkebjergvej 17, 4180 Sorø, Denmark	47
Rua São Domingos da Prata, 200, Bairro Vila Barros, CEP 07193-160, Guarulhos, São Paulo, Brazil	19	Vesterlundvej 5-7, DK-2730 Herlev, Denmark	48
2920 Murray Street, Port Moody BC V3H 1X2, Canada	20	11 C rue des Aulnes, 69410 Champagne-au-Mont-d'or, France	49
3900-1 Place Ville-Marie, Montréal Québec H3B 4M7, Canada	21	13 rue des Battants RN 20, 31140, Saint-Alban, France	50
7450 Pion Avenue , Saint-Hyacinthe QC J2R 1R9, Canada	22	140 rue Victor Hugo, 92300 Levallois-Perret, France	51
77 King Street West, Suite 400, Toronto, Ontario M5K0A1, Canada	23	191-195 Avenue Charles de Gaulle, 9220 Neuilly-sur-Seine, Paris, France	52
Dentons Canada LLP, 2900, 10180 - 101 Street, Edmonton AB T5J 3V5, Canada	24	2 Rue Paul Vaillant Couturier, 76120 Le Grand Quevilly, France	53
SNR Dentons LLP, 77 King Street West, Suite 400, Toronto ON M5K 0A1, Canada	25	26/28 rue Jean Perrin, 28300, Mainvilliers, France	54
Antiguo Camino a Coquimbo S/N Lote 1-3/ 1-9, Colina, Santiago, Chile	26	29 avenue des Morillons, ZA des Doucettes, 95140 Garges les Gonesses, France	55
Av. Presidente Eduardo Frei Montalva 5151, Conchalí, 8550678 Santiago, Chile	27	440 route de Rosporden, Le Grand Guelen, 29000 Quimper, France	56
Avenida Boulevard, Aeropuerto Norte #9649, Pudahuel, Santiago, Chile	28	5 avenue Gutenberg, ZA Pariwest, 78310 Maurepas, France	57
2F, Building 4, No. 115 Lane 1276, Nanle Road, Songjiang District, Shanghai, China	29	50 Avenue d'Allemagne, Rond Point de L'Europe ZA Albasud, 82000 Montauban, France	58
3F, Building 4, No. 115 Lane 1276, Nanle Road, Songjiang District, Shanghai, China	30	530 rue Jacqueline Auriol ZA de Saint Thudon, 29490, Guipavas, France	59
Floor 9, Xinpeng Plaza, No. 200, Lane 91, E'shan Road , Pudong New Area , Shanghai, 200127, China	31	556 Chemin du Mas de Cheylon, CAP Delta 30941, Nimes, France	60
No. 181 Zhongshe Road, Maogag Town, Songjiang District, Shanghai, China	32	585, Rue Alain Colas, 29200, Brest, France	61
No. 301 Rongle East Road, Songjiang District, Shanghai, China	33	7 route de Villiers, 77780, Bourron-Marlotte, France	62
No. 9 Fuqian Road, Shandong Zhuang Town, Pinggu District, Beijing, China	34	725 Route des Vernes Pringy, 74370, Annecy, France	63
Room 3123, Building 3, 112-118 Gaoyi Road, Baoshan District, Shanghai, China	35	Boulevard François-Xavier Faffeur, Zone Industrielle Lannolier, 11000, Carcassonne, France	64
		Lieudit la Trentaine, 77690, La Genevraye, France	65
		Parc d'activité Des Lacs , 22 rue Saint Exupéry , 33 290 Blanquefort, France	66
		Quai Louis Aulagne, 69 190 Saint Fons, France	67
		Route Nationale 97, ZA Les Plantades, 83130 La Garde, France	68
		Route Nationale, 57420, Louvigny, France	69
		Rue Charles Remi Arnoult, 21700 Nuits Saint Georges, France	70
		Rue de Pau, 40500 Saint-Server, France	71
		Rue Edouard Branly, ZAC des Chamonds 58640 Varennes-Vauzelles, France	72
		Rue Jean-Marie David, ZA la Teillais, 35740, Pacé, France	73
		Rue Nungesser et Coli d2A Nantes Atlantique, 44860 Saint-Aignan de Grand Lieu, France	74
		Rue Pierre Pascal Fauville, 66000 Perpignan, France	75
		ZI Maison Dieu RN 74, 21220 Fixin, France	76
		ZI Val de Seine, 17 avenue Nobel, 92390 Villeneuve la Garenne, France	77
		Zone Artisanale Maritime du Bassin de Thau, Route de Sète, 34540 Ballaruc Les Bains, France	78

Shareholder information continued

List of registered office addresses continued

Address	Key	Address	Key
Zone d'activité Sud Saint Jean, 57130 Jouy aux Arches, France	79	1 Penjuru Close, 608617, Singapore	123
Bahnhofstrasse 72, 27404 Zeven, Germany	80	Na pántoch 18, 831 06 Bratislava, Slovakia	124
Elbestraße 1-3, 45768 Marl, Germany	81	Calle Castilla-León, Parcela 45 Onda, 12200, Castellón, Spain	125
Friedrichstrasse 2, 40699 Erkrath, Germany	82	Calle Filats, 8 Polg. Industrial Prologis Park, Sant Boi de Llobregat, Barcelona, Spain	126
Malteserstrasse 139-143, 12277, Berlin, Germany	83	Calle las Palmeras 7, Polígono Industrial La Sendeilla, 28350 Ciempozuelos, Spain	127
Maysweg 11, 47918 Tönisvorst, Germany	84	Cartagena, Murcia, Polígono Industrial Cabezo Beaza, Avenida Bruselas, 30353, esquina calle Amsterdam, parcela R 100, Spain	128
11th Floor, One Pacific Place, 88 Queensway, Hong Kong	85	Cartagena, Murcia, Polígono Industrial Cabezo Beaza, Avenida Luxemburgo, calle Artes y Oficios, nave B-3, Spain	129
Room 2103, Futura Plaza, 111 How Ming Street, Kwun Tun, Hong Kong	86	Corretger No 115-117-119, Parque Empresarial Táctica, Paterna, 46980, Valencia, Spain	130
Unit 3-4 18F Tower 6, China Hong Kong City, Tsim Sha Tsui, Kowloon, Hong Kong	87	Edificio Plaza, Nave 5, Ali-4 Plataforma Logistica de Zaragoza, 50197, Zaragoza, Spain	131
2336 Dunavarsány, 071/33 hrsz, Hungary	88	Santo Domingo De La Calzada, La Rioja, 26250, Carretera De Logrono, Spain	132
H-1097 Budapest, Gyáli út 37/A, Hungary	89	c/o ALR Fiduciaire Rummel SA, ch. Valmont 224, 1260, NYON, Switzerland	133
Vendel Park, Erdőalja út 3., 2051 Biatorbágy, Hungary	90	c/o Weita AG, Nording 2, 4147 Aesch, Switzerland	134
10 Earlsfort Terrace, Dublin 2, D02 T380, Ireland	91	Güterstrasse, 4313 Möhlin, Switzerland	135
4 Kinneret Street, POB 1139, Airport City, Ben Gurion Airport, 7019802, Israel	92	Nording 2, 4147 Aesch, Switzerland	136
Emek Ha'Ela 250, Modi'in, P.O.B 553, LOD 7110601, Israel	93	Oberebenestrasse 53, CH-5620 Bremgarten, Switzerland	137
Corsa Italia n.6, 50123 Florence, Italy	94	Akçaburgaz Mahallesi, 3137. Sokak, No. 19 Esenyert, İstanbul, Turkey	138
Via 8 Marzo 6, 42025 Corte Tegge di Cavriago, Reggio Emilia, Italy	95	Şerifali Mah., Turgut Özal Blv, B Blok No:170, Ümraniye, İstanbul, Turkey	139
Via Brigata Reggio no. 24, Reggio Emilia, Italy	96	Tersane Cad. No:115 Karaköy, İstanbul, Turkey	140
Via Guglielmo Marconi no. 35, Rozzano, Italy	97	72 Cathedral Road, Armagh, BT61 8AG	141
Arzipe Valdes & Marco, Ave. Batallón de San Patricio #111, Piso 28, Despacho 2801, Colonia Valle Oriente, San Pedro Garza Garcia, Nuevo León, C.P. 66269, Mexico	98	Arthur Cox, Victoria House, 15-17 Gloucester Street, Belfast, BT1 4LS, United Kingdom	142
Ave. Bonifacio Salinas 203, Col Central de Carga, CP67129, CD Guadalupe, Nuevo León, Mexico	99	York House, 45 Seymour Street, London, W1H 7JT, United Kingdom	143
Avenida Cafetales No. 1702, Interior 201, between streets Rancho Recoveco and Rancho Estopila, Hacienda de Coyoacán, Coyoacán, 04970, Mexico	100	701 Emerson #500, St Louis MO 63141-9111, United States	144
Carretera Miguel Alemán KM21 Edificio 4C Prologis Park, Apodaca, N.L., México C.P. 66627, Mexico	101	7503 Nottoway Place, Springfield VA 22150, United States	145
Felipe Eugenio Marrón Montané, Avenida Pablo Neruda No. 2839, Colonia Providencia. C.P. 44630, Guadalajara, Jalisco, Mexico	102	Corporate Creations Network Inc., 1001 State Street #1400, Erie PA 16501, United States	146
Galileo # 11, Colonia Polanco V Secc., Delagación Miguel Hidalgo, 11560, Ciudad de México, Mexico	103	Corporate Creations Network Inc., 11380 Prosperity Farms Rd #221E, Palm Beach Gardens FL 33410, United States	147
Pablo A. Gonzalez Garza Pte., 820, Chepevera, Monterrey, Nuevo León, 64030, Mexico	104	Corporate Creations Network Inc., 12747 Olive Boulevard, Suite 300, Saint Louis, MO 63141, United States	148
Pablo Neruda #2839, Colonia Providencia, 44639 Guadalajara, Jalisco, Mexico	105	Corporate Creations Network Inc., 15 North Mill Street, Nyack NY 10960, United States	149
Barnsteenstraat 1-A, 1812 SE Alkmaar, Netherlands	106	Corporate Creations Network Inc., 205 Powell Place, Brentwood TN 37027-7522, United States	150
Bijsterhuizen 3005C, (6604) Wijchen, Netherlands	107	Corporate Creations Network Inc., 2425 W Loop South #200, Houston TX, United States	151
Curieweg 19, 3208, KJ Spijkenisse, Netherlands	108	Corporate Creations Network Inc., 2825 East Cottonwood Parkway #500, Salt Lake City UT 84121 , United States	152
Delta 2, 6825 MR Arnhem, Netherlands	109	Corporate Creations Network Inc., 3106 Ingersoll Avenue, Des Moines, IA 50321 IL, United States	153
Esp 125, 5633 AA Eindhoven, Netherlands	110	Corporate Creations Network Inc., 3411 Silverside Road, Tatnall Building Ste 104, Wilmington DE 19810, United States	154
Oosterwerf 4, 1911 JB, Uitgeest, Netherlands	111	Corporate Creations Network Inc., 350 S. Northwest Highway #300, Park Ridge IL 60068, United States	155
Rondebeltweg 82, 1329 BG Almere, Netherlands	112	Corporate Creations Network Inc., 406 South Boulder #400, Tulsa OK 74103, United States	156
Stephensonstraat 5, 4004JA Tiel, Netherlands	113	Corporate Creations Network Inc., 5200 Willson Road #150, Edina MN 55424, United States	157
686 Rosebank Road, Avondale, Auckland, 1026, New Zealand	114		
97 Sawyers Arm Road, Christchurch, 8052, New Zealand	115		
KPMG Level 5, 79 Cashel Street, Christchurch, 8140, New Zealand	116		
Bedriftsveien 24, 3735 Skien, Norway	117		
c/o Enor AS, Holmaveien 20, 1339 Vøyenenga, Norway	118		
Holmaveien 20, 1339 Vøyenenga, Norway	119		
Av. Santa Rosa 350. Ate., Lima, Peru	120		
PO Box 6494 , PR 00914-6494, San Juan, Puerto Rico	121		
Sat Dragomiresti-Deal, Comuna Dragomiresti-Vale, DE 287/1, Bucharest West Logistic Park, Cladirea C, Unitatea C01, Ilfov, Romania	122		

Address

	Key
Corporate Creations Network Inc., 6802 Paragon Place #410, Richmond, VA 23230, Henrico, United States	158
Corporate Creations Network, Inc., West 505 Riverside Avenue #500, Spokane WA 99201, United States	159
César Cortinas 2037, Montevideo, Uruguay	160

Financial calendar

	2019
Annual General Meeting	17 April
Results for the half year to 30 June 2019	27 August
	2020
Results for the year to 31 December 2019	February
Annual Report circulated	March

Dividend payments are normally made on these dates or the following working day:

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

Analysis of ordinary shareholders

At 31 December 2018 the Company had 4,920 (2017: 4,895) registered shareholders who held 336.4 million (2017: 335.9 million) ordinary shares between them, analysed as follows:

Size of holding	Number of shareholders	% of issued share capital
0 – 10,000	4,234	2
10,001 – 100,000	413	4
100,001 – 500,000	183	13
500,001 – 1,000,000	35	7
1,000,001 and over	55	74
	4,920	100

Registrar

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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, seven 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 programme that trades on the over-the-counter 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.

Shareholder information continued

Share dealing

Bunzl plc shares can be traded through most banks and stockbrokers. The Company's registrar also offers an internet and telephone dealing service. Further details can be found at www.computershare.com/dealing/uk or by telephoning +44 (0) 370 703 0084.

ShareGift

Sometimes shareholders have only a small holding of shares which may be uneconomical to sell. Shareholders who wish to donate these shares to charity can do so through ShareGift, an independent charity share donation scheme (registered charity no. 1052686). Further information about ShareGift may be obtained from ShareGift on +44 (0) 20 7930 3737 or at www.sharegift.org.

Shareholder security

Shareholders are advised to be cautious about any unsolicited financial advice, offers to buy shares at a discount or offers of free company reports. More detailed information about this can be found at www.fca.org.uk in the Consumers section and at www.fca.org.uk/scamsmart. Details of any share dealing facilities that the Company endorses will be included in Company mailings.

Auditors

PricewaterhouseCoopers LLP

Stockbrokers

J.P. Morgan Cazenove
Citigroup

Company Secretary

Paul Hussey

Registered office

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Fax +44 (0) 20 7725 5001
Website www.bunzl.com
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

	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
Revenue	9,079.4	8,580.9	7,429.1	6,489.7	6,156.5
Operating profit	466.2	456.0	409.7	366.5	341.8
Finance income	11.6	10.6	7.1	4.8	4.0
Finance expense	(66.6)	(57.3)	(53.9)	(48.6)	(46.0)
Disposal of businesses	13.6	—	—	—	—
Profit before income tax	424.8	409.3	362.9	322.7	299.8
Income tax	(98.3)	(98.8)	(97.0)	(90.0)	(89.1)
Profit for the year attributable to the Company's equity holders	326.5	310.5	265.9	232.7	210.7
Basic earnings per share	98.4p	94.2p	80.7p	71.0p	64.5p
Alternative performance measures[†]					
Adjusted operating profit	614.0	589.3	525.0	455.0	429.8
Adjusted profit before income tax	559.0	542.6	478.2	411.2	387.8
Adjusted profit for the year	429.9	393.4	349.6	298.1	281.6
Adjusted earnings per share	129.6p	119.4p	106.1p	91.0p	86.2p

[†] See Note 3 on page 114 for further details of the alternative performance measures.



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