Everyday essentials

Directors' Report and Accounts 2009

BUNZL

We are a growing and successful Group with operations across the Americas, Europe and Australasia.

We supply a variety of products that are everyday essentials for our customers to operate their businesses.

By outsourcing the purchasing, consolidation and distribution of a broad range of everyday items, our customers are able to focus on their core businesses, achieve purchasing efficiencies and savings, free up working capital, improve distribution capabilities and simplify their internal administration.

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DIRECTORS' REPORT

The directors have pleasure in submitting their annual report which includes this Directors' report and the audited financial statements of the Company and its subsidiary undertakings for the year ended 31 December 2009. The Directors' report incorporates by reference, to the extent indicated below, certain information included in the Annual Review and Summary Financial Statement and should be read in conjunction with that document.

Principal activity and business review

The principal activity of the Group is providing value-added distribution and outsourcing services in the Americas, Europe and Australasia. Details of the Group's activities, developments and performance for the year, the main trends and factors likely to affect its future development and performance and information which fulfils the requirements of the Companies Act 2006 relating to the production of a business review are set out in the Chairman's statement, the Chief Executive's review, the Financial review and the Corporate social responsibility report on pages 4 to 15 and 17 to 23 of the Annual Review and Summary Financial Statement and in the section below entitled 'Principal risks and uncertainties'. The Company uses a number of key performance indicators to measure progress towards its objectives. These are set out in the form of bar graphs on pages 6, 7, 17 and 23 of the Annual Review and Summary Financial Statement.

Principal risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's business, financial condition or results of operations. The Group has specific policies and procedures which are designed to identify, evaluate, manage and mitigate business risk. The principal risks and uncertainties faced by the Group and the steps taken by the Group to mitigate such risks and uncertainties include the following:

RISK	MITIGATING FACTORS
Economic environment The Group's business is partially dependent on general economic conditions in the US, the UK, France and other important markets. A significant deterioration in these conditions could have an adverse effect on the Group's business and results of operations.	The Group's operations and its customer base are diverse, with a variable and flexible cost base, and many of the sectors in which it competes are traditionally, by their nature, relatively resilient to economic downturns.
Competitive pressures The Group operates in highly competitive markets and faces competition from international companies as well as national, regional and local companies in the countries in which it operates. Increased competition and unanticipated actions by competitors or customers could lead to an adverse effect on results and hinder the Group's growth potential.	The Group seeks to remain competitive by maintaining high service levels and close contacts with its customers to ensure that their needs and demands are being met satisfactorily, developing a national presence in the markets in which the Group operates and maintaining strong relationships with a variety of different suppliers thereby enabling the Group to offer a broad range of products to its customers.
Product price changes The purchase price and availability of products distributed by the Group can fluctuate from time to time, thereby potentially affecting the results of operations. Adverse economic conditions resulting in a period of commodity price deflation and increased levels of imported products may lead to reductions in the price and value of the Group's products. If this were to occur, the Group's revenue and, as a result, its profits, could be reduced and the value of inventory held in stock may not be fully recoverable.	The Group endeavours, whenever possible, to pass on price increases from its suppliers to its customers and to source its products from a number of different suppliers so that it is not dependent on any one source of supply for any particular product. Increased focus on the Group's own import programmes and brands, together with the reinforcement of Bunzl's service and product offering to customers, helps to minimise the impact of price deflation. The Group mitigates against the risk of holding overvalued inventory in a deflationary environment by managing stock levels efficiently and ensuring they are kept to a minimum.
Foreign exchange The majority of the Group's sales are made and income is earned in US dollars and other foreign currencies. As a result, movements in exchange rates may have a material translation impact on the Group's reported results. Bunzl may also be subject to transaction exposures where products are purchased in one currency and sold in another and movements in exchange rates may also adversely affect the value of the Group's net assets.	Bunzl believes that the benefits of its geographical spread outweigh the associated risks. The majority of the Group's transactions are carried out in the functional currency of the Group's operations. As a result, transaction exposures are usually limited and exchange rate fluctuations have minimal effect on the quality of earnings unless there is a sudden and significant adverse movement of a foreign currency in which products are purchased which may lead to a delay in passing on to customers the resulting price increases.
Acquisitions A significant portion of the Group's historical growth has been achieved through the acquisition of businesses and the Group's growth strategy includes additional acquisitions. Although the Group operates in a number of fragmented markets which provide future acquisition opportunities, there can be no assurance that the Group will be able to make acquisitions in the future or that any acquisitions made will be successful.	The Group's acquisition strategy is to focus on those businesses which operate in sectors where it has or can develop competitive advantage and which have good growth opportunities. The Group continually reviews acquisition targets and has established processes and procedures with regard to detailed pre-acquisition due diligence and post-acquisition integration.

RISK	MITIGATING FACTORS
Financial liquidity and debt covenants The Group needs continuous access to funding in order to meet its trading obligations, to support investment in organic growth and to make acquisitions when appropriate opportunities arise. There is a risk that Bunzl may be unable to obtain the necessary funds when required or that such funds will only be available on unfavourable terms. The Group's borrowing facilities include a requirement to comply with certain specified covenants in relation to the level of net debt and interest cover. A breach of these covenants could result in a significant proportion of the Group's borrowings becoming repayable immediately.	The Group arranges a mixture of borrowings from different sources and continually monitors net debt and forecast cash flows to ensure that it will be able to meet its financial obligations as they fall due and that sufficient facilities are in place to meet the Group's requirements in the short, medium and long term. Compliance with the Group's biannual debt covenants is monitored on a monthly basis based on the management accounts. Sensitivity analyses using various scenarios are applied to forecasts to assess their impact on covenants.
Business continuity The Group would be affected if there was a significant failure of its major distribution facilities or information systems.	The Group seeks to reduce this risk through the use of multi-site facilities with products stocked in more than one location and the adoption of detailed back up plans which are periodically tested and which would be implemented in the event of any such failure.
Laws and regulations The international nature of the Group's operations exposes it to potential claims as the Group is subject to a broad range of laws and regulations in each of the jurisdictions in which it operates. In addition the Group faces potential claims from customers in relation to the supply of defective products or breaches of their contractual arrangements. The sourcing of products from lower cost countries increases the risk of the Group being unable to recover any potential losses relating thereto from the relevant supplier.	Although the Group does not operate in particularly litigious market sectors, it has in place processes to report, manage and mitigate against third party litigation using external advisers where necessary. The use of reputable suppliers and internal quality assurance and quality control procedures reduce the risks associated with defective products.

The Financial review on pages 17 to 19 of the Annual Review and Summary Financial Statement and Note 13 to the consolidated financial statements includes information relating to the Group's risk management policies so far as they relate to financial instruments. The 'Internal control and risk management' section of the Corporate governance report on page 8 includes further information on the specific procedures designed to identify, manage and mitigate business risk.

Going concern
As indicated in the section above entitled 'Principal activity and business review', details of the Group's activities, developments and performance are set out in the Annual Review and Summary Financial Statement. In addition, information relating to the financial performance, financial position and cash flows of the Group is set out in the Financial review on pages 17 to 19 of the Annual Review and Summary Financial Statement. Note 13 to the consolidated financial statements includes the details of the Group's debt profile, capital management policy, treasury policies and controls, hedging activities and financial instruments and its policies and exposures to liquidity, interest rate, foreign currency and credit risks.

The Group 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 a mixture of borrowings from different sources. At 31 December 2009 the Group had net debt of £716.8 million and undrawn committed facilities of £541.1 million. During the next 12 months £160.0 million of the committed facilities mature and thereafter the facilities will mature at various times over the period up to May 2019. The Group is highly cash generative and its cash flows have historically been strong, converting 102% of the operating profit before intangible amortisation into operating cash in 2009. Compliance with the Group's biannual debt covenants is monitored on a monthly basis and sensitivity analyses using various scenarios are applied to forecasts to assess their impact on covenants and net debt. During 2009 all covenants have been complied with and based on current forecasts it is expected that such covenants will continue to be complied with for the foreseeable future.

The Group has sufficient financial resources, a well established, fragmented customer base, strong supplier relationships and a diverse geographic presence. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors, having made appropriate enquiries, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors believe it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

Dividends
An interim dividend of 6.65p was paid on 4 January 2010 in respect of 2009 and the directors recommend a final dividend of 14.9p, making a total for the year of 21.55p per share (2008: 20.6p). Dividend details are given in Note 17 to the consolidated financial statements. Subject to approval by the shareholders at the Annual General Meeting on 21 April 2010, the final dividend will be paid on 1 July 2010 to those shareholders on the register at the close of business on 7 May 2010 (other than those electing for the scrip dividend alternative).

Share capital
The Company has a single class of share capital which is divided into ordinary shares of $32^{1}/_{7}$p each which rank pari passu in respect of participation and voting rights. The shares are in registered form, are fully paid up and are quoted on the London Stock Exchange. In addition, the Company operates a Level 1 American Depositary Receipt programme with the Bank of New York Mellon under which the Company's shares are traded on the over the counter market in the form of American Depositary receipts.

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

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, 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 either with the written consent of the holders of three quarters of the issued shares of the class (excluding treasury shares) or 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 authority granted at the 2009 Annual General Meeting to allot shares in the Company up to a maximum nominal amount of £35.6 million. At the same meeting authority was also granted to the directors to allot the Company's shares for cash, up to a maximum nominal amount of approximately £5.6 million, without regard to the pre-emption provisions of the Companies Act 2006. No such shares were issued or allotted under these authorities in 2009, nor is there any current intention to do so, other than in connection with the Company's employee share schemes and scrip dividend scheme.

These authorities are valid until the conclusion of the forthcoming Annual General Meeting. The directors again propose to seek similar authorities in 2010 subject to certain updating amendments to reflect the Companies Act 2006 and changes to institutional investor guidelines.

Restrictions on transfer of shares
Dealings in the Company's ordinary shares by its directors, persons discharging managerial responsibilities, certain employees of the Company and, in each case, their connected persons, are subject to the Company's dealing code which adopts the Model Code of the Listing Rules published by the Financial Services Authority.

Certain restrictions, which are customary for a listed company, apply to transfers of shares in the Company. The Board may refuse to register an instrument of transfer of a certificated share at its discretion unless it is:

- lodged, duly stamped, at the offices of the Company's registrars or such other place as the Board may specify and is accompanied by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;

- in respect of only one class of shares; and

- in favour of not more than four transferees.

In addition, no instrument of transfer shall be registered if the transferor has been served with a disenfranchisement notice (as defined in the Company's current 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. Registration of a transfer of shares may also be refused in the case of uncertificated shares in the circumstances set out in the regulations governing the operation of CREST. The Board may decide to suspend the registration of transfers, for up to 30 days a year, by closing the register of shareholders. The Board cannot suspend the registration of transfers of any uncertificated shares without gaining consent from CREST.

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

Bunzl Group Employee Benefit Trust
Bunzl Employee Trustees Limited is trustee of the Bunzl Group General Employee Benefit Trust ('the EBT') which holds shares in respect of employee share options and awards that have not been exercised or vested. The current position is that the EBT abstains from voting in respect of these shares. The trustee has agreed to receive a nominal dividend of 0.001p per share on dividend payments on shares held within the EBT. Details of the shares so held are set out in Note 16 to the consolidated financial statements.

Purchase of own shares
At the 2009 Annual General Meeting, shareholders gave the Company authority to purchase a maximum of 32,705,000 ordinary shares. During the year ended 31 December 2009 the Company did not purchase any of its own shares pursuant to this authority or the authority granted at the 2008 Annual General Meeting and no shares have been purchased between 31 December 2009 and 22 February 2010. The total number of ordinary shares currently held in treasury is 23,325,000. The Company is therefore currently authorised to buy back 32,705,000 of its own shares pursuant to the existing shareholders' authority which is due to expire at the conclusion of the forthcoming Annual General Meeting. The directors again propose to seek the equivalent authority at this year's Annual General Meeting.

Directors
Directors may be elected by ordinary resolution at a duly convened general meeting or appointed by the Board. Under the Articles, the minimum number of directors shall be two and there shall be no maximum number. At every Annual General Meeting of the Company a minimum of one third of the directors shall retire and, assuming they wish to stand, offer themselves for re-election. The directors to retire will be those who held office at the two preceding Annual General Meetings and who did not retire at either of them. If the number of directors so retiring is less than the minimum number required to retire, additional directors up to that number will also retire. The additional directors to retire will be determined by those who have been longest in office since they were last elected or, if they were elected on the same day, those to retire will be determined by lot. 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. However such appointee shall only hold office until the next Annual General Meeting of the Company and shall not be taken into account in determining the directors who are to retire by rotation.

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 period of office under the Articles.

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

- he ceases to be a director by virtue of any provisions of company law or pursuant to the Articles or he becomes prohibited by law from being a director;
- he becomes bankrupt or enters into any arrangement or composition with his creditors generally;
- he is or may be suffering from mental ill health and he is either admitted to hospital or a court order is made appointing a person to exercise powers with respect to his property or affairs;
- he resigns by giving notice to the Company or is asked to resign by all the other directors who are not less than three in number; or
- he is absent without permission from Board meetings for a period of six months and the Board resolves that his office be vacated.

Mr P G Rogerson was appointed to the Board in January 2010 and, being eligible, offers himself for re-election at the forthcoming Annual General Meeting in accordance with the Articles and the Combined Code on Corporate Governance. Mr A J Habgood retired from the Board on 30 June 2009. All of the other current directors served throughout the year. Mr J F Harris will retire from the Board on 28 February 2010.

Mr M J Roney and Dr U Wolters retire by rotation at the Annual General Meeting in accordance with the Articles and the Combined Code on Corporate Governance and, being eligible, offer themselves for re-election. Biographical details of the current directors are set out on page 16 of the Annual Review and Summary Financial Statement.

Directors' interests in ordinary shares are shown in Note 19 to the consolidated financial statements. None of the directors was materially interested in any contract of significance with the Company or any of its subsidiary undertakings during or at the end of 2009. 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 52 to 60.

Powers of the directors
Subject to the Articles, the Companies Act 2006 and any directions given by the Company by special resolution, the business of the Company is managed by the Board who may exercise all powers of the Company. The Board may, by power of attorney or otherwise, appoint any person or persons to be the agent or agents of the Company for such purposes and on such conditions as the Board determines.

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

Amendment of Articles
Any amendments to the Articles may be made in accordance with the provisions of the Companies Act 2006 by way of special resolution of the Company's shareholders. Following the implementation of the Companies Act 2006 and the Shareholder Rights Directive in 2009, the directors propose to adopt new Articles of Association at the 2010 Annual General Meeting, details of which are set out in a separate letter from the Chairman to 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 social responsibility report on pages 20 to 23 of the Annual Review and Summary Financial Statement.

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

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

Substantial shareholdings
As at 22 February 2010 the directors have been notified by the following shareholders that they were each interested in 3% or more of the issued share capital of the Company. The notifications listed below are those which have been most recently received for the named shareholders.

Shareholder	Date of notification	Number of shares	% of issued share capital
INVESCO plc	26.11.09	38,900,970	11.9
Aviva plc	27.01.10	20,500,832	6.3
Legal & General Group Plc	12.11.09	13,069,891	4.0
Newton Investment Management Ltd	25.07.08	13,113,028	4.0

Significant agreements
The Company's wholly owned subsidiary, Bunzl Finance plc, has a number of bilateral loan facilities with a range of different counterparties, all of which are guaranteed by the Company, are in substantially the same form and are prepayable at the option of the lender in the event of a change of control of the Company. Similar change of control provisions in relation to the Company are included in the syndicated bank loan and the 2008 and 2009 US dollar bonds which have been entered into by Bunzl Finance plc and the Company and are also guaranteed by the Company.

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

Creditor payment policy
Group operating companies are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted. It is Group policy that suppliers are made aware of these terms and that payments to suppliers are made in accordance with them provided that suppliers also comply with all relevant terms and conditions. The number of days' billings from the Company's suppliers outstanding at the end of the year was 30 (2008: 31).

Donations
During 2009, amongst other worldwide charitable donations, the Group contributed £210,000 to UK charities (2008: £200,000). No contributions were made for political purposes.

Annual General Meeting
The Annual General Meeting will be held at The Park Suite, The Dorchester, Park Lane, London W1K 1QA on Wednesday 21 April 2010 at 11.00 am. The Notice convening the Meeting is set out in a separate letter from the Chairman to shareholders which explains the items of special business.

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

- the director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

A resolution is to be proposed at the forthcoming Annual General Meeting for the re-appointment of KPMG Audit Plc as auditors of the Company at a rate of remuneration to be determined by the directors.

On behalf of the Board

P N Hussey
Secretary
22 February 2010

Pages 1 to 5 inclusive consist of a directors' report that has been drawn up and presented in accordance with and in reliance upon applicable English company law and any liability of the directors in connection with this report shall be subject to the limitations and restrictions provided by such law.

The Annual Review and Summary Financial Statement and the Directors' Report and Accounts contain 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.

CORPORATE GOVERNANCE

The Company is committed to high standards of corporate governance. This report describes how the principles of corporate governance set out in the revised Combined Code issued by the Financial Reporting Council ('the Code') have been applied by the Company during the year ended 31 December 2009. The Company confirms it has complied throughout 2009 with the provisions of the Code, a copy of which is available at www.frc.org.uk.

The Board
The Board currently comprises a Chairman designate, an Interim Chairman, a Chief Executive, two other executive directors and four non-executive directors who have wide experience and are, together with the Chairman designate and the Interim Chairman, considered by both the Board and the criteria set out in the Code to be independent. Mr J F Harris, who is currently acting as Interim Chairman but will retire from the board on 28 February 2010, has been designated as the senior independent director. Following his retirement, the Chairman designate, Mr P G Rogerson, will become Chairman on 1 March 2010. The appointment of a senior independent director to succeed Mr J F Harris will be considered by the Board once Mr P G Rogerson has taken over the role of Chairman. None of the Company's non-executive directors had any previous connection with the Company or its executive directors on appointment to the Board. Brief biographical details of the directors are given on page 16 of the Annual Review and Summary Financial Statement. Information relating to the conduct of Board meetings and the procedures implemented to ensure that the Board retains overall control and accountability for all strategic, financial, operational and compliance issues are set out in the internal control section below and in the Financial review on pages 17 to 19 of the Annual Review and Summary Financial Statement. The Board has Audit, Remuneration and Nomination Committees which comply with the provisions of the Code. The Chief Executive is the designated member of the Board responsible for environmental, social and governance matters and reports to the Board in relation to such matters. The Company has a formal performance evaluation process for the Board, its Committees and individual directors overseen by the Chairman. This includes completion of self-assessment forms by, and individual discussions with, each director. 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. The Chairman periodically holds meetings with the non-executive directors without the executive directors present. These processes were carried out satisfactorily during the year as a result of which the Board concluded that both it and its Committees are operating effectively. Finally, the Chief Executive annually presents a management succession plan which is discussed with the Chairman and the non-executive directors. Detailed information concerning the directors' remuneration is given in the Directors' remuneration report on pages 52 to 60.

Audit Committee
The Audit Committee comprises all of the independent non-executive directors and is chaired by Mr D J R Sleath who is considered by the Board to have recent and relevant financial experience. While the Chairman of the Company, the Finance Director and the Chief Executive are not members of the Committee, they normally attend meetings of the Committee by invitation together with the Head of Internal Audit and representatives from the external auditor.

The Committee's principal role is to:

- monitor the integrity of the financial statements of the Group and review significant reporting judgements;
- review the Company's internal financial controls;
- monitor and review the effectiveness of the Company's internal audit function;
- make recommendations to the Board in relation to the appointment of the external auditor;
- monitor and review auditor independence; and
- develop and implement a policy on the engagement of the external auditor to supply non-audit services.

The Committee Chairman holds preparatory meetings with the Company's senior management and, when appropriate, the external auditor prior to Committee meetings to discuss the items to be considered at the Committee meetings. In addition, separate discussions are held between the Committee and the external auditor without management present. During the year the Committee met on three occasions and its activities included:

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

The Committee ensures that the external auditor remains independent of the Company and receives written confirmation from the external auditor as to whether it considers itself independent within the meaning of its own internal and the relevant regulatory and professional requirements.

In order to ensure that the objectivity and independence of the external auditor is not compromised, the Committee has pre-approved the non-audit service categories that can be provided by the external auditor and agreed monetary amounts for each service category that can be provided by them, subject to a maximum individual engagement value. A service requires specific authorisation from the Committee or the

Committee Chairman where it does not fall within the pre-approved categories or where its value exceeds the maximum pre-approved individual engagement value. Such non-audit service categories which are pre-approved principally comprise tax services and further assurance services relating to pre-acquisition due diligence and other duties carried out in respect of acquisitions and disposals of businesses. The Committee believes that given the external auditor's detailed knowledge of the Group's operations, its structure and accounting policies and the importance of carrying out tax services and detailed due diligence as part of the acquisition process, it is often appropriate for this additional work to be carried out by the Company's auditors. However other firms are also used by the Company to provide non-audit services and it is the Company's policy to assess the services required on a case by case basis to ensure that the best placed adviser is retained. Details of the fees paid to the external auditor in 2009 in respect of the audit and for non-audit services are set out in Note 4 to the financial statements.

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

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

The Committee's terms of reference are available on the Company's website, www.bunzl.com.

Remuneration Committee
The Remuneration Committee comprises all of the independent non-executive directors and is chaired by Mr C A Banks. While neither the Chairman of the Company nor the Chief Executive are members of the Committee, they normally attend meetings by invitation except when the Committee is considering matters concerning themselves. Further details of the Remuneration Committee, the Company's remuneration policy and how it is applied are set out in the Directors' remuneration report on pages 52 to 60. The terms of reference of the Committee are available on the Company's website.

Nomination Committee
The Nomination Committee comprises the Chairman of the Company, who chairs the Committee, and two independent non-executive directors, Dr U Wolters and Mr C A Banks. The Committee meets as necessary to enable it to make recommendations to the Board on new appointments of executive and non-executive directors. An external search consultancy is retained by the Company to assess potential candidates to be considered as prospective non-executive directors and, when appropriate, executive directors. Candidates are then interviewed by members of the Committee before an appropriate recommendation is made to the Board. On joining the Board, new directors are given an induction into the business of the Company and training as necessary. This process was adopted during the year in connection with the recruitment of Mr P G Rogerson as Chairman to replace Mr A J Habgood who retired from the Board on 30 June 2009. The Nomination Committee was chaired for this purpose by Mr J F Harris in his capacity of Interim Chairman. The Committee also oversees the process for reviewing, and making recommendations to the Board concerning, any potential conflicts of interest which may arise in relation to each member of the Board and this process was carried out satisfactorily during the year. The terms of reference of the Committee are set out on the Company's website.

Meetings attendance
The following table shows the attendance in 2009 of directors at Board meetings and at meetings of the Board Committees of which they are members:

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings	8	3	4	6
M J Roney	8			
J F Harris[1]	8	1	2	6
C A Banks	7	3	3	5
U Wolters[2]	7	3	3	4
P L Larmon	8			
B M May	8			
P W Johnson	7	3	3	
D J R Sleath	8	3	4	
A J Habgood[3]	4			3

1. Following his appointment as Interim Chairman on 1 July 2009, Mr J F Harris ceased to be a member of the Audit and Remuneration Committees but continued to attend Committee meetings thereafter by invitation. Although he attended all of the Audit and Remuneration Committee meetings held during the year, the attendance shown above only relates to meetings attended as a member of the relevant Committee.

2. Dr U Wolters was appointed as a member of the Nomination Committee on 13 May 2009 and attended all of the Nomination Committee meetings held between that date and 31 December 2009.

3. Mr A J Habgood retired as a director on 30 June 2009 having attended all of the Board and Nomination Committee meetings held between 1 January 2009 and that date.

Relations with shareholders
The Company reports formally to shareholders twice a year with the half year results announced normally at the end of August and the annual results announced normally at the end of February. In addition the Company publishes two interim management statements a year as required by the Disclosure and Transparency Rules.

The Chief Executive and Finance Director have regular meetings with representatives of institutional shareholders and report to the Board the views of major shareholders. Additional forms of communication include presentations of the half year and annual results. The Chairman and the senior independent director and the other non-executive directors are available to meet with major shareholders on request and the Chairman will at such meetings engage in discussions relating to matters of governance and strategy as appropriate. The Board also periodically reviews and discusses analysts' and brokers' reports and surveys of shareholder opinions conducted by the Company's own brokers. Notice of the Annual General Meeting is sent to shareholders at least 20 working days before the Meeting. All shareholders are encouraged to participate in the Annual General Meeting, are invited to ask questions at the Meeting and are given the opportunity to meet all of the directors informally. Shareholders are given the option to withhold their vote on the proxy form. Historically the level of proxy votes cast and the balance for and against each resolution, together with the level of abstentions, if any, have been announced to the meeting following a vote by a show of hands and the details of the proxies lodged have been publicly announced and placed on the Company's website. However, with effect from the forthcoming Annual General Meeting, the Board has decided that each of the resolutions put to the meeting will be taken on a poll rather than on a show of hands. 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. As was previously the case with the details of the proxies lodged, the results of the poll will be publicly announced and made available on the Company's website as soon as practicable following the Annual General Meeting.

Internal control and risk management

The directors acknowledge that they have overall responsibility for identifying and managing the risks faced by the Group and for the Group's system of internal control relating to those risks. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. In accordance with the Turnbull guidance the Company has established the procedures necessary to ensure that there is an ongoing process for identifying, evaluating, managing and mitigating significant risks to the Group. The directors confirm that such procedures have been in place for the year ended 31 December 2009 and up to the date of approval of these financial statements and have been reviewed during the year.

To ensure that the directors maintain overall control over all significant 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 decision. These include the approval of the annual and half year results of the Company, the Company's strategic plans, annual budget, larger capital expenditure and acquisition/divestment proposals, material increases to borrowing and loan facilities, treasury policies and the terms of reference for the Board Committees.

The Board has delegated to management the 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 and fair dealing;

- a well-established consolidation and reporting system for the statutory accounts and monthly management accounts;

- continual investment in IT systems to ensure the production of timely and accurate management information relating to the operation of the Group's businesses; and

- detailed manuals covering Group accounting policies and policies and procedures for the Group's treasury operations.

Some of the procedures carried out in order to monitor the effectiveness of the internal control system and to identify, manage and mitigate business risk are listed below:

- central management holds regular meetings with business area management to discuss strategic, operational and financial issues including a review of the significant risks affecting each of the business areas and the policies and procedures by which these risks are managed;

- an Executive Committee, consisting of the Chief Executive, Finance Director and other functional managers, meets twice per month and also reviews the outcome of the discussions held at business area meetings on internal control and risk management issues;

- the Board in turn reviews the outcome of the Executive Committee discussions on internal control and risk management issues which ensures a documented and auditable trail of accountability;

- both the Executive Committee and the Board carry out an annual fraud risk assessment;

- actual results are reviewed monthly against budget, forecasts and the previous year and explanations obtained for all significant variances;

- the Group's bank balances around the world are monitored on a weekly basis and significant movements are reviewed centrally;

- the internal audit department periodically reviews individual businesses and procedures, makes recommendations to improve controls and follows up to ensure that management implement the recommendations made. The internal audit department's work is determined on a risk assessment basis and their findings are reported to Group and business area management as well as to the Audit Committee;

- the Audit Committee, which comprises all of the independent non-executive directors of the Company, meets regularly throughout the year. Further details of the work of the Committee are set out on pages 6 and 7;

- regular meetings are held with insurance and risk advisers to assess the risks throughout the Group;

- the Risk Management Committee, which oversees issues principally relating to environment, health and safety, insurance and business continuity planning matters, sets relevant policies and practices and monitors their implementation;

- risk assessments, safety audits and a regular review of progress against objectives established by each business area are periodically carried out; and

- developments in tax, treasury and accounting are continually monitored by Group management in association with external advisers.

The directors confirm that they have reviewed the effectiveness of the system of internal control and risk management in operation during 2009.

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

On behalf of the Board

P N Hussey
Secretary
22 February 2010

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2009

	Notes	2009 £m	2008 £m
Revenue	3	**4,648.7**	4,177.3
Operating profit before intangible amortisation	3	**295.7**	280.5
Intangible amortisation		**(41.8)**	(36.0)
Operating profit	3	**253.9**	244.5
Finance income	5	**16.8**	27.6
Finance cost	5	**(54.7)**	(65.2)
Profit before income tax		**216.0**	206.9
Profit before income tax and intangible amortisation		**257.8**	242.9
UK income tax		**(12.1)**	(8.6)
Overseas income tax		**(55.0)**	(56.1)
Total income tax	6	**(67.1)**	(64.7)
Profit for the year attributable to the Company's equity holders		**148.9**	142.2
Earnings per share attributable to the Company's equity holders			
Basic	7	**46.4p**	44.5p
Diluted	7	**46.3p**	44.4p

The Accounting policies and Notes on pages 14 to 41 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2009

	Notes	2009 £m	2008* £m
Profit for the year		**148.9**	142.2
Other comprehensive income			
Actuarial loss on pension schemes	20	**(19.3)**	(32.7)
Movement in pension schemes' minimum funding liabilities	20	**5.5**	12.6
Foreign currency translation differences for foreign operations		**(55.4)**	186.4
Gain/(loss) taken to equity as a result of designated effective net investment hedges		**8.9**	(120.6)
Loss recognised in cash flow hedge reserve		**(6.3)**	(4.3)
Movement from cash flow hedge reserve to income statement		**7.5**	0.5
Income tax credit on other comprehensive income	6	**7.8**	26.8
Other comprehensive (expense)/income for the year		**(51.3)**	68.7
Total comprehensive income for the year attributable to the Company's equity holders		**97.6**	210.9

*Restated on adoption of International Financial Reporting Interpretations Committee ('IFRIC') 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' (see Note 1).

CONSOLIDATED BALANCE SHEET
at 31 December 2009

	Notes	2009 £m	2008* £m
Assets			
Property, plant and equipment	8	**102.8**	111.3
Intangible assets	9	**1,196.6**	1,301.3
Investment in associates		**0.5**	0.5
Derivative assets	13	**28.8**	49.1
Deferred tax assets	15	**6.9**	4.3
Total non-current assets		**1,335.6**	1,466.5
Inventories	10	**429.3**	490.6
Income tax receivable		**6.5**	5.8
Trade and other receivables	11	**677.9**	724.8
Derivative assets	13	**0.9**	1.7
Cash and deposits	23	**57.9**	65.6
Total current assets		**1,172.5**	1,288.5
Total assets		**2,508.1**	2,755.0
Equity			
Share capital	16	**113.0**	112.6
Share premium		**131.7**	126.6
Translation reserve		**52.7**	96.0
Other reserves		**8.5**	6.2
Retained earnings		**368.2**	287.8
Total equity attributable to the Company's equity holders		**674.1**	629.2
Liabilities			
Interest bearing loans and borrowings	23	**780.3**	919.7
Retirement benefit obligations	20	**59.8**	55.9
Other payables		**8.0**	11.9
Derivative liabilities	13	**2.6**	–
Provisions	14	**40.7**	50.2
Deferred tax liabilities	15	**104.0**	134.1
Total non-current liabilities		**995.4**	1,171.8
Bank overdrafts	23	**14.9**	8.1
Interest bearing loans and borrowings	23	**7.7**	57.6
Income tax payable		**59.4**	55.0
Trade and other payables	12	**744.4**	813.3
Derivative liabilities	13	**1.9**	6.4
Provisions	14	**10.3**	13.6
Total current liabilities		**838.6**	954.0
Total liabilities		**1,834.0**	2,125.8
Total equity and liabilities		**2,508.1**	2,755.0

Approved by the Board of Directors of Bunzl plc on 22 February 2010 and signed on its behalf by Mr M J Roney, Chief Executive and Mr B M May, Finance Director.

*Restated on adoption of IFRIC 14 and amendments to International Accounting Standard ('IAS') 10 'Events after the reporting period' (see Note 1).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2009

				Other reserves			Retained earnings		
	Share capital £m	Share premium £m	Translation reserve £m	Merger £m	Capital redemption £m	Cash flow hedge £m	Own shares £m	Earnings* £m	Total* equity £m
At 1 January 2009	112.6	126.6	96.0	2.5	8.6	(4.9)	(215.8)	503.6	629.2
Profit for the year								148.9	148.9
Actuarial loss on pension schemes								(19.3)	(19.3)
Movement in pension schemes' minimum funding liabilities								5.5	5.5
Foreign currency translation differences for foreign operations			(55.4)						(55.4)
Gain taken to equity as a result of designated effective net investment hedges			8.9						8.9
Loss recognised in cash flow hedge reserve						(6.3)			(6.3)
Movement from cash flow hedge reserve to income statement						7.5			7.5
Income tax credit on other comprehensive income			3.2			1.1		3.5	7.8
Total comprehensive (expense)/income			(43.3)			2.3		138.6	97.6
2008 interim dividend								(20.6)	(20.6)
2008 final dividend								(45.3)	(45.3)
Issue of share capital	0.4	5.1							5.5
Employee trust shares							2.8		2.8
Share based payments								4.9	4.9
At 31 December 2009	**113.0**	**131.7**	**52.7**	**2.5**	**8.6**	**(2.6)**	**(213.0)**	**581.2**	**674.1**
At 1 January 2008	112.4	124.6	9.5	2.5	8.6	(1.1)	(208.1)	446.4	494.8
Adoption of IFRIC 14								(13.0)	(13.0)
At 1 January 2008 as restated	112.4	124.6	9.5	2.5	8.6	(1.1)	(208.1)	433.4	481.8
Profit for the year								142.2	142.2
Actuarial loss on pension schemes								(32.7)	(32.7)
Movement in pension schemes' minimum funding liabilities								12.6	12.6
Foreign currency translation differences for foreign operations			186.4						186.4
Loss taken to equity as a result of designated effective net investment hedges			(120.6)						(120.6)
Loss recognised in cash flow hedge reserve						(4.3)			(4.3)
Movement from cash flow hedge reserve to income statement						0.5			0.5
Income tax credit on other comprehensive income			20.7					6.1	26.8
Total comprehensive income/(expense)			86.5			(3.8)		128.2	210.9
2007 interim dividend								(18.6)	(18.6)
2007 final dividend								(41.3)	(41.3)
Issue of share capital	0.2	2.0							2.2
Employee trust shares							(7.7)		(7.7)
Share based payments								1.9	1.9
At 31 December 2008	112.6	126.6	96.0	2.5	8.6	(4.9)	(215.8)	503.6	629.2

*Restated for amendments to IAS 10 (see Note 1).

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2009

	Notes	**2009 £m**	2008 £m
Cash flow from operating activities			
Profit before income tax		**216.0**	206.9
Adjustments for non-cash items:			
depreciation		**23.5**	19.7
intangible amortisation		**41.8**	36.0
share based payments		**4.6**	5.3
Working capital movement		**17.5**	(15.9)
Finance income		**(16.8)**	(27.6)
Finance cost		**54.7**	65.2
Provisions and pensions		**(17.4)**	(15.8)
Other		**(1.1)**	(1.5)
Cash generated from operations		**322.8**	272.3
Income tax paid		**(75.0)**	(66.4)
Cash inflow from operating activities		**247.8**	205.9
Cash flow from investing activities			
Interest received		**1.6**	7.0
Purchase of property, plant and equipment		**(23.9)**	(20.9)
Sale of property, plant and equipment		**3.0**	5.7
Purchase of businesses	24	**(6.4)**	(115.9)
Investment in associates		**–**	(0.5)
Cash outflow from investing activities		**(25.7)**	(124.6)
Cash flow from financing activities			
Interest paid		**(37.0)**	(48.4)
Dividends paid		**(62.3)**	(59.9)
Decrease in short term loans		**(48.2)**	(76.7)
(Decrease)/increase in long term loans		**(83.3)**	165.8
Realised losses on foreign exchange contracts		**(7.3)**	(62.5)
Net proceeds from/(purchase of) employee shares		**3.5**	(7.2)
Cash outflow from financing activities		**(234.6)**	(88.9)
Exchange (loss)/gain on cash and cash equivalents		**(2.0)**	9.4
(Decrease)/increase in cash and cash equivalents		**(14.5)**	1.8
Cash and cash equivalents at start of year		**57.5**	55.7
(Decrease)/increase in cash and cash equivalents		**(14.5)**	1.8
Cash and cash equivalents at end of year	23	**43.0**	57.5

1 Basis of preparation

The consolidated financial statements for the year ended 31 December 2009 have been approved by the directors and prepared in accordance with EU endorsed International Financial Reporting Standards ('IFRS') and interpretations of the International Financial Reporting Interpretations Committee ('IFRIC'). The consolidated financial statements have been prepared on a going concern basis (as referred to in the Directors' report on page 2) and under the historical cost convention, with the exception of certain items which are measured at fair value as disclosed in the accounting policies below. The Company has elected to prepare its parent company financial statements in accordance with UK Generally Accepted Accounting Practice ('UK GAAP').

IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' has been adopted during 2009 and as a result the comparative figures have been restated. The impact on the balance sheet at 31 December 2008 was to increase the retirement benefit obligations by £5.5m (£18.1m at 31 December 2007), increase deferred tax assets by £1.5m (£5.1m at 31 December 2007) and reduce retained earnings by £4.0m (£13.0m at 31 December 2007). As a result of a change to the trust deed for the UK defined benefit pension plan in the second half of 2009, IFRIC 14 no longer impacts the financial position of the Group and consequently there is no additional retirement benefit obligation (or related deferred tax asset) to recognise at 31 December 2009.

Following amendments to International Accounting Standard ('IAS') 10 'Events after the Reporting Period', it is no longer appropriate to recognise interim dividends payable as an outstanding creditor based on the constructive obligation created by the announcement of such dividends by the Board. Accordingly the interim dividend declared in August and paid in January of the following year is no longer recognised as a liability at 31 December and is now accounted for when paid. The comparative balance sheet at 31 December 2008 has been restated, resulting in an increase in net assets as at that date of £20.6m. This change has no impact on the reported cash flow or the income statement for the year ended 31 December 2008.

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

2 Accounting policies

a Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of the acquisition is measured as the fair value of the consideration plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the acquisition date. The excess of the consideration paid plus directly attributable costs over the fair value of the identifiable net assets acquired is recorded as an intangible asset.

(ii) Associates

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

(iii) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

b Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate prevailing at that date. Foreign exchange differences arising on translation are recognised in the income statement, unless they qualify for cash flow or net investment hedge accounting treatment, in which case the effective portion is recognised directly in a separate component of equity.

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

c Financial instruments

Under IAS 39 'Financial Instruments: Recognition and Measurement', financial instruments are initially measured at fair value with subsequent measurement depending upon the classification of the instrument. Other financial assets and liabilities are held at amortised cost unless they are in a fair value hedging relationship. Derivative financial instruments are used to hedge exposures to foreign exchange and interest rate risks.

(i) Fair value hedge

Where a derivative financial instrument is designated and qualifies as a hedge of a recognised asset or liability, all changes in the fair value of the derivative are recognised immediately in the income statement. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged with changes recognised in the income statement.

2 Accounting policies continued

(ii) Cash flow hedge

Where a derivative that is designated and qualifies as a hedge is used to hedge forecast transactions, any effective portion of the change in fair value is recognised in equity. The gain or loss relating to any ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled to the income statement in the period when the hedged item affects profit or loss.

(iii) Hedge of a net investment in foreign operations

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in foreign operations are recognised directly in equity to the extent the hedge is effective. To the extent that the hedge is ineffective such differences are recognised in the income statement.

d Property, plant and equipment

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

e Depreciation

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

Buildings	2% (or depreciated over life of lease if shorter than 50 years)
Plant and machinery	10 – 20%
Fixtures, fittings and equipment	10 – 33%
Freehold land	Not depreciated

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

f Intangible assets

(i) Goodwill

Acquisitions are accounted for using the purchase method. As permitted by IFRS 1 'First-time Adoption of International Financial Reporting Standards', the Group has chosen to apply IFRS 3 'Business Combinations' from 1 January 2004 and has elected not to restate previous business combinations. For acquisitions that have occurred on or after 1 January 2004, 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 made before 1 January 2004, goodwill represents the amount previously recorded under UK GAAP. Goodwill is allocated to cash generating units and is tested annually for impairment. Negative goodwill arising on acquisition is recognised immediately in the income statement.

(ii) Other intangible assets

Intangible assets acquired in a business combination are recognised on acquisition and recorded at fair value. These principally relate to customer relationships and are stated at cost less accumulated amortisation and any impairment losses. Amortisation is charged to the income statement on a straight line basis over the estimated useful economic lives (which range from 10 to 19 years).

g Leases

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

h Impairment

The carrying amounts of the Group's assets, other than inventories and deferred tax 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. Receivables with a short term duration are not discounted. The recoverable amounts of other assets are the greater of their fair value less the costs to sell and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present values using appropriate pre-tax discount rates. Impairment losses are recognised when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, with impairment losses being recognised in the income statement.

i Inventories

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

j Cash and cash equivalents

Cash and cash equivalents comprise cash balances, bank overdrafts and short term deposits with maturities of three months or less from the date the deposit is made.

2 Accounting policies continued

k Trade and other receivables
Trade and other receivables are stated at cost less any impairment losses. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Receivables with a short term duration are not discounted.

l Trade and other payables
Trade and other payables are stated at cost. Payables with a short term duration are not discounted.

m Income tax
Income tax in the income statement comprises current and deferred tax. Income tax is recognised in the income statement except when it relates to items reflected in equity when it is recognised in equity.

Current tax reflects tax payable on taxable income for the year using rates enacted or substantively enacted at the balance sheet date and any adjustments in respect of prior years.

Deferred tax is provided using the balance sheet liability method providing for temporary differences arising between tax bases and carrying amounts in the consolidated financial statements. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by 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 forseeable future. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which any asset can be utilised.

n Revenue
The Group is engaged in the delivery of goods to customers. Revenue from a sale is recognised in the income statement upon delivery of the relevant goods, which is the point in time at which the significant risks and rewards of ownership of the goods are transferred.

Revenue is valued at invoiced amount, excluding sales taxes, less estimated provisions for returns and trade discounts where relevant.

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

o Employee benefits
(i) Defined contribution pension schemes
Obligations for contributions to defined contribution pension schemes are charged as an expense to the income statement as incurred.

(ii) Defined benefit pension schemes
Pension liabilities are recognised in the consolidated balance sheet and represent the difference between the fair value of scheme assets and the present value of scheme liabilities. Scheme liabilities are determined on an actuarial basis using the projected unit method and discounted using the rate applicable to AA rated corporate bonds that have a similar maturity to the scheme liabilities.

Current service cost, past service cost/credit and gains and losses on any settlements and curtailments are credited or charged to the income statement. Past service cost is recognised immediately to the extent benefits are already vested or is otherwise amortised on a straight line basis over the average period until the benefits are vested. The unwinding of the discount on scheme liabilities is recognised within finance cost and the expected return on scheme assets generated during the year is included within finance income.

Actuarial gains and losses are recognised in full in the consolidated statement of comprehensive income.

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

2 Accounting policies continued

q Share based payments

The Group operates equity settled and cash settled share based compensation plans. As permitted by IFRS 1, on transition to IFRS the Group elected not to apply IFRS 2 'Share-based Payment' to equity instruments granted on or before 7 November 2002. For equity settled plans 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. For cash settled plans the total expected expense is based on the fair value of options, determined at the appropriate balance sheet date, and is remeasured at each balance sheet date thereafter with a corresponding credit recognised as a liability. The amount recognised as an expense is adjusted to reflect the actual number of options that vest except where forfeiture is due only to not achieving the non-market conditions for vesting. Details of these plans are outlined in Note 16 and the Directors' remuneration report.

r Provisions

Provisions are recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and where it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting the Group's obligations under the contract.

s Net debt

Net debt is defined as interest bearing loans and borrowings and fair values of interest rate swaps on fixed interest rate borrowings, less cash and cash equivalents.

t Dividends

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

Critical accounting judgements and estimates

The following provides information on those policies that management considers critical because of the level of judgement and estimation required which often involves assumptions regarding future events which can vary from what is anticipated. The directors review the judgements and estimates on an ongoing basis with revisions to accounting estimates recognised in the period in which the estimates are revised and in any future periods affected. The directors believe that the consolidated financial statements reflect appropriate judgements and estimates and provide a true and fair view of the Group's performance and financial position.

a Pension benefits

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

Further details about the assumptions used are set out in Note 20.

b Intangible assets

IFRS 3 requires the identification of acquired intangible assets as part of a business combination. The methods used to value such intangible assets require the use of estimates. Future results are impacted by the amortisation periods adopted and changes to the estimated useful lives would result in different effects on the income statement.

Goodwill is tested annually for impairment. Tests for impairment are based on discounted cash flows and assumptions (including discount rates, timing and growth prospects) which are inherently subjective.

c Revenue recognition

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

2 Accounting policies continued

d Acquisitions
Acquisitions are accounted for using the purchase method based on the fair value of the consideration paid. Assets and liabilities are measured at fair value and the purchase price is allocated to assets and liabilities based on these fair values.

Determining the fair values of assets and liabilities acquired involves the use of significant estimates and assumptions (including discount rates, asset lives and recoverability). Assets and liabilities are measured at fair value and the value of freehold properties is typically determined by qualified valuers on an open market basis.

Management believes that estimates made in previous years have been materially accurate as any changes made in the allocation period following acquisition to finalise provisional fair value adjustments made in the year of acquisition have not been material.

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

New accounting standards and interpretations

i) Revisions to IFRS adopted in 2009

- IAS 1 (revised) 'Presentation of Financial Statements' has been adopted during the year. The adoption of this standard has resulted in some presentational changes to the primary financial statements which have had no impact on the reported net result or financial position of the Group.

- IFRS 7 'Financial Instruments: Disclosures' has been amended requiring additional disclosures relating to fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value.

- IFRS 8 'Operating Segments' has been adopted during the year. The Group is managed through four business areas based on geographic regions which represent the reporting segments under IFRS 8. Each of these business areas supplies a range of products to customers operating primarily in the foodservice, grocery, cleaning & safety, non-food retail and healthcare markets. The performance of the four business areas is assessed by reference to operating profit before intangible amortisation and this measure also represents the segment results for the purposes of reporting in accordance with IFRS 8. Accordingly, on the adoption of IFRS 8, no changes were required to be made to any segment's revenue or results previously presented in accordance with IAS 14 'Segment Reporting'.

ii) Revisions to IFRS not applicable in 2009

- IFRS 3 (revised) 'Business Combinations' is effective for the year ending 31 December 2010. The Group engages various external advisers to assist with the execution of acquisitions, including services relating to pre-acquisition due diligence. To date such direct costs have been included as a cost of acquisition. On adoption of IFRS 3 (revised), such costs will in future be charged as an expense to the income statement as incurred. Contingent consideration will be recognised and measured at fair value at the acquisition date and subsequent changes in the fair value of contingent consideration will be recognised in the income statement rather than by adjusting goodwill. These are considered to be the major changes to the accounting treatment currently adopted by the Group in relation to acquisitions. The impact on the consolidated financial statements will depend on the number, size and complexity of acquisitions completed in the relevant period.

The implications of adopting IFRIC 14 and amendments to IAS 10 are disclosed in the Basis of preparation on page 14.

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

3 Segment analysis

Year ended 31 December 2009	North America £m	UK & Ireland £m	Continental Europe £m	Rest of the World £m	Corporate £m	Total £m
Revenue	**2,454.1**	**1,068.4**	**910.2**	**216.0**		**4,648.7**
Operating profit/(loss) before intangible amortisation	**155.3**	**57.8**	**81.7**	**17.0**	**(16.1)**	**295.7**
Intangible amortisation	**(7.3)**	**(7.9)**	**(23.2)**	**(3.4)**	**–**	**(41.8)**
Operating profit/(loss)	**148.0**	**49.9**	**58.5**	**13.6**	**(16.1)**	**253.9**
Finance income						**16.8**
Finance cost						**(54.7)**
Profit before income tax						**216.0**
Profit before income tax and intangible amortisation						**257.8**
Income tax						**(67.1)**
Profit for the year						**148.9**
Capital expenditure	**6.1**	**7.1**	**9.2**	**1.4**	**0.1**	**23.9**
Depreciation	**6.4**	**8.6**	**6.8**	**1.5**	**0.2**	**23.5**

Year ended 31 December 2008	North America £m	UK & Ireland £m	Continental Europe £m	Rest of the World £m	Corporate £m	Total £m
Revenue	2,055.1	1,100.0	822.8	199.4		4,177.3
Operating profit/(loss) before intangible amortisation	134.0	78.0	67.2	17.6	(16.3)	280.5
Intangible amortisation	(6.3)	(7.3)	(19.6)	(2.8)	–	(36.0)
Operating profit/(loss)	127.7	70.7	47.6	14.8	(16.3)	244.5
Finance income						27.6
Finance cost						(65.2)
Profit before income tax						206.9
Profit before income tax and intangible amortisation						242.9
Income tax						(64.7)
Profit for the year						142.2
Capital expenditure	5.2	9.3	3.9	1.5	1.0	20.9
Depreciation	5.6	7.7	5.0	1.2	0.2	19.7

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

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

Revenue by market	2009 £m	2008 £m
Foodservice	**1,383.2**	1,378.5
Grocery	**1,358.7**	1,044.3
Cleaning & safety	**982.9**	793.7
Non-food retail	**369.6**	334.2
Healthcare	**328.7**	292.4
Other	**225.6**	334.2
	4,648.7	4,177.3

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

3 Segment analysis continued

At 31 December 2009	North America £m	UK & Ireland £m	Continental Europe £m	Rest of the World £m	Unallocated £m	Total £m
Segment assets	**722.9**	**700.3**	**812.3**	**157.1**		**2,392.6**
Unallocated assets					**115.5**	**115.5**
Total assets	**722.9**	**700.3**	**812.3**	**157.1**	**115.5**	**2,508.1**
Segment liabilities	**271.1**	**243.5**	**218.5**	**35.1**		**768.2**
Unallocated liabilities					**1,065.8**	**1,065.8**
Total liabilities	**271.1**	**243.5**	**218.5**	**35.1**	**1,065.8**	**1,834.0**

At 31 December 2008	North America £m	UK & Ireland £m	Continental Europe £m	Rest of the World £m	Unallocated* £m	Total* £m
Segment assets	778.1	754.9	936.7	141.4		2,611.1
Unallocated assets					143.9	143.9
Total assets	778.1	754.9	936.7	141.4	143.9	2,755.0
Segment liabilities	294.0	265.0	255.9	35.9		850.8
Unallocated liabilities					1,275.0	1,275.0
Total liabilities	294.0	265.0	255.9	35.9	1,275.0	2,125.8

*Restated on adoption of IFRIC 14 and amendments to IAS 10.

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

4 Analysis of operating income and expenses

	2009 £m	2008 £m
Purchase of goods and changes in inventories	**3,525.4**	3,128.9
Employee costs (see Note 21)	**458.6**	422.1
Depreciation of property, plant and equipment	**23.5**	19.7
Amortisation of intangible fixed assets	**41.8**	36.0
Loss/(profit) on disposal of property, plant and equipment	**0.3**	(2.4)
Net foreign exchange losses	**0.2**	0.1
Rentals payable under operating leases and subleases	**84.3**	73.3
Lease and sublease income	**(1.4)**	(1.8)
Other operating expenses	**262.1**	256.9
Net operating expenses	**4,394.8**	3,932.8

		2009			2008	
Analysis of auditors' remuneration	**UK £m**	**Overseas £m**	**Total £m**	UK £m	Overseas £m	Total £m
Audit of the Company's financial statements	**0.3**	**–**	**0.3**	0.3	–	0.3
Audit of the Company's subsidiaries pursuant to legislation	**0.4**	**1.3**	**1.7**	0.4	1.2	1.6
Other services supplied pursuant to legislation	**0.1**	**–**	**0.1**	0.1	–	0.1
Tax services	**0.5**	**0.2**	**0.7**	0.4	0.3	0.7
Pre-acquisition due diligence	**–**	**0.3**	**0.3**	0.1	0.5	0.6
Other	**–**	**–**	**–**	0.1	–	0.1
Total remuneration	**1.3**	**1.8**	**3.1**	1.4	2.0	3.4

Management believes that, given the Group's auditors' detailed knowledge of the Group's operations, its structure and accounting policies and the importance of carrying out tax services and detailed pre-acquisition due diligence, it is often appropriate for this additional work to be undertaken by the Group's auditors rather than another firm of accountants.

The Audit Committee, which consists entirely of independent non-executive directors, reviews and approves the level and type of non-audit work which the 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 section of the Corporate governance report.

5 Finance income/(cost)

	2009 £m	2008 £m
Deposits	**0.9**	1.2
Interest income from foreign exchange contracts	**0.8**	5.4
Expected return on pension scheme assets	**14.7**	17.1
Other finance income	**0.4**	3.9
Finance income	**16.8**	27.6
Loans and overdrafts	**(36.1)**	(43.4)
Interest expense from foreign exchange contracts	**(2.4)**	(5.5)
Interest charge on pension scheme liabilities	**(15.2)**	(14.2)
Fair value gain/(loss) on US dollar bonds in a hedge relationship	**8.7**	(36.6)
Fair value (loss)/gain on interest rate swaps in a hedge relationship	**(8.7)**	36.6
Foreign exchange (loss)/gain on intercompany funding	**(31.9)**	79.5
Foreign exchange gain/(loss) on external debt not in a hedge relationship	**32.7**	(80.2)
Other finance expense	**(1.8)**	(1.4)
Finance cost	**(54.7)**	(65.2)

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

6 Income tax

A tax charge of 30.5% (2008: 30.8%) on the profit on underlying operations excluding the impact of intangible amortisation of £41.8m (2008: £36.0m) and related deferred tax of £11.6m (2008: £10.0m) has been provided. Including the impact of intangible amortisation and related deferred tax, the overall rate is 31.1% (2008: 31.3%).

	2009 £m	2008 £m
Current tax on profit		
current year	**164.3**	73.1
prior years	**(0.9)**	(8.9)
double tax relief	**(76.4)**	(0.5)
	87.0	63.7
Deferred tax on profit		
current year	**(10.5)**	1.3
prior years	**(9.4)**	(0.3)
	(19.9)	1.0
Income tax on profit	**67.1**	64.7

Tax on other comprehensive income and equity	**Gross 2009 £m**	**Tax credit/ (charge) 2009 £m**	**Net 2009 £m**	Gross* 2008 £m	Tax credit/ (charge) 2008 £m	Net 2008 £m
Actuarial loss on pension schemes	**(19.3)**	**5.0**	**(14.3)**	(32.7)	9.7	(23.0)
Movement in pension schemes' minimum funding liabilities	**5.5**	**(1.5)**	**4.0**	12.6	(3.6)	9.0
Foreign currency translation differences for foreign operations	**(55.4)**	**–**	**(55.4)**	186.4	–	186.4
Gain/(loss) taken to equity as a result of designated effective net investment hedges	**8.9**	**3.2**	**12.1**	(120.6)	20.7	(99.9)
Loss recognised in cash flow hedge reserve	**(6.3)**	**1.1**	**(5.2)**	(4.3)	–	(4.3)
Movement from cash flow hedge reserve to income statement	**7.5**	**–**	**7.5**	0.5	–	0.5
Other comprehensive income	**(59.1)**	**7.8**	**(51.3)**	41.9	26.8	68.7
Dividends	**(65.9)**	**–**	**(65.9)**	(59.9)	–	(59.9)
Issue of share capital	**5.5**	**–**	**5.5**	2.2	–	2.2
Employee trust shares	**2.8**	**–**	**2.8**	(7.7)	–	(7.7)
Share based payments	**3.2**	**1.7**	**4.9**	3.7	(1.8)	1.9
Other comprehensive income and equity	**(113.5)**	**9.5**	**(104.0)**	(19.8)	25.0	5.2

*Restated for amendments to IAS 10.

6 Income tax continued

Factors affecting tax charge for the year

The Group operates in many countries and is subject to income tax in many different jurisdictions. The expected tax rate is calculated as a weighted average of the tax rates in the tax jurisdictions in which it operates. The adjustments to the tax charge at the weighted average rate to determine the income tax on profit are as follows:

	2009 £m	2008 £m
Profit before income tax	**216.0**	206.9
Tax charge at weighted average rate (2009: 35.1%; 2008: 34.1%)	**75.8**	70.5
Effects of:		
adjustment in respect of prior years	**(10.3)**	(9.2)
non-deductible/non-taxable items	**1.2**	3.1
tax losses not recognised	**0.4**	0.3
Income tax on profit	**67.1**	64.7

Deferred tax in the income statement	**2009 £m**	2008 £m
Accelerated capital allowances	**(0.9)**	(0.5)
Pension liabilities	**1.8**	1.8
Intangible assets	**(11.6)**	(10.0)
Share based payments	**(0.1)**	0.7
Provisions	**(7.4)**	3.3
Other	**(1.7)**	5.7
Deferred tax on profit	**(19.9)**	1.0

7 Earnings per share

	2009 £m	2008 £m
Profit for the year	**148.9**	142.2
Adjustment	**30.2**	26.0
Adjusted profit*	**179.1**	168.2
Basic weighted average ordinary shares in issue (million)	**320.5**	319.4
Dilutive effect of employee share plans (million)	**0.9**	1.2
Diluted weighted average ordinary shares (million)	**321.4**	320.6
Basic earnings per share	**46.4p**	44.5p
Adjustment	**9.5p**	8.2p
Adjusted earnings per share*	**55.9p**	52.7p
Diluted basic earnings per share	**46.3p**	44.4p
Adjustment	**9.4p**	8.1p
Adjusted diluted earnings per share*	**55.7p**	52.5p

*Adjusted profit, adjusted earnings per share and adjusted diluted earnings per share exclude the charge for intangible amortisation and the related deferred tax. This adjustment removes a non-cash charge which is not taken into account by management when assessing the underlying performance of the businesses.

8 Property, plant and equipment

2009	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
Cost				
Beginning of year	**64.7**	**89.2**	**83.0**	**236.9**
Acquisitions	**–**	**0.1**	**0.1**	**0.2**
Additions	**1.9**	**11.3**	**10.7**	**23.9**
Disposals	**(1.6)**	**(5.3)**	**(4.5)**	**(11.4)**
Currency translation	**(3.3)**	**(3.9)**	**(3.7)**	**(10.9)**
End of year	**61.7**	**91.4**	**85.6**	**238.7**
Depreciation				
Beginning of year	**20.2**	**50.8**	**54.6**	**125.6**
Charge in year	**2.3**	**11.5**	**9.7**	**23.5**
Disposals	**(1.0)**	**(4.6)**	**(2.5)**	**(8.1)**
Currency translation	**(1.3)**	**(1.6)**	**(2.2)**	**(5.1)**
End of year	**20.2**	**56.1**	**59.6**	**135.9**
Net book value at 31 December 2009	**41.5**	**35.3**	**26.0**	**102.8**

2008	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
Cost				
Beginning of year	54.2	63.9	65.5	183.6
Acquisitions	1.3	1.9	1.8	5.0
Additions	1.9	11.9	7.1	20.9
Disposals	(2.7)	(3.4)	(2.4)	(8.5)
Currency translation	10.0	14.9	11.0	35.9
End of year	64.7	89.2	83.0	236.9
Depreciation				
Beginning of year	14.7	35.5	42.4	92.6
Charge in year	2.4	9.2	8.1	19.7
Disposals	–	(3.0)	(2.2)	(5.2)
Currency translation	3.1	9.1	6.3	18.5
End of year	20.2	50.8	54.6	125.6
Net book value at 31 December 2008	44.5	38.4	28.4	111.3
Net book value at 1 January 2008	39.5	28.4	23.1	91.0

The net book value of property, plant and equipment includes assets held under finance leases and hire purchase contracts totalling £11.0m (2008: £9.4m). Accumulated depreciation of these assets was £3.8m (2008: £3.6m). Future capital expenditure at 31 December 2009 consisted of commitments not provided for of £0.3m (2008: £1.4m).

9 Intangible assets

Goodwill	2009 £m	2008 £m
Beginning of year	**785.9**	606.6
Acquisitions	**0.4**	62.3
Deferred consideration	**(2.1)**	–
Currency translation	**(34.8)**	117.0
End of year	**749.4**	785.9

Customer relationships	2009 £m	2008 £m
Cost		
Beginning of year	**646.7**	452.0
Acquisitions	**3.3**	68.2
Currency translation	**(39.1)**	126.5
End of year	**610.9**	646.7
Amortisation		
Beginning of year	**131.3**	68.3
Charge in year	**41.8**	36.0
Currency translation	**(9.4)**	27.0
End of year	**163.7**	131.3
Net book value at 31 December	**447.2**	515.4
Total net book value of intangible assets at 31 December	**1,196.6**	1,301.3

Both goodwill and customer relationships have been acquired as part of business combinations. Customer relationships are amortised over their estimated useful lives which range from 10 to 19 years.

Impairment tests
The carrying amount of goodwill is allocated across cash generating units ('CGUs').

A description of the Group's principal activities is set out in the Directors' report on page 1. There is no significant difference in the nature of activities across different geographies. The identification of CGUs reflects the way in which the business is managed on a geographical basis. Given the similar nature of the activities of each CGU, a consistent methodology is applied across the Group in assessing CGU recoverable amounts. The recoverable amount is the higher of the value in use and the fair value less the costs to sell. The value in use is the present value of the cash flows expected to be generated by the CGU over a projection period together with a terminal value. The projection period is the time period over which future cash flows are predicted. The Group's methodology is to use a projection period of five years being the maximum period over which detailed future cash flows for each CGU are prepared. For periods after this five year period, the methodology applies a long term growth rate to derive a terminal value. Cash flow expectations exclude any future cash flows that may arise from restructuring or other enhancements to the cash generating activities of the CGU and reflect management's expectations of the range of economic conditions that may exist over the projection period.

The value in use calculations are principally sensitive to revenue growth, achievability of future margins, any significant changes to the customer base and the discount rate used in the present value calculation. The information used for valuation purposes takes into consideration past experience and the current economic environment with regard to customer attrition rates and additions to the customer base, the ability to introduce price increases and new products and experience in controlling the underlying cost base. This provides a long term growth rate consistent with the geographic segments in which the Group operates, together with management's assessment of future operating performance and market share movements. The growth rate has been calculated based principally on current inflation rates of the relevant economies.

At 31 December 2009 two CGUs, Groupe Pierre Le Goff ('GPLG') and North America, carried a significant amount of goodwill in comparison with the total value of the Group's goodwill. The carrying value of goodwill in respect of GPLG at 31 December 2009 was £124.0m (2008: £136.1m). The carrying value of goodwill in respect of North America at 31 December 2009 was £176.6m (2008: £179.1m). At 31 December 2009 the aggregate amount of goodwill attributable to the Group's CGUs, excluding GPLG and North America, was £448.8m (2008: £470.7m).

The weighted average growth rate used in 2009 was 2.5% (2008: 2.0%). A discount rate of 8% (2008: 9%) has been applied to the value in use calculations representing a pre-tax rate reflecting market assessments of the time value of money at the balance sheet date. These key assumptions have been used for the two largest CGUs (GPLG and North America). Similar assumptions have been applied to the other CGUs but where appropriate the directors have considered alternative market risk assumptions to reflect the specific conditions arising in individual countries (with discount rates ranging from 8%-12%).

9 Intangible assets continued

Management has also considered the key sensitivities that impact future cash flows. The key assumption on which value in use calculations are dependent relates to the underlying customer base. In particular the assumptions are 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 considers that it is unlikely that a change in key assumptions would result in impairment, as it is reasonable to assume that there will not be a major deterioration in the customer base over the projection period which will significantly impact future cash flows. Should such a change occur, this would represent a triggering event to indicate that an impairment review may be necessary. In accordance with IAS 36 'Impairment of Assets', a full impairment review would then be undertaken on the relevant assets within the CGU. Any such changes are monitored through normal monthly procedures.

10 Inventories

	2009 £m	2008 £m
Finished goods and goods for resale	**429.3**	490.6

£3.2m was written off inventories during the year (2008: £3.4m) due to obsolescence or damage. The inventories provision at 31 December 2009 was £49.5m (2008: £49.4m).

11 Trade and other receivables

	2009 £m	2008 £m
Trade receivables	**553.3**	576.2
Prepayments and other receivables	**124.6**	148.6
	677.9	724.8

The ageing of trade receivables at 31 December was:

	Gross 2009 £m	**Provision 2009 £m**	Gross 2008 £m	Provision 2008 £m
Current	**424.0**	**1.9**	422.3	3.0
0–30 days overdue	**108.6**	**0.8**	111.3	0.2
31–90 days overdue	**25.0**	**1.6**	48.5	3.2
Over 90 days overdue	**14.1**	**14.1**	16.1	15.6
	571.7	**18.4**	598.2	22.0

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

	2009 £m	2008 £m
Beginning of year	**22.0**	15.4
Acquisitions	**–**	2.0
Charge	**2.1**	4.0
Utilised	**(4.6)**	(2.0)
Currency translation	**(1.1)**	2.6
End of year	**18.4**	22.0

Based on historic experience and the current economic environment, the Group believes that no additional provisions for doubtful debts in respect of trade receivables either current or overdue are required.

12 Trade and other payables – current

	2009 £m	2008* £m
Trade payables	**558.2**	609.9
Other tax and social security contributions	**19.7**	20.6
Other payables	**71.8**	78.5
Accruals and deferred income	**94.7**	104.3
	744.4	813.3

*Restated for amendments to IAS 10.

13 Risk management and financial instruments

Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group monitors the return on average capital employed as well as the level of total shareholders' equity and the amount of dividends paid to ordinary shareholders. For the year ended 31 December 2009, the return on average capital employed was 54.7% (2008: 57.3%), the level of total shareholders' equity at 31 December 2009 was £674.1m (2008: £629.2m) and the amount of dividends paid in the year ended 31 December 2009 was £62.3m (2008: £59.9m).

The Group funds its operations through a mixture of shareholders' equity and bank and capital market borrowings. All of the borrowings are managed by a central treasury function and funds raised are lent onward to operating subsidiaries as required. The overall objective is to manage the funding to ensure the Group has a portfolio of competitively priced borrowing facilities to meet the demands of the business over time and, in order to do so, 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 are 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 reviewed by the executive directors. Controls over exposure changes and transaction authenticity are in place.

Hedge accounting

The Group designates derivatives which qualify as hedges for accounting purposes as either (a) a hedge of the fair value of a recognised asset or liability; (b) a hedge of the cash flow risk resulting from changes in interest rates or foreign exchange rates; or (c) a hedge of a net investment in a foreign operation. The accounting treatment for hedges is set out in the financial instruments accounting policy in Note 2.

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

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group continually monitors net debt and forecast cash flows to ensure that sufficient facilities are in place to meet the Group's requirements in the short, medium and long term and, in order to do so, arranges borrowings from a variety of sources. Additionally, compliance with debt covenants is monitored and during 2009 all covenants have been complied with.

The Group has substantial borrowing facilities available to it comprising multi-currency credit facilities from the Group's banks and US dollar and sterling bonds. At 31 December 2009, the total bonds outstanding were £532.7m (2008: £420.7m) with maturities ranging from 2011 to 2019. The bank facilities mature between December 2010 and August 2013. At 31 December 2009 the available bank facilities totalled £780.6m of which £239.5m was drawn down.

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

	2009 £m	2008 £m
Expiring within one year	**160.0**	–
Expiring after one year but within two years	**134.7**	97.6
Expiring after two years	**246.4**	144.5
	541.1	242.1

In addition the Group maintains overdraft and uncommitted facilities to provide short term flexibility.

The contractual maturity profile of the Group's financial assets and liabilities at 31 December is set out below. The amounts disclosed below 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 totalling £25.2m (2008: £44.4m) 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. At 31 December 2009 and 31 December 2008 there were no loans secured by either fixed or floating charges on the Group's assets.

13 Risk management and financial instruments continued

The table below also compares the fair value and carrying amounts for financial assets and liabilities:

2009	Fair value £m	Carrying amount £m	Contractual cash outflows/(inflows): Total contractual cash flows £m	Within one year £m	After one year but within two years £m	After two years but within five years £m	After more than five years £m
Financial (assets)/liabilities at amortised cost:							
Trade receivables	**(553.3)**	**(553.3)**	**(553.3)**	**(553.3)**	**–**	**–**	**–**
Cash and deposits	**(57.9)**	**(57.9)**	**(57.9)**	**(57.9)**	**–**	**–**	**–**
Bank loans	**250.9**	**251.3**	**255.3**	**13.4**	**60.9**	**181.0**	**–**
US dollar and sterling bonds	**339.0**	**322.1**	**466.7**	**22.1**	**22.1**	**96.3**	**326.2**
Bank overdrafts	**14.9**	**14.9**	**14.9**	**14.9**	**–**	**–**	**–**
Other interest bearing loans and borrowings	**1.4**	**1.4**	**1.4**	**1.0**	**–**	**0.1**	**0.3**
Finance lease creditors	**1.0**	**1.0**	**1.0**	**0.8**	**0.2**	**–**	**–**
Trade payables	**558.2**	**558.2**	**558.2**	**558.2**	**–**	**–**	**–**
Other current payables	**91.5**	**91.5**	**91.5**	**91.5**	**–**	**–**	**–**
Non-current payables	**8.0**	**8.0**	**8.0**	**–**	**8.0**	**–**	**–**
	653.7	**637.2**	**785.8**	**90.7**	**91.2**	**277.4**	**326.5**
Financial liabilities/(assets) at fair value:							
US dollar bonds	**204.9**	**210.6**	**228.9**	**10.9**	**60.0**	**158.0**	**–**
Foreign exchange contracts for net investment hedging	**(5.8)**	**(5.8)**	**(5.8)**	**(5.8)**	**–**	**–**	**–**
Foreign exchange contracts for cash flow hedging	**(0.8)**	**(0.8)**	**(0.8)**	**(0.8)**	**–**	**–**	**–**
Interest rate swaps	**(28.2)**	**(28.2)**	**(42.6)**	**(11.3)**	**(10.9)**	**(16.0)**	**(4.4)**
Cross currency interest rate swaps	**10.0**	**10.0**	**11.6**	**0.8**	**0.8**	**6.3**	**3.7**
Interest rate caps	**(0.7)**	**(0.7)**	**–**	**–**	**–**	**–**	**–**
Interest rate collars	**1.9**	**1.9**	**1.9**	**1.9**	**–**	**–**	**–**
	181.3	**187.0**	**193.2**	**(4.3)**	**49.9**	**148.3**	**(0.7)**

2008	Fair value £m	Carrying amount £m	Contractual cash outflows/(inflows): Total contractual cash flows £m	Within one year £m	After one year but within two years £m	After two years but within five years £m	After more than five years £m
Financial (assets)/liabilities at amortised cost:							
Trade receivables	(576.2)	(576.2)	(576.2)	(576.2)	–	–	–
Cash and deposits	(65.6)	(65.6)	(65.6)	(65.6)	–	–	–
Bank loans	546.0	547.7	582.3	29.0	205.9	347.4	–
US dollar and sterling bonds	–	–	–	–	–	–	–
Bank overdrafts	8.1	8.1	8.1	8.1	–	–	–
Other interest bearing loans and borrowings	2.1	2.1	2.1	2.0	0.1	–	–
Finance lease creditors	2.5	2.5	2.5	1.3	1.0	0.2	–
Trade payables	609.9	609.9	609.9	609.9	–	–	–
Other current payables*	99.1	99.1	99.1	99.1	–	–	–
Non-current payables	11.9	11.9	11.9	–	11.9	–	–
	637.8	639.5	674.1	107.6	218.9	347.6	–
Financial liabilities/(assets) at fair value:							
US dollar bonds	368.2	420.7	475.1	54.2	18.9	263.9	138.1
Foreign exchange contracts for net investment hedging	4.3	4.3	4.3	4.3	–	–	–
Foreign exchange contracts for cash flow hedging	(1.5)	(1.5)	(1.5)	(1.5)	–	–	–
Interest rate swaps	(49.1)	(49.1)	(68.3)	(12.3)	(12.3)	(29.2)	(14.5)
Cross currency interest rate swaps	–	–	–	–	–	–	–
Interest rate caps	(0.2)	(0.2)	–	–	–	–	–
Interest rate collars	6.4	6.4	6.2	4.7	1.5	–	–
	328.1	380.6	415.8	49.4	8.1	234.7	123.6

*Restated for amendments to IAS 10.

13 Risk management and financial instruments continued

All financial assets and liabilities stated at fair value in the table above have carrying amounts where the fair value component is a level two fair value measurement. Level two fair value measurements use inputs other than quoted prices that are observable for the relevant asset or liability, either directly or indirectly. The US dollar bonds, included within financial assets and liabilities stated at fair value, have a carrying amount of £210.6m (2008: £420.7m) which includes a fair value measurement related to the risk being hedged. The table above also discloses the fair value of these bonds including all other components of £204.9m (2008: £368.2m).

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

Interest rate risk

The Group is funded by a mixture of fixed and floating rate debt. In addition, interest rate swaps, caps and collars are used to manage the interest rate risk profile. At 31 December 2009, fixed rate debt of £322.1m (2008: £nil) related to fixed US dollar and sterling bonds stated at amortised cost with maturities ranging from 2014 to 2019.

At 31 December 2009 floating rate debt comprised £251.3m of floating rate bank loans (2008: £547.7m) and £210.6m of fixed rate US dollar bonds which have been swapped to floating rates using interest rate swaps (2008: £420.7m). Bank loans are drawn for various periods of up to three months at interest rates linked to LIBOR. The interest rate swaps reprice every three and six months. These interest rate swaps are in fair value hedge relationships with the market risk of the US dollar bonds. These hedges were effective during the year and have therefore had no net impact on the income statement.

The interest rate risk on the floating rate debt is managed using interest rate caps and interest rate collars. Borrowings with a notional principal of £309.7m were capped at 31 December 2009 (2008: £517.6m) and borrowings with a notional principal of £186.3m were collared at 31 December 2009 (2008: £69.4m). Cash flow hedge accounting is applied to the intrinsic value of the interest rate collars. This hedge was effective during the year with a loss of £1.9m (2008: £6.4m) being recognised in equity which will affect the income statement for the year ending 31 December 2010 when the collars mature. Hedge accounting is not applied to the interest rate caps or to the time value of the interest rate collars. The strike rates of these caps and collars are based on US dollar, euro and sterling LIBOR repricing every three months.

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

	Impact on profit before tax		Impact on equity	
	+1% £m	**–1% £m**	**+1% £m**	**–1% £m**
2009	**1.0**	**0.3**	**1.0**	**0.3**
2008	0.8	(0.1)	2.8	(2.2)

Foreign currency risk

During the year ended 31 December 2009 the Group adjusted the currencies of its borrowings to align them more closely to the respective functional currencies of its operating profit before depreciation and intangible amortisation ('EBITDA'). As a result, the majority of the Group's borrowings are effectively denominated in sterling, US dollars and euros. This currency profile is achieved using short term foreign exchange contracts, long term cross currency interest rate swaps and foreign currency debt. This currency composition minimises the impact of foreign exchange rates on the ratio of net debt to EBITDA.

The cross currency interest rate swaps have been used to swap £57.8m of fixed US dollar bonds into fixed sterling bonds (2008: £nil). The cross currency interest rate swaps achieve cash flow hedge accounting for their interest rate risk element. This cash flow hedge was effective during the year with a loss of £2.6m (2008: £nil) being recognised in equity which will affect the income statement from 2010 to 2015.

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

	2009 £m	2008 £m
Sterling	**220.0**	653.2
US dollar	**307.7**	216.6
Euro	**167.4**	(26.4)
Other	**21.7**	27.3
	716.8	870.7

The majority of the Group's transactions are carried out in the respective functional currencies of the Group's operations and so transaction exposures are usually relatively limited. Where they do occur the Group's policy is to hedge significant exposures of firm commitments for a period of up to one year as soon as they are committed using forward foreign exchange contracts and these are designated as cash flow hedges. However, the impact of foreign exchange on the purchase price of products which are bought in one currency relating to uncommitted future sales of those products in another currency is not hedged. As a result sudden and significant movements in foreign exchange rates can impact profit margins where there is a delay in passing on to customers the resulting price increases. For the year ended 31 December 2009 all foreign exchange cash flow hedges were effective with a £0.8m gain recognised in equity (2008: £1.5m) which will affect the income statement during 2010.

13 Risk management and financial instruments continued

The following significant exchange rates applied during the year:

	Average rate		Closing rate	
	2009	2008	**2009**	2008
US dollar	**1.57**	1.85	**1.61**	1.44
Euro	**1.12**	1.26	**1.13**	1.03

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

	Impact on profit before tax		Impact on equity	
	+10% £m	**–10% £m**	**+10% £m**	**–10% £m**
2009	**0.1**	**(0.2)**	**(37.5)**	**41.3**
2008	0.7	(0.8)	(86.3)	94.9

Credit risk

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

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

Dealings are restricted to those banks with the relevant combination of geographic presence and suitable credit rating. The Group continually monitors the credit ratings of its counterparties and the credit exposure to each counterparty.

For trade and other receivables, the amounts represented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment. Note 11 sets out an analysis of trade and other receivables and the provision for doubtful debts in respect of trade receivables.

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

14 Provisions

	2009 £m	2008 £m
Current	**10.3**	13.6
Non-current	**40.7**	50.2
	51.0	63.8

	Properties 2009 £m	**Legal and environmental 2009 £m**	**Total 2009 £m**	Properties 2008 £m	Legal and environmental 2008 £m	Total 2008 £m
Beginning of year	**28.4**	**35.4**	**63.8**	28.7	31.1	59.8
Charge	**2.2**	**3.0**	**5.2**	3.0	1.3	4.3
Acquisitions	**–**	**0.4**	**0.4**	2.5	4.6	7.1
Utilised	**(4.0)**	**(11.5)**	**(15.5)**	(6.8)	(9.3)	(16.1)
Currency translation	**(0.3)**	**(2.6)**	**(2.9)**	1.0	7.7	8.7
End of year	**26.3**	**24.7**	**51.0**	28.4	35.4	63.8

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

14 Provisions continued

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

The Group is a defendant in a number of legal proceedings incidental to its operations. While any litigation has an element of uncertainty, management does not expect that the outcome of such proceedings, either individually or in the aggregate, will have a material adverse effect on the Group's financial condition or results of operations.

15 Deferred tax

			2009			2008*
	Asset £m	**Liability £m**	**Net £m**	Asset £m	Liability £m	Net £m
Accelerated capital allowances	**4.2**	**(5.0)**	**(0.8)**	3.2	(4.4)	(1.2)
Pension liabilities	**18.3**	**–**	**18.3**	17.9	–	17.9
Intangible assets	**–**	**(120.7)**	**(120.7)**	–	(142.1)	(142.1)
Revalued properties	**–**	**(0.9)**	**(0.9)**	0.2	(1.3)	(1.1)
Share based payments	**4.3**	**–**	**4.3**	2.9	–	2.9
Provisions	**21.0**	**–**	**21.0**	22.5	–	22.5
Inventories	**–**	**(8.6)**	**(8.6)**	–	(13.0)	(13.0)
Other	**10.6**	**(20.3)**	**(9.7)**	2.6	(18.3)	(15.7)
Deferred tax asset/(liability)	**58.4**	**(155.5)**	**(97.1)**	49.3	(179.1)	(129.8)
Set-off of tax	**(51.5)**	**51.5**	**–**	(45.0)	45.0	–
Net deferred tax asset/(liability)	**6.9**	**(104.0)**	**(97.1)**	4.3	(134.1)	(129.8)

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

No deferred tax has been recognised on the unremitted earnings of overseas subsidiaries as the parent company ultimately controls the dividend policy of its subsidiaries and, as such, is able to control the timing of the reversal of any associated temporary differences. The Company has determined that either the overseas profits will not be distributed in the foreseeable future or, where there are plans to remit overseas earnings of subsidiaries, it is not expected that such distributions will give rise to a tax liability.

Deferred tax assets in respect of temporary differences have only been recognised in respect of tax losses and other temporary differences where it is probable that these assets will be realised. No deferred tax asset has been recognised in respect of unutilised tax losses of £10.6m (2008: £26.4m). The unutilised tax losses may be carried forward indefinitely.

No deferred tax has been recognised in respect of unutilised capital losses of £96.1m (2008: £95.0m) as it is not considered probable that there will be suitable future taxable profits against which they can be set.

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

	2009 £m	2008* £m
Beginning of year	**129.8**	91.8
Acquisitions	**(0.5)**	14.9
(Credit)/charge to income statement	**(19.9)**	1.0
Credit to equity	**(5.8)**	(6.9)
Other	**2.2**	1.1
Currency translation	**(8.7)**	27.9
End of year	**97.1**	129.8

*Restated on adoption of IFRIC 14.

16 Share capital and share based payments

	2009 £m	2008 £m
Issued and fully paid ordinary shares of 32$\frac{1}{7}$p each	**113.0**	112.6

Number of ordinary shares in issue and fully paid		
Beginning of year	**350,397,756**	349,834,697
Issued – scrip dividend	**705,554**	–
Issued – option exercises	**406,018**	563,059
End of year	**351,509,328**	350,397,756

The Company operates the following share plans for the benefit of employees of the Company and its subsidiaries relating to the acquisition of shares in the Company. Further details of the share plans operated by the Company are set out in the Directors' remuneration report.

Sharesave Scheme (2001) ('Sharesave Scheme')
The Sharesave Scheme, approved by shareholders at the 2001 Annual General Meeting, is approved by HM Revenue & Customs in the UK and is open to all UK employees, including the UK based executive directors, who have completed at least three months of continuous service. It is linked to a contract for monthly savings of up to £250 per month over a period of either three or five years. Under the Sharesave Scheme options are granted to participating employees at a discount of up to 20% of the market price prevailing on the day immediately preceding the date of invitation to apply for the option. Options are normally exercisable either three or five years after they have been granted.

International Sharesave Plan
The International Sharesave Plan was introduced following the approval of the Sharesave Scheme by shareholders. It operates on a similar basis to the Sharesave Scheme save that it is linked to a contract for monthly savings of approximately £250 per month (or equivalent in other currencies) over a period of three years and options are granted to participating employees at a discount of up to 20% of the market price prevailing shortly before the date of invitation to apply for the option.

Irish Sharesave Plan
The Irish Sharesave Plan was also introduced following the approval of the Sharesave Scheme by shareholders. It is approved by the Irish Revenue Commissioners and operates on a similar basis to the Sharesave Scheme as described above except that it is linked to a contract for monthly savings of the euro equivalent of approximately £250 per month over a period of three years and options are granted to participating employees at a discount of up to 20% of the market price prevailing shortly before the date of invitation to apply for the option.

1994 Executive Share Option Scheme ('1994 Scheme')
The 1994 Scheme was approved by shareholders at the 1994 Annual General Meeting. No further options have been granted under the 1994 Scheme since it expired in May 2004. A performance condition, based on the Company's adjusted earnings per share growth relative to UK inflation over three years, had to be satisfied before options would normally be exercisable. All such performance conditions relating to options granted under the 1994 Scheme have been satisified. Following the deregistration of the Company's American Depositary Shares ('ADSs') from the Securities and Exchange Commission during 2007, all options granted under the 1994 Scheme to US resident participants (with the exception of Mr P L Larmon) have been settled in cash (rather than through the delivery of shares) based upon the market value of the Company's ordinary shares at the time the relevant options were exercised. As a result of this change, options granted to US resident participants (with the exception of Mr P L Larmon) are now accounted for as cash settled share based payment transactions. All other terms of options granted previously to US resident participants remain unchanged.

Long Term Incentive Plan ('LTIP')
The LTIP was approved by shareholders at the 2004 Annual General Meeting and replaced the 1994 Scheme. The LTIP is divided into two parts.

Part A allows the Board to grant share options. In normal circumstances options granted are only exercisable if the relevant performance condition has been satisfied. Share options granted to date have a performance condition attached based on the Company's adjusted earnings per share growth relative to UK inflation over three years. Following the deregistration of the Company's ADSs from the Securities and Exchange Commission during 2007, all options granted under Part A of the LTIP to US resident participants (with the exception of Mr P L Larmon) have been settled in cash (rather than through the delivery of shares) based upon the market value of the Company's ordinary shares at the time the relevant options were exercised. As a result of this change, options granted to US resident participants (with the exception of Mr P L Larmon) are now accounted for as cash settled share based payment transactions. All other terms of options granted previously to US resident participants remain unchanged.

Part B of the LTIP allows the Board to award performance shares which is a conditional right to receive shares in the Company for nil consideration. A performance share award will normally vest (i.e. become exercisable) on the third anniversary of its grant to the extent that the applicable performance condition has been satisfied. The extent to which performance share awards granted prior to 2007 will vest will normally be subject to the Company's total shareholder return ('TSR') performance over a three year period relative to the TSR performance of a specified peer group of companies. The extent to which performance share awards granted thereafter will vest will normally be partly subject to the Company's TSR performance and partly subject to the Company's adjusted earnings per share growth relative to UK inflation over three years.

16 Share capital and share based payments continued

Investment in own shares

The Company holds a number of its ordinary shares in an employee benefit trust. The principal purpose of this trust is to hold shares in the Company for subsequent transfer to certain senior employees and executive directors relating to options granted and awards made in respect of market purchase shares under the 1994 Scheme, the LTIP and the Deferred Annual Share Bonus Scheme ('DASBS'). Details of such plans are set out above and in the Directors' remuneration report. The assets, liabilities and expenditure of the trust have been incorporated in the consolidated financial statements. Finance costs and administration charges are included in the income statement on an accruals basis. At 31 December 2009 the trust held 6,502,865 (2008: 7,702,215) shares, upon which dividends have been waived, with an aggregate nominal value of £2.1m (2008: £2.5m) and market value of £43.9m (2008: £45.4m). At 31 December 2009, 23,325,000 (2008: 23,325,000) shares with an aggregate nominal value of £7.5m (2008: £7.5m) and market value of £157.4m (2008: £137.6m) were held in treasury.

IFRS 2 disclosures

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

	2009	2008
Grant date	**26.02.09–02.10.09**	28.02.08–21.10.08
Share price at grant date (£)	**4.92–6.52**	5.99–7.21
Exercise price (£)	**nil–5.86**	nil–7.22
Options granted during the year (shares)	**4,702,399**	4,322,143
Vesting period (years)	**3–5**	3–6
Expected volatility (%)	**21–25**	19–22
Option life (years)	**3–10**	3–10
Expected life (years)	**3.0–6.4**	3.0–6.5
Risk free rate of return (%)	**1.8–3.0**	4.0–4.8
Expected dividends expressed as a dividend yield (%)	**3.2–4.2**	2.6–3.0
Fair value per option (£)	**0.37–2.21**	0.64–2.32

The expected volatility is based on historical volatility over the last three to five 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 £5.80 (2008: £6.61). The total Group charge for the year relating to share based payments was £6.0m (2008: £2.3m), comprising a charge of £3.2m relating to equity settled plans (2008: £3.7m) and a charge of £2.8m relating to cash settled plans (2008: £1.4m credit). After deferred tax the total Group charge was £7.7m (2008: £5.8m). At 31 December 2009 the Group recognised a liability of £5.3m in relation to cash settled plans (2008: £3.0m). The intrinsic value at 31 December 2009 in respect of vested options accounted for as cash settled plans was £4.4m (2008: £2.4m).

Details of share options and awards which have been granted and exercised, those which have lapsed during 2009 and those outstanding and available to exercise at 31 December 2009, in each case in respect of all options and awards, whether over new issue or market purchase shares or cash settled, under the Sharesave Scheme, International Sharesave Plan, Irish Sharesave Plan, 1994 Scheme and LTIP Part A and Part B are set out in the following table:

	Options outstanding at 01.01.09	Grants/awards 2009		Exercises 2009		Lapses* 2009	Options outstanding at 31.12.09		Options available to exercise at 31.12.09
	Number	Number	Price (p)	Number	Price (p)	Number	Number	Price (p)	Number
Sharesave Scheme	1,058,594	599,436	452	334,973	347–578	217,185	1,105,872	347–578	17,157
International Sharesave Plan	163,129	84,663	452	16,892	512	75,705	155,195	452–578	2,009
Irish Sharesave Plan	40,298	32,934	452	5,076	512	24,416	43,740	452–578	–
1994 Scheme	1,814,068	–	–	317,766	328–482	–	1,496,302	372–482	1,496,302
LTIP Part A	11,415,026	3,274,075	541–586	412,884	429–653	747,211	13,529,006	429–722	4,765,827
LTIP Part B	1,839,544	711,291	nil	452,642	nil	132,844	1,965,349	nil	7,558
	16,330,659	**4,702,399**		**1,540,233**		**1,197,361**	**18,295,464**		**6,288,853**

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

16 Share capital and share based payments continued

	Weighted average fair value of options granted (£)	Weighted average remaining contractual life (years)
Sharesave Scheme	0.48	2.83
International Sharesave Plan	0.43	2.25
Irish Sharesave Plan	0.43	2.25
LTIP Part A	0.61	2.64
LTIP Part B	1.72	2.48

The outstanding options and awards are exercisable at various dates up to September 2019.

17 Dividends

	2009 £m	2008* £m
2007 interim		18.6
2007 final		41.3
2008 interim	**20.6**	
2008 final	**45.3**	
Total	**65.9**	59.9

*Restated for amendments to IAS 10.

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

	Per share	
	2009	2008
Interim	**6.65p**	6.45p
Final	**14.90p**	14.15p
Total	**21.55p**	20.60p

The 2009 interim dividend of 6.65p per share was paid on 4 January 2010 and comprised £20.2m of cash and £1.2m of scrip shares.

The 2009 final dividend of 14.9p per share will be paid on 1 July 2010 to shareholders on the register at the close of business on 7 May 2010.

18 Contingent liabilities

	2009 £m	2008 £m
Bank guarantees	**0.7**	0.1

19 Directors' ordinary share interests

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

	2009	2008
M J Roney	**225,660**	171,481
J F Harris	**5,144**	5,144
C A Banks	**7,707**	7,500
U Wolters	**5,000**	5,000
P L Larmon	**90,388**	65,487
B M May	**88,195**	66,579
P W Johnson	**3,708**	3,135
D J R Sleath	**4,000**	4,000
	429,802	328,326

Details of directors' options over ordinary shares and awards made under the 1994 Scheme, the LTIP and the DASBS are set out in the Directors' remuneration report. Since 31 December 2009 Mr C A Banks, Mr P L Larmon and Mr P W Johnson have acquired interests in 79, 805 and 33 ordinary shares respectively as a result of their electing to participate in the scrip dividend scheme in respect of the interim dividend which was paid on 4 January 2010 and Mr P L Larmon has acquired an interest in 1,277 ordinary shares pursuant to the Company's US Stock Purchase Plan and scrip dividend scheme. No other changes to the directors' ordinary share interests shown in this note and the Directors' remuneration report have taken place between 31 December 2009 and 22 February 2010.

20 Pensions
The Group operates both defined benefit and defined contribution pension schemes. The funds of the principal schemes are administered by trustees and are held independently from the Group. Pension costs of defined benefit schemes are assessed in accordance with the advice of independent professionally qualified actuaries. Full triennial actuarial valuations were carried out on the UK defined benefit schemes in April 2009 and annual actuarial valuations are performed on the principal US defined benefit schemes. The valuation of the UK defined benefit schemes has been updated to 31 December 2009 by the Group's actuaries. Contributions to all schemes are determined in line with actuarial advice and local conditions and practices. Scheme assets for the purpose of IAS 19 are stated at their bid value.

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

Amounts included in net operating expenses	2009 £m	2008 £m
Defined contribution schemes	**8.5**	7.1
Defined benefit schemes		
current service cost	**4.8**	5.1
past service cost	**0.1**	0.1
Total operating charge	**13.4**	12.3
Amounts included in finance (income)/cost		
Expected return on scheme assets	**(14.7)**	(17.1)
Interest charge on scheme liabilities	**15.2**	14.2
Net financial charge/(return)	**0.5**	(2.9)
Total charge	**13.9**	9.4

Amounts recognised in the statement of comprehensive income	2009 £m	2008* £m
Actual return less expected return on scheme assets	**9.2**	(62.8)
Experience gain on scheme liabilities	**1.2**	2.2
Impact of changes in assumptions relating to the present value of scheme liabilities	**(29.7)**	27.9
Actuarial loss on pension schemes	**(19.3)**	(32.7)
Movement in pension schemes' minimum funding liabilities	**5.5**	12.6
	(13.8)	(20.1)

*Restated on adoption of IFRIC 14.

The cumulative amount of actuarial losses arising since 1 January 2004 recognised in the statement of comprehensive income at 31 December 2009 was £64.9m (2008: £51.1m).

20 Pensions continued

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

Europe	2009	2008
Longevity at age 65 for current pensioners (years)	**20.7**	21.0
Longevity at age 65 for future pensioners (years)	**21.8**	22.2
US		
Longevity at age 65 for current and future pensioners (years)	**19.5**	19.3

			Europe			US
	2009	2008	2007	**2009**	2008	2007
Rate of increase in salaries	**4.3%**	3.8%	4.15%	**3.0%**	4.0%	4.0%
Rate of increase in pensions	**3.3%**	2.8%	3.15%	**–**	–	–
Discount rate	**5.7%**	6.4%	5.75%	**6.1%**	6.3%	6.0%
Inflation rate	**3.3%**	2.8%	3.15%	**2.5%**	3.0%	3.0%

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

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

		Europe 2009		**US 2009**	**Total 2009**
	Long term† rate of return	**Value £m**	**Long term rate of return**	**Value £m**	**Value £m**
Equities	**8.2%**	**106.5**	**7.8%**	**32.4**	**138.9**
Bonds	**5.4%**	**58.3**	**5.1%**	**22.3**	**80.6**
Other	**3.0%**	**0.6**	**8.5%**	**3.0**	**3.6**
Blended rate of return on scheme assets	**7.2%**		**7.2%**		
Total market value of scheme assets		**165.4**		**57.7**	**223.1**
Present value of funded obligations		**(197.0)**		**(72.8)**	**(269.8)**
Present value of unfunded obligations		**(4.4)**		**(8.9)**	**(13.3)**
Present value of funded and unfunded obligations		**(201.4)**		**(81.7)**	**(283.1)**
Unrecognised past service cost		**–**		**0.2**	**0.2**
Deficit		**(36.0)**		**(23.8)**	**(59.8)**
Deferred tax		**10.0**		**8.3**	**18.3**
Net deficit		**(26.0)**		**(15.5)**	**(41.5)**

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

20 Pensions continued

	Europe* 2008 Long term† rate of return	Europe* 2008 Value £m	US 2008 Long term rate of return	US 2008 Value £m	Total* 2008 Value £m
Equities	7.6%	87.6	8.8%	27.1	114.7
Bonds	6.3%	63.0	6.0%	21.6	84.6
Other	3.7%	0.6	3.5%	2.4	3.0
Blended rate of return on scheme assets	7.0%		7.4%		
Total market value of scheme assets		151.2		51.1	202.3
Present value of funded obligations		(161.9)		(77.6)	(239.5)
Present value of unfunded obligations		(4.2)		(9.3)	(13.5)
Present value of funded and unfunded obligations		(166.1)		(86.9)	(253.0)
Unrecognised past service cost		–		0.3	0.3
Pension schemes' minimum funding liabilities		(5.5)		–	(5.5)
Deficit		(20.4)		(35.5)	(55.9)
Deferred tax		5.5		12.4	17.9
Net deficit		(14.9)		(23.1)	(38.0)

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

	2009 £m	2008* £m	2007* £m	2006 £m	2005 £m
Total market value of scheme assets	**223.1**	202.3	229.9	200.4	179.0
Present value of funded and unfunded obligations	**(283.1)**	(253.0)	(243.4)	(237.9)	(239.0)
Unrecognised past service cost	**0.2**	0.3	0.3	–	–
Pension schemes' minimum funding liabilities	**–**	(5.5)	(18.1)		
Deficit	**(59.8)**	(55.9)	(31.3)	(37.5)	(60.0)
Actual return less expected return on scheme assets	**9.2**	(62.8)	(0.6)	7.3	15.8
Experience adjustments arising on scheme liabilities	**1.2**	2.2	0.4	7.5	0.4

Movement in deficit	**2009 £m**	2008* £m
Beginning of year	**(55.9)**	(31.3)
Current service cost	**(4.8)**	(5.1)
Past service cost	**(0.1)**	(0.1)
Contributions	**11.2**	8.5
Net financial (charge)/return	**(0.5)**	2.9
Movement in pension schemes' minimum funding requirement	**5.5**	12.6
Actuarial loss	**(19.3)**	(32.7)
Currency translation	**4.1**	(10.7)
End of year	**(59.8)**	(55.9)

*Restated on adoption of IFRIC 14.

20 Pensions continued

Changes in the present value of defined benefit obligations	2009 £m	2008 £m
Beginning of year	**253.0**	243.4
Current service cost	**4.8**	5.1
Past service cost	**–**	0.1
Interest charge on scheme liabilities	**15.2**	14.2
Contributions by employees	**1.1**	1.2
Actuarial loss/(gain)	**28.5**	(30.1)
Benefits paid	**(9.1)**	(7.8)
Currency translation	**(10.4)**	26.9
End of year	**283.1**	253.0

Changes in the fair value of scheme assets	£m	£m
Beginning of year	**202.3**	229.9
Expected return on scheme assets	**14.7**	17.1
Actuarial gain/(loss)	**9.2**	(62.8)
Contributions by employer	**11.2**	8.5
Contributions by employees	**1.1**	1.2
Benefits paid	**(9.1)**	(7.8)
Currency translation	**(6.3)**	16.2
End of year	**223.1**	202.3

The calculation of expected return on scheme assets is determined with reference to market expectations in conjunction with the relevant scheme's actuaries.

The actual return on scheme assets was £23.9m (2008: £(45.7)m).

The Group expects to pay approximately £15m in contributions to the defined benefit pension schemes in the year ending 31 December 2010.

21 Directors and employees

Average number of employees	2009	2008
North America	**3,438**	3,471
UK & Ireland	**5,598**	6,459
Continental Europe	**3,248**	3,279
Rest of the World	**878**	770
	13,162	13,979
Corporate	**52**	53
	13,214	14,032

Employee costs	2009 £m	2008 £m
Wages and salaries	**392.2**	362.1
Social security costs	**48.4**	42.4
Share based payments	**4.6**	5.3
Pension costs	**13.4**	12.3
	458.6	422.1

21 Directors and employees continued

Key management remuneration	2009 £m	2008 £m
Salaries and short term employee benefits	**4.6**	4.7
Share based payments	**0.9**	1.0
Post employment benefits	**1.1**	0.9
	6.6	6.6

The Group considers key management personnel as defined in IAS 24 ‘Related Party Disclosures’ to be the directors of the Company and those members of the Executive Committee and the Managing Directors of the major geographic regions who are not directors of the Company. The amounts disclosed are calculated on the same bases as those used to determine the relevant amounts disclosed in the Directors’ remuneration report.

Directors’ emoluments	2009 £m	2008 £m
Non-executive directors	**0.6**	0.7
Executive directors:		
remuneration excluding performance related elements	**2.1**	2.1
annual cash bonus	**0.5**	0.5
	3.2	3.3

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 £nil (2008: £0.8m). The aggregate market value of performance share awards exercised by directors under long term incentive schemes during the year was £0.9m (2008: £3.4m). The aggregate market value of shares exercised by directors under the DASBS was £0.7m (2008: £0.7m).

22 Lease commitments

The Group leases certain property, plant and equipment under non-cancellable operating lease agreements. These leases have varying terms and renewal rights. At 31 December the total future minimum lease payments under non-cancellable operating leases for each of the following periods were:

	Land & buildings 2009 £m	Other 2009 £m	Land & buildings 2008 £m	Other 2008 £m
Within one year	**47.1**	**21.3**	48.6	18.4
Between one and five years	**127.6**	**36.3**	132.8	31.6
After five years	**77.6**	**1.5**	85.3	3.8
	252.3	**59.1**	266.7	53.8
Total of future minimum sublease income under non-cancellable subleases	**(0.3)**	**–**	(3.3)	–

23 Cash and cash equivalents and net debt

	2009 £m	2008 £m
Cash at bank and in hand	**47.2**	60.4
Short term deposits repayable in less than three months	**10.7**	5.2
Cash and deposits	**57.9**	65.6
Bank overdrafts	**(14.9)**	(8.1)
Cash and cash equivalents	**43.0**	57.5
Current liabilities	**(7.7)**	(57.6)
Non-current liabilities	**(780.3)**	(919.7)
Derivative assets – fair value of interest rate swaps on fixed interest rate borrowings	**28.2**	49.1
Interest bearing loans and borrowings	**(759.8)**	(928.2)
Net debt	**(716.8)**	(870.7)

Movement in net debt	2009 £m	2008 £m
Beginning of year	**(870.7)**	(667.6)
Net cash inflow/(outflow)	**126.3**	(34.2)
Realised losses on foreign exchange contracts	**(7.3)**	(62.5)
Currency translation	**34.9**	(106.4)
End of year	**(716.8)**	(870.7)

24 Acquisitions

2009

The principal acquisitions made during the year ended 31 December 2009 were Industrial Supplies, a distributor of cleaning and hygiene products throughout the east of England, and W.K. Thomas, a distributor of foodservice products to the catering and airline sectors within the UK, both acquired on 19 March 2009. The total cost of acquisitions made in 2009 was £6.4m.

Acquisitions have been accounted for under the purchase method of accounting. All acquisitions in 2009 involved the purchase of 100% of the acquiree's share capital or, as the case may be, the relevant assets of the businesses acquired. Part of the Group's strategy is to grow through acquisition. The Group has developed a process to assist with the identification of the fair values of the assets acquired and liabilities assumed, including the separate identification of intangible assets in accordance with IFRS 3. This formal process is applied to each acquisition and involves an assessment of the assets acquired and liabilities assumed with assistance provided by external valuation specialists where appropriate. Until this assessment is complete, the allocation period remains open up to a maximum of 12 months from the relevant acquisition date. At the end of the year, the allocation period for the acquisitions completed during 2009 remained open for all acquisitions and accordingly the fair values at 31 December 2009 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 net impact on acquired net assets reported in 2008 from these adjustments was £1.8m. The balance sheet at 31 December 2008 has not been restated for these adjustments as they are not material.

The consideration for the acquisitions has been allocated against the identified net assets, with the balance recorded as intangible assets. The identified intangible assets principally relate to the acquired businesses' customer relationships. Goodwill arising relates to the potential synergies that can be derived following acquisition and the value inherent in the workforces of the acquired businesses.

24 Acquisitions continued

2008

The principal acquisitions made during the year ended 31 December 2008 were Günter Guest Supplies, Prot Cap, Salgo, Worldpack, Hicosa, A&E Russell and Marca.

Günter Guest Supplies, a supplier of amenity products to hotels throughout Europe, was acquired on 31 January. Prot Cap, a leading supplier of personal protection equipment to the industrial, processor, construction, retail and mining sectors throughout Brazil, was acquired on 18 February. Salgo, a business principally engaged in the distribution of catering equipment and supplies to the hotel, restaurant and catering sectors throughout eastern Australia, was acquired on 11 April. Worldpack, a leading distributor of promotional packaging and point-of-sale items for the non-food retail sector throughout Benelux, was acquired on 30 June. Hicosa, which is principally engaged in the distribution of cleaning and hygiene products to a variety of customers in Spain, was acquired on 1 July. A&E Russell, a business based in the UK supplying a broad range of personal protection equipment and related products, was acquired on 4 July. Marca, which supplies personal protection equipment, principally work wear and clothing, to redistributors throughout Spain was purchased on 30 July.

A summary of the effect of acquisitions is detailed below:

	Book value at acquisition £m	Provisional fair value adjustments £m	Fair value of assets acquired £m
Intangible assets		68.2	68.2
Property, plant and equipment	5.8	(0.8)	5.0
Inventories	20.9	(4.6)	16.3
Trade and other receivables	28.5	(2.5)	26.0
Trade and other payables	(21.5)	(7.2)	(28.7)
Net cash	3.9		3.9
Provisions for liabilities and charges		(7.1)	(7.1)
Deferred tax		(14.9)	(14.9)
Tax	(1.7)	(2.3)	(4.0)
	35.9	28.8	64.7
Goodwill			62.3
Consideration			127.0
Satisfied by:			
cash consideration			119.8
deferred consideration			7.2
			127.0
The net cash outflow in the year in respect of acquisitions comprised:			
Cash consideration			119.8
Net bank overdrafts acquired			(3.9)
Net cash outflow in respect of acquisitions			115.9

Acquisitions made during the year ended 31 December 2008 contributed £98.6m to the Group's revenue, £10.5m to the Group's operating profit before intangible amortisation and £7.2m to the Group's operating profit after intangible amortisation.

The estimated contributions of acquired businesses to the results of the Group for the year ended 31 December 2008, as if the acquisitions had been made at the beginning of 2008, are as follows:

	2008 £m
Revenue	151.4
Operating profit before intangible amortisation	16.0
Operating profit after intangible amortisation	10.9

25 Related party disclosures

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

26 Principal subsidiary undertakings

	Country of incorporation
Bunzl Australasia Ltd	Australia
Bunzl Do Brasil Participacoes Ltda	Brazil
Bunzl Finance plc*	
Bunzl Holding Danmark A/S	Denmark
Bunzl Holding GmbH	Germany
Bunzl Holdings France SAS	France
Bunzl Outsourcing Services BV	Netherlands
Bunzl UK Ltd	
Bunzl USA Holdings Corporation	USA

*Direct subsidiary undertaking of Bunzl plc.

The companies named above are the principal subsidiary undertakings of Bunzl plc at 31 December 2009 and are included in the consolidated financial statements of the Group. They are wholly owned and, unless otherwise stated, are incorporated in England and Wales. The investments in these companies, as shown above, relate to ordinary shares, quotas or common stock. The principal country in which each company operates is the country of incorporation. The principal activities of the Group are reviewed in the Chief Executive's review in the Annual Review and Summary Financial Statement.

COMPANY BALANCE SHEET

at 31 December 2009

	Notes	2009 £m	2008* £m
Fixed assets			
Tangible fixed assets	3	**0.7**	0.9
Investments	4	**655.4**	656.1
		656.1	657.0
Current assets			
Debtors	5	**287.7**	148.5
Cash at bank and in hand		**0.1**	0.2
		287.8	148.7
Current liabilities			
Creditors: amounts falling due within one year	6	**(103.4)**	(101.7)
Net current assets		**184.4**	47.0
Total assets less current liabilities		**840.5**	704.0
Provisions	7	**(6.6)**	(6.4)
Net assets		**833.9**	697.6
Capital and reserves			
Called up share capital	8	**113.0**	112.6
Share premium account	10	**131.7**	126.6
Other reserves	10	**5.6**	2.5
Capital redemption reserve	10	**8.6**	8.6
Profit and loss account	10	**575.0**	447.3
Shareholders' funds		**833.9**	697.6

*Restated for amendments to Financial Reporting Standard 21 'Events after the Balance Sheet Date' (see Note 1).

Approved by the Board of Directors of Bunzl plc on 22 February 2010 and signed on its behalf by Mr M J Roney, Chief Executive and Mr B M May, Finance Director.

The Accounting policies and Notes on pages 43 to 49 form part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 Basis of preparation

The financial statements of Bunzl plc ('the Company') have been prepared on a going concern basis and under the historical cost convention and have been prepared in accordance with the Companies Act 2006 and UK GAAP.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The Company has taken advantage of the exemption in Financial Reporting Standard ('FRS') 29 (IFRS 7) 'Financial Instruments: Disclosures' because the published consolidated financial statements of the Group include disclosures that comply with the Standard.

Following changes to FRS 21 'Events after the Balance Sheet Date', it is no longer appropriate to recognise interim dividends payable as an outstanding creditor based on the constructive obligation created by the announcement of such dividends by the Board. Accordingly the interim dividend declared in August and paid in January of the following year is no longer recognised as a liability at 31 December and is now accounted for when paid. The comparative balance sheet at 31 December 2008 has been restated, resulting in an increase in net assets as at that date of £20.6m.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company financial statements.

2 Accounting policies

a Investments in subsidiary undertakings

Investments in subsidiary undertakings are held at cost less any provision for impairment.

b Investment in own shares

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

c Share based payments

The Company operates equity settled share based compensation plans for which the total expected expense is based on the fair value of options and other share based incentives on the grant date, calculated using a valuation model, and is spread over the expected vesting period with a corresponding credit to equity. The amount recognised as an expense is adjusted to reflect the actual number of options that are expected to vest. Details of the relevant plans are outlined in Note 16 to the consolidated financial statements. Where the Company grants options over its own shares to the employees of its subsidiaries these awards are accounted for by the Company as an additional investment in the relevant subsidiary equivalent to the equity settled share based payment charge recognised in the consolidated financial statements with the corresponding credit recognised directly in equity. Any payment made by the subsidiaries in respect of these arrangements is treated as a return of this investment. These costs are determined in accordance with FRS 20 'Share-based Payment'.

d Tangible fixed assets

Until 31 December 1999 land and buildings were revalued periodically. As permitted under FRS 15 'Tangible Fixed Assets', the valuations of land and buildings have not been and will not be updated. All other tangible fixed assets are included at historical cost, less accumulated depreciation. The profit or loss on sale of tangible fixed assets is calculated by reference to the carrying values of the assets. The carrying values of tangible fixed assets are periodically reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

e Depreciation

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

Buildings	2% (or depreciated over life of lease if shorter than 50 years)
Plant and machinery	10 – 20%
Fixtures, fittings and equipment	10 – 33%
Freehold land	Not depreciated

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

f Leases

Where the Company has substantially all the risks and rewards of ownership of an asset subject to a lease, the lease is treated as a finance lease. Future instalments payable under finance leases, net of finance charges, are included in creditors with the corresponding asset value treated as a tangible fixed asset. All other leases are treated as operating leases and the rentals are charged to the profit and loss account on a straight line basis.

2 Accounting policies continued

g Tax

The charge for tax is based on the profit or loss for the year and takes into account tax deferred due to timing differences between the treatment of certain items for tax and accounting purposes. Deferred tax is recognised in respect of all timing differences between the treatment of certain items for tax and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 'Deferred Tax'.

h Pensions

The Company participates in a Group UK defined benefit scheme providing benefits based on final pensionable pay. As the Company is unable to identify its share of scheme assets and liabilities on a consistent and reasonable basis, the Company treats contributions to defined benefit schemes as if they were contributions to a defined contribution scheme in accordance with the exemptions permitted by FRS 17 'Retirement Benefits'. As a result the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the relevant accounting period.

i Financial guarantee contracts

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

j Dividends

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

3 Tangible fixed assets

	Short leasehold £m	Fixtures, fittings and equipment £m	Total £m
Cost			
Beginning and end of year	0.4	2.5	2.9
Depreciation			
Beginning of year	0.3	1.7	2.0
Charge in year	–	0.2	0.2
End of year	0.3	1.9	2.2
Net book value at 31 December 2009	**0.1**	**0.6**	**0.7**
Net book value at 31 December 2008	0.1	0.8	0.9

4 Investments held as fixed assets

	Investments in subsidiary undertakings £m
Cost	
Beginning of year	701.7
Additions	1.9
Liquidation	(2.6)
End of year	**701.0**
Impairment provisions	
Beginning and end of year	**45.6**
Net book value at 31 December 2009	**655.4**
Net book value at 31 December 2008	656.1

The principal companies in which the Company's interest at 31 December 2009 is more than 20% are as follows:

	Country of incorporation
Bunzl Australasia Ltd	Australia
Bunzl Do Brasil Participacoes Ltda	Brazil
Bunzl Finance plc*	England
Bunzl Holding Danmark A/S	Denmark
Bunzl Holding GmbH	Germany
Bunzl Holdings France SAS	France
Bunzl Outsourcing Services BV	Netherlands
Bunzl UK Ltd	England
Bunzl USA Holdings Corporation	USA

*Direct subsidiary undertaking of Bunzl plc.

5 Debtors

	2009 £m	2008 £m
Amounts owed by subsidiary undertakings	**268.0**	132.0
Prepayments and other debtors	**7.3**	8.3
Corporation tax	**7.9**	5.8
Deferred tax	**4.5**	2.4
	287.7	148.5

6 Creditors: amounts falling due within one year

	2009 £m	2008* £m
Trade creditors	**0.4**	0.6
Amounts owed to subsidiary undertakings	**99.4**	97.2
Accruals and deferred income	**3.6**	3.9
	103.4	101.7

*Restated for amendments to FRS 21.

7 Provisions

Movements	**2009 £m**	2008 £m
Beginning of year	**6.4**	9.5
Charge/(credit)	**0.4**	(1.6)
Utilised	**(0.2)**	(1.5)
End of year	**6.6**	6.4

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

8 Share capital and share based payments

	2009 £m	2008 £m
Issued and fully paid ordinary shares of 32⁴⁄₇p each	**113.0**	112.6

Number of ordinary shares in issue and fully paid		
Beginning of year	**350,397,756**	348,834,697
Issued – scrip dividend	**705,554**	–
Issued – option exercises	**406,018**	563,059
End of year	**351,509,328**	350,397,756

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

8 Share capital and share based payments continued

FRS 20 disclosures

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

	2009	2008
Grant date	**26.02.09–02.10.09**	28.02.08-21.10.08
Share price at grant date (£)	**4.92–6.22**	5.99–7.15
Exercise price (£)	**nil–5.85**	nil–7.22
Options granted during the year (shares)	**917,160**	829,600
Vesting period (years)	**3–5**	3–6
Expected volatility (%)	**21–25**	19–21
Option life (years)	**3–10**	3–10
Expected life (years)	**3.0–6.0**	3.0–5.7
Risk free rate of return (%)	**1.8–2.7**	4.1–4.8
Expected dividends expressed as a dividend yield (%)	**3.4–4.2**	2.6–3.0
Fair value per option (£)	**0.37–2.21**	0.64–2.32

The expected volatility is based on historical volatility over the last three to five 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 £5.80 (2008: £6.61). The total Company charge for the year relating to share based payments was £1.4m (2008: £1.6m).

Details of share options and awards to employees of the Company which have been granted and exercised, those which have lapsed during 2009 and those outstanding and available to exercise at 31 December 2009, in each case in respect of all options and awards, whether over new issue or market purchase shares, under the Sharesave Scheme, 1994 Executive Share Option Scheme and the Long Term Incentive Plan are set out in the following table:

	Options outstanding at 01.01.09	Grants/awards 2009		Exercises 2009		Lapses* 2009	Options outstanding at 31.12.09		Options available to exercise at 31.12.09
	Number	Number	Price (p)	Number	Price (p)	Number	Number	Price (p)	Number
Sharesave Scheme	61,703	39,784	452	16,976	347–522	13,912	70,599	347–578	362
1994 Scheme	400,567	–	–	198,289	372–482	–	202,278	446–482	202,278
LTIP Part A	1,798,084	541,000	564–585	21,292	429	91,247	2,226,545	428–722	821,263
LTIP Part B	837,642	336,376	nil	199,749	nil	38,104	936,165	nil	7,558
	3,097,996	917,160		436,306		143,353	3,435,587		1,031,461

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

	Weighted average fair value of options granted (£)	Weighted average remaining contractual life (years)
Sharesave Scheme	0.46	3.10
LTIP Part A	0.50	2.47
LTIP Part B	1.71	2.48

The outstanding options and awards are exercisable at various dates up to August 2019.

9 Dividends

	2009 £m	2008* £m
2007 interim		18.6
2007 final		41.3
2008 interim	**20.6**	
2008 final	**45.3**	
Total	**65.9**	59.9

*Restated for amendments to FRS 21.

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

	Per share	
	2009	2008
Interim	**6.65p**	6.45p
Final	**14.90p**	14.15p
Total	**21.55p**	20.60p

The 2009 interim dividend of 6.65p per share was paid on 4 January 2010 and comprised £20.2m of cash and 1.2m of scrip shares.

The 2009 final dividend of 14.9p per share will be paid on 1 July 2010 to shareholders on the register at the close of business on 7 May 2010.

10 Capital and reserves

					Profit and loss account		
	Share capital £m	Share premium account £m	Other reserves £m	Capital redemption reserve £m	Own shares £m	Retained* earnings £m	Total £m
At 1 January 2009	112.6	126.6	2.5	8.6	(215.8)	663.1	697.6
Issue of share capital	0.4	5.1					5.5
Employee trust shares					2.8		2.8
Share based payments			3.1			1.8	4.9
Profit for the year						189.0	189.0
2008 interim dividend						(20.6)	(20.6)
2008 final dividend						(45.3)	(45.3)
At 31 December 2009	**113.0**	**131.7**	**5.6**	**8.6**	**(213.0)**	**788.0**	**833.9**

*Restated for amendments to FRS 21.

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

Included within own shares are ordinary shares of the Company held by the Group in an employee benefit trust. The principal purpose of this trust is to hold shares in the Company for subsequent transfer to certain senior employees and executive directors relating to options granted and awards made in respect of market purchase shares under the Long Term Incentive Plan, the Deferred Annual Share Bonus Scheme and the 1994 Executive Share Option Scheme. Details of such plans are set out in Note 16 to the consolidated financial statements and the Directors' remuneration report. The assets, liabilities and expenditure of the trust have been incorporated in the consolidated financial statements. Finance costs and administration charges are included in the income statement on an accruals basis. At 31 December 2009 the trust held 6,502,865 (2008: 7,702,215) shares, upon which dividends have been waived, with an aggregate nominal value of £2.1m (2008: £2.5m) and market value of £43.9m (2008: £45.4m). At 31 December 2009, 23,325,000 (2008: 23,325,000) shares with an aggregate nominal value of £7.5m (2008: £7.5m) and market value of £157.4m (2008: £137.6m) were held in treasury.

11 Reconciliation of movement in shareholders' funds

	2009 £m	2008* £m
Profit/(loss) for the year	**189.0**	(3.2)
Dividends	**(65.9)**	(59.9)
	123.1	(63.1)
Issue of share capital	**5.5**	2.2
Employee trust shares	**2.8**	(7.7)
Share based payments	**4.9**	3.7
Net increase/(reduction) in shareholders' funds	**136.3**	(64.9)
Opening shareholders' funds	**697.6**	762.5
Closing shareholders' funds	**833.9**	697.6

*Restated for amendments to FRS 21.

The Company had no recognised gains or losses in the year ended 31 December 2009 or the year ended 31 December 2008 other than its profit/(loss) for the relevant year.

12 Contingent liabilities

Borrowings by subsidiary undertakings totalling £743.5m (2008: £953.1m) which are included in the Group's borrowings have been guaranteed by the Company.

13 Directors' remuneration

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

14 Employee numbers and costs

The average number of persons employed by the Company (including directors) during the year was 43 (2008: 44).

The aggregate employee costs relating to these persons were:

	2009 £m	2008 £m
Wages and salaries	**6.6**	6.7
Social security costs	**1.0**	0.8
Share based payments	**1.4**	1.6
Pension costs	**0.6**	0.6
	9.6	9.7

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with IFRS as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK GAAP and applicable law.

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

In preparing both the Group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU;
- for the parent company financial statements, state whether applicable UK GAAP has been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Directors' report, Directors' remuneration report and Corporate governance statement that comply with that law and those regulations. As explained in the Directors' report, certain information included in the separate Annual Review and Summary Financial Statement is incorporated by reference into the Directors' report.

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

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

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

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

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

On behalf of the Board

M J Roney	**B M May**
Chief Executive	Finance Director
22 February 2010	

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BUNZL PLC

We have audited the financial statements of Bunzl plc for the year ended 31 December 2009 set out on pages 9 to 49. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the Statement of directors' responsibilities set out on page 50, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKP.

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2009 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate governance statement set out on page 8 with respect to internal control and risk management systems in relation to financial reporting processes is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 2, in relation to going concern; and
- the part of the Corporate governance statement on pages 6 to 8 relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

D V Matthews (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
London
22 February 2010

Terms of reference of the Remuneration Committee

The terms of reference of the Remuneration Committee (the 'Committee'), as approved by the Board, embody the purpose of the Committee as ensuring that the Company's executive directors and senior executives are properly incentivised and fairly rewarded for their individual contributions to the Group's overall performance having due regard to the interests of the shareholders and to the financial and commercial health of the Group.

Membership

All members of the Committee, who are identified on page 16 of the Annual Review and Summary Financial Statement, are independent non-executive directors. The Committee is chaired by Mr C A Banks. Members of the Committee do not have any personal financial interest (other than as shareholders) in matters decided by the Committee, nor do they have any potential conflict of interest arising from cross-directorships or day-to-day involvement in running the Group's business. The Committee meets at least three times during the year and at other times as may be required. While neither the Chairman of the Company nor the Chief Executive are members of the Committee, they normally attend meetings by invitation except when the Committee is considering matters concerning themselves. The Director of Group Human Resources acts as Secretary to the Committee.

Audit

The directors' remuneration in 2009 and the details of the directors' interests in the Company's ordinary shares disclosed on pages 52 to 60 have been audited by the Company's independent external auditor.

Remuneration policy

The Company's remuneration policy for 2009 and beyond is designed to help ensure the recruitment, retention and motivation of the executive directors by providing fair reward for the responsibilities they undertake and the performance they achieve on behalf of shareholders. In this context, the Committee's policy is to set the overall remuneration package at a competitive level and in a form that permits significant additional remuneration to be earned for high performance over a sustained period. This is normally achieved by benchmarking base pay against comparator companies taking into account a range of factors including performance and by providing, in addition, short and long term incentives geared to performance.

In assessing the balance of performance related and non-performance related elements of remuneration, base pay and benefits are treated as non-performance related, whereas annual bonus (including awards under the Deferred Annual Share Bonus Scheme) (the 'DASBS') and long term incentives are treated as performance related. For this purpose, share options and performance shares are valued at an appropriate proportion of their face value on grant or award. On this basis, the Committee sets the remuneration package such that about half the total target remuneration package is derived from the performance related elements.

The performance related elements of the package are designed to incentivise executives to meet key performance metrics which align their interests and remuneration with those of shareholders, for example targets relating to earnings per share and total shareholder return. In setting such targets the Committee takes due account of the potential effect such targets could have on the attitude and behaviour of executives to risk within the business.

Both the overall competitiveness of the remuneration package and the balance between performance and non-performance related elements are kept under regular review in the light of market practice and the needs of the Company. The Committee commissions reports and receives advice on directors' remuneration from independent remuneration and benefits consultants, namely PricewaterhouseCoopers LLP ('PwC') and Hewitt New Bridge Street, who may from time to time also provide other services to the Company on remuneration and benefit related matters that are not the subject of review by the Committee. During 2009, PwC provided external survey data on directors' remuneration and benefit levels and Hewitt New Bridge Street provided information to determine whether, and if so to what extent, the performance conditions attached to share options and performance share awards had been satisfied. In addition PwC provides the Company with some accounting, tax and pre-acquisition due diligence services. Further details of the remuneration policy and how it is currently applied to the various aspects of remuneration are provided in the relevant sections below.

With regard to external pay survey data, the Committee reviews each year, prior to the annual review of base pay in January, information on remuneration and benefit levels based on external survey data produced by PwC. The Committee seeks to maintain, wherever possible, a consistent and appropriate basis for comparison year-on-year in terms of the survey methodology and, in particular, the use of comparator groups from which the survey data is produced. There are three comparator groups that the Committee uses. These are related to revenue, profit before tax and market capitalisation. In each case the comparator group consists of at least 20 non-financial UK based companies that have substantial operations overseas. Half of the companies in each comparator group are the next highest and half are the next lowest compared to Bunzl. The total number of companies included in this survey will depend on the overlap of the companies within each of the three comparator groups but the aim is for the total number of companies to be at least 40. The results from each of the comparator groups are blended by PwC to provide an overall assessed market position as at 1 January of the year of the review. Neither PwC nor Hewitt New Bridge Street provide specific recommendations to the Committee on remuneration or benefit levels for the executive directors. The Committee does, however, review survey information provided by them in the light of its established remuneration policy before making its decisions. All decisions of the Committee were implemented in full.

Base pay

The base pay of each executive director is set to reflect the size and scope of that director's responsibilities undertaken on behalf of the Board, the level of overall performance achieved, including that related to environmental, social and governance issues, and experience in the post. As stated above, it is benchmarked against comparator companies and the actual pay level is set after taking account of performance, relevant external survey data and the general movement of base pay within the Group. Following the January 2009 pay review, due to the global economic situation, the Committee decided not to increase the base pay of the executive directors. The Committee has recently reviewed the level of base pay for 2010. In order to ensure that the remuneration packages remain competitive and after taking account of the pay freeze imposed for 2009, the Committee has from 1 January 2010 increased base pay for Mr Roney to £805,000, Mr May to £442,000 and Mr Larmon to US$915,000 (Mr Larmon's 2009 base pay as shown in the table on page 60 has been converted into sterling at the applicable average exchange rate for the year).

Annual bonus plan

The executive directors participate in an annual bonus plan intended to support the Company's overall remuneration policy. The bonus plan for each executive director contains meaningful targets that seek to focus attention on one or two key measures of short to medium term achievement. Bonus awards are not pensionable. In 2009 the target for the annual bonus for Mr M J Roney and Mr B M May was linked to the Group's achievement of earnings per share after certain specified adjustments ('eps'). Detailed terms of the plan were determined by the Committee and provided for a bonus to be awarded if the Group achieved, in 2009, a target eps level based on the budgeted performance for the year. The bonus plan provided for an increase in the bonus award pro rata for eps achievement above the target level of eps up to the maximum bonus referred to below and a reduced payment for performance below the target subject to the achievement of a minimum threshold eps below which no bonus would be payable. Half of this annual bonus will be paid in cash to a maximum level of 57.5% of annual base pay and the other half (the total aggregate amount is capped at 115% of base pay) is deferred under the rules of the DASBS, details of which are set out below.

Mr P L Larmon's bonus plan for 2009 was partly based on the profit of and capital employed in the business for which he was directly responsible. In addition a portion of his bonus was based on Group performance. Part of Mr P L Larmon's annual bonus is normally paid in cash to a maximum level of 65% of annual base pay and the balance (but with the total aggregate amount capped at 110% of base pay) is deferred under the rules of the DASBS.

Under the DASBS, eligible executives, including the executive directors, receive the deferred element of their annual bonus as an award of ordinary shares. The awards are satisfied by ordinary shares that are purchased in the market and deposited with the Bunzl Group General Employee Benefit Trust (the 'Trust') until 1 March in the third year after the year in which the award is made, following which they are transferred to the executive provided normally that the executive has remained in the employment of the Group throughout that period or until their normal retirement date. The DASBS forms a part of the annual bonus plan so as to provide, in total, an annual bonus opportunity linked to the performance of the Group, with a significant portion of any bonus award held in shares for a three year period. The Committee believes this supports the overall remuneration policy and contributes to the alignment of executives' and shareholders' interests.

The structure of the annual bonus plans for the executive directors remains unchanged for 2010.

The table below shows the number of shares under the DASBS held by the executive directors and by Mr A J Habgood (who retired from the Board on 30 June 2009) relating to his previous service as an executive director. Mr A J Habgood was not eligible to receive further awards under the DASBS after his last award in 2006 in respect of the 2005 financial year.

	Shares held at 1 January 2009	Shares awarded during 2009	Shares transferred during 2009	**Shares held at 31 December 2009**
Current directors				
M J Roney	85,738	41,217	(8,637)	**118,318**
P L Larmon	72,766	29,672	(30,990)	**71,448**
B M May	55,032	22,603	(12,503)	**65,132**
Former Chairman				
AJ Habgood	66,686	–	(66,686)	**–**

Notes

a) All awards of shares are made in respect of bonus performance in the previous year. The awards made during the year were made on 2 March 2009 at a value of 581p per share.

b) The market values of the shares at the date of transfer in 2009, in each case which related to awards made in 2006 in respect of the 2005 financial year, were as follows: Mr A J Habgood £370,204, Mr M J Roney (who was appointed as Chief Executive on 1 November 2005) £47,948, Mr P L Larmon £172,039 and Mr B M May £69,410.

The Committee also reviews and authorises the outline structure of annual bonus plans for other senior executives within the Group. These plans are based on performance targets relevant to individual businesses or areas of responsibility and are compatible with the principles of the bonus plans approved for the executive directors.

Share based incentives

The Committee believes that the long term performance of the Group is an important consideration for shareholders and that share based incentives are an important part of helping to align the interests of shareholders and those employed by the Group. A formal share ownership guideline is in place under which executive directors are expected to retain shareholdings worth at least equal to their base salaries. A period of three years is allowed for executives who are promoted from within the Company to achieve this shareholding with an additional two years permitted in the case of external appointments. Details of the interests of the directors and their connected persons in the share capital of the Company are set out in Note 19 to the financial statements.

The Long Term Incentive Plan (the 'LTIP') was approved by shareholders at the Company's Annual General Meeting in May 2004 under which the executive directors and other senior executives in the Group may be granted share options and awards in respect of performance shares. Participation in the LTIP is at the discretion of the Committee. The Committee periodically reviews the level of grant, taking account of each executive's performance and job responsibilities. Options were granted and performance shares awarded under the LTIP to the executive directors in 2009 in respect of both new issue shares and market purchased shares, some of which are held through the Trust. Prior to May 2004 options were granted under the 1994 Executive Share Option Scheme (the '1994 Scheme') which is now closed with the exception of any outstanding options.

The LTIP is divided into two parts. Part A allows the Committee to grant share options. Annual grants may not exceed an amount equal to three times base salary. In normal circumstances options granted are exercisable, subject to satisfaction of the relevant performance conditions as referred to below, not earlier than three years and not later than 10 years after the date of grant. Share options granted to date have a performance condition attached based on the Company's eps growth (adjusted to exclude items which do not reflect the Company's underlying financial performance) relative to UK inflation (RPI) over three years. The performance conditions for options granted operate on the following sliding scale:

Face value of annual share options granted as a proportion of salary	Total margin over UK inflation after 3 years
First 150% of salary	9%
Next 75% of salary	12%
Next 75% of salary	19%

The performance condition is tested after three years, with no provision for retesting. Accordingly, to the extent the performance condition has not been met after three financial years, the relevant share options will lapse. The performance condition has been satisfied in relation to the options granted prior to 2008 under Part A of the LTIP. The Committee can set different performance conditions from those described above for future options, provided that the new conditions are no less challenging. Similarly the Committee can adjust the performance conditions of existing options to take account of technical changes, for example changes in accounting standards or in the event of a rights issue. The amended condition must be no less challenging as a result of the change.

The table below shows the number of share options under the executive share option schemes held by the executive directors and by Mr A J Habgood (who retired from the Board on 30 June 2009) relating to his previous service as an executive director. Mr A J Habgood's last executive share option grant was in 2005.

	Grant date	Exercise price (p)	Options exercisable between	**Options at 31 December 2009**	Options at 1 January 2009
Current directors					
M J Roney	01.11.05	565	01.11.08 – 31.10.15	**180,530**	180,530
	06.03.06	648.5	06.03.09 – 05.03.16	**78,643**	78,643
	01.09.06	652.5	01.09.09 – 31.08.16	**78,500**	78,500
	01.03.07	659	01.03.10 – 28.02.17	**83,000**	83,000
	31.08.07	684.5	31.08.10 – 30.08.17	**79,500**	79,500
	28.02.08	721.5	28.02.11 – 27.02.18	**81,000**	81,000
	29.08.08	700.5	29.08.11 – 28.08.18	**83,000**	83,000
	26.02.09	564	26.02.12 – 25.02.19	**103,500**	–
	27.08.09	585	27.08.12 – 26.08.19	**99,500**	–
P L Larmon	27.08.03	446.25	27.08.06 – 26.08.13	**30,000**	30,000
	03.03.04	451.5	03.03.07 – 02.03.14	**60,000**	60,000
	01.03.05	500.25	01.03.08 – 28.02.15	**53,200**	53,200
	09.09.05	568	09.09.08 – 08.09.15	**48,411**	48,411
	06.03.06	648.5	06.03.09 – 05.03.16	**38,458**	38,458
	01.09.06	652.5	01.09.09 – 31.08.16	**43,000**	43,000
	01.03.07	659	01.03.10 – 28.02.17	**47,000**	47,000
	31.08.07	684.5	31.08.10 – 30.08.17	**45,000**	45,000
	28.02.08	721.5	28.02.11 – 27.02.18	**44,500**	44,500
	29.08.08	700.5	29.08.11 – 28.08.18	**45,500**	45,500
	26.02.09	564	26.02.12 – 25.02.19	**56,500**	–
	27.08.09	585	27.08.12 – 26.08.19	**54,500**	–
B M May	27.08.03	446.25	27.08.06 – 26.08.13	**13,278**	13,278
	03.03.04	451.5	03.03.07 – 02.03.14	**20,000**	20,000
	01.03.05	500.25	01.03.08 – 28.02.15	**10,000**	10,000
	09.09.05	568	09.09.08 – 08.09.15	**20,000**	20,000
	06.03.06	648.5	06.03.09 – 05.03.16	**32,382**	32,382
	01.09.06	652.5	01.09.09 – 31.08.16	**32,500**	32,500
	01.03.07	659	01.03.10 – 28.02.17	**34,000**	34,000
	31.08.07	684.5	31.08.10 – 30.08.17	**33,000**	33,000
	28.02.08	721.5	28.02.11 – 27.02.18	**33,000**	33,000
	29.08.08	700.5	29.08.11 – 28.08.18	**42,500**	42,500
	26.02.09	564	26.02.12 – 25.02.19	**53,000**	–
	27.08.09	585	27.08.12 – 26.08.19	**51,000**	–
Former Chairman					
A J Habgood	09.09.05	568	09.09.08 – 08.09.15	**–**	143,029

Notes

a) The share options granted on 9 September 2005 to Mr A J Habgood lapsed on 30 June 2009 when he retired from the Board.
b) The exercise price of executive share options is the market price prevailing at, or immediately prior to, the date of grant of the option.
c) The mid-market price of a share on 31 December 2009 was 675p and the range during 2009 was 481.75p to 675p.
d) The performance condition has been satisfied in relation to all outstanding options granted under the 1994 Scheme and in relation to options granted prior to 2008 under the 2004 Scheme.
e) All share options granted prior to 25 May 2004 are under the 1994 Scheme. Options granted since then have been made under the LTIP.

Part B of the LTIP allows the Committee to make an award of performance shares which is a conditional right to receive shares in the Company for nil consideration. Annual awards may not exceed an amount equal to two times base salary. A performance share award will normally vest (i.e. become exercisable) on the third anniversary of its grant to the extent that the applicable performance conditions have been satisfied and will remain capable of being exercised for the three year period following the date on which it vests.

The extent to which awards made prior to 2007 vested was subject to the Company's total shareholder return ('TSR') performance over a three year period relative to the TSR performance of a specified group of companies (the 'Peer Group'). The process for identifying the Peer Group was the same as that used for identifying the comparator group for the setting of base pay as described under 'Remuneration policy' on page 52. These performance share awards vested in full only if the Company's TSR performance was ranked at upper quartile or above within the Peer Group and the following vesting schedule applied:

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

For awards made in 2007 and thereafter, the extent to which one half of the awards may vest will be subject to the same performance condition based on the Company's TSR performance.

The companies currently within the Peer Group are:

Aggreko
AMEC
British Airways
Burberry
Cairn Energy
Charter
Cobham
Experian
GKN
G4S
IMI
Inchcape
Informa
Inmarsat
Intercontinental Hotels
Intertek
Invensys
Johnson Matthey
Kesa Electricals
Logica
Meggitt
Mondi
Pearson
Petrofac
Premier Oil
Reckitt Benckiser
Regus
Rentokil Initial
Rexam
Sage Group
Smith & Nephew
Smiths Group
Tate & Lyle
Thomas Cook
Tomkins
Tui Travel
Tullow Oil
Weir Group
Wolseley
Wood Group (John)
WPP
Yell Group

The performance condition relating to TSR for all awards under Part B of the LTIP provides for the exclusion from the comparator group of those companies that cease to be listed and the exclusion of those companies that have been subject to a recommended takeover offer and are therefore in the process of delisting. Where companies are excluded from the comparator group, the median/upper quartile rankings are recalculated using the reduced number of companies in the comparator group.

The extent to which the other half of awards made in 2007 and thereafter may vest will be subject to a performance condition based on the Company's eps growth (adjusted to exclude items which do not reflect the Company's underlying financial performance) relative to UK inflation (RPI) over three years. This performance condition operates on the following sliding scale:

Total margin over UK inflation after 3 years	Proportion of performance share award exercisable
Below 12%	Nil
12%	25%
Between 12% and 33%	Pro rata between 25% – 100%
Over 33%	100%

The performance conditions are tested after three years and there is no provision for retesting. Accordingly, to the extent the performance conditions have not been met after three years, the relevant performance share awards lapse. As with share option grants, the Committee reviews the performance conditions each time performance share awards are made in order to ensure that they remain challenging and may impose different conditions on performance share awards made in subsequent years provided that any new conditions are no less challenging.

The table below shows the number of performance share awards under the LTIP, all for nil consideration, allocated to the executive directors.

	Award date	Awards (shares) held at 1 January 2009	Conditional shares awarded during 2009	Awards (shares) vested during 2009	Awards (shares) lapsed during 2009	**Awards (shares) held at 31 December 2009**
M J Roney	04.04.06	49,816	–	49,816	–	**–**
	04.10.06	50,000	–	33,595	16,405	**–**
	02.04.07	50,500	–	–	–	**50,500**
	19.10.07	51,000	–	–	–	**51,000**
	17.04.08	56,000	–	–	–	**56,000**
	07.10.08	67,500	–	–	–	**67,500**
	23.04.09	–	90,000	–	–	**90,000**
	02.10.09	–	69,500	–	–	**69,500**
P L Larmon	04.04.06	27,633	–	27,633	–	**–**
	04.10.06	31,000	–	20,828	10,172	**–**
	02.04.07	32,500	–	–	–	**32,500**
	19.10.07	32,500	–	–	–	**32,500**
	17.04.08	34,500	–	–	–	**34,500**
	07.10.08	37,000	–	–	–	**37,000**
	23.04.09	–	49,500	–	–	**49,500**
	02.10.09	–	38,500	–	–	**38,500**
B M May	04.04.06	23,076	–	23,076	–	**–**
	04.10.06	23,000	–	15,453	7,547	**–**
	02.04.07	23,500	–	–	–	**23,500**
	19.10.07	24,000	–	–	–	**24,000**
	17.04.08	26,000	–	–	–	**26,000**
	07.10.08	34,500	–	–	–	**34,500**
	23.04.09	–	46,000	–	–	**46,000**
	02.10.09	–	36,000	–	–	**36,000**

Notes

a) Performance share awards were made on 23 April 2009 to Mr M J Roney of 90,000 shares, Mr P L Larmon of 49,500 shares and Mr B M May of 46,000 shares at a value of 485.25p per share and on 2 October 2009 to Mr M J Roney of 69,500 shares, Mr P L Larmon of 38,500 shares and Mr B M May of 36,000 shares at a value of 628p per share.

b) On 23 April 2009 the Committee determined that the TSR condition attaching to the performance share awards made on 4 April 2006 had been satisfied to the extent that 100% of the original awards had vested. The closing mid-market price of the Company's shares as at the date of vesting was 492.25p per share. The following awards were subsequently exercised by:
   (i) Mr M J Roney on 23 April 2009 in respect of 49,816 shares at a market price of 492p;
   (ii) Mr P L Larmon on 24 April 2009 in respect of 27,633 shares at a market price of 492p; and
   (iii) Mr B M May on 6 May 2009 in respect of 23,076 shares at a market price of 527p.

c) On 5 October 2009 the Committee determined that the TSR condition attaching to the performance share awards made on 4 October 2006 had been satisfied to the extent that 67.19% of the original awards had vested with the remainder of the awards lapsing. The closing mid-market price of the Company's shares as at the date of vesting was 621.5p per share. The following awards were subsequently exercised by:
   (i) Mr M J Roney on 5 October 2009 in respect of 33,595 ordinary shares at a market price of 620p;
   (ii) Mr P L Larmon on 5 October 2009 in respect of 20,828 ordinary shares at a market price of 619p; and
   (iii) Mr B M May on 5 October 2009 in respect of 15,453 ordinary shares at a market price of 620p.

Any shares required to fulfil entitlements under the share based incentive schemes in respect of options and awards over market purchased shares will be provided by the Trust. The Company's TSR over the last five years compared to that of the FTSE Support Services Sector is shown in the graph on page 25 of the Annual Review and Summary Financial Statement.

The UK based executive directors may also participate in a Sharesave Scheme which was approved by shareholders in 2001, is approved by HM Revenue & Customs and is open to all UK employees who have completed at least three months of continuous service. It is linked to a contract for monthly savings of up to £250 per month over a period of either three or five years. Under the Sharesave Scheme options are granted to participating employees at a discount of up to 20% of the market price prevailing on the day immediately preceding the date of invitation to apply for the option. Options are normally exercisable either three or five years after they have been granted. The following table sets out the number of share options under the Sharesave Scheme held by the UK based executive directors.

	Exercise price (p)	Options exercisable between	**Options at 31 December 2009**	Options at 1 January 2009
M J Roney	522	01.11.11 – 30.04.12	**3,136**	3,136
B M May	578	01.05.13 – 31.10.13	**–**	581
	452	01.05.14 – 31.10.14	**3,462**	–

Note
a) Mr B M May ceased making contributions under the Sharesave Scheme in respect of options held over 581 shares at an exercise price of 578p which accordingly lapsed on 11 March 2009.

US based executive directors may participate in the Bunzl Employee Stock Purchase Plan (US). This Plan provides an opportunity for employees in the US to purchase the Company's shares at a 15% discount to the market price, up to an annual maximum of 10% of remuneration or $25,000 worth of shares, whichever is lower. The purchase of the shares is funded by after tax payroll deductions from the employee with the employing company contributing the 15% discount. Shares held by Mr P L Larmon under this Plan are included in his ordinary share interests set out in Note 19 to the consolidated financial statements.

Based on the authority obtained at the 2001 Annual General Meeting, the Company introduced the International Sharesave Plan during 2002 and the Irish Sharesave Plan in 2006. These operate on a similar basis to the Sharesave Scheme except that options are normally exercisable three years after they have been granted. None of the executive directors are eligible to participate in these Plans.

Retirement benefits
As stated in the Accounting policies section of the consolidated financial statements and elaborated upon in Note 20, the Group utilises both defined benefit and defined contribution pension schemes throughout the world. All defined benefit schemes have been closed since 2003 to new entrants who are offered a defined contribution arrangement.

In the UK the Group has historically operated the Bunzl Senior Pension Scheme Section of the Bunzl Pension Plan ('BSPS') as its main contributory scheme for senior executives. BSPS provides for members' contributions currently at the rate of 9% of pensionable salary (which is base salary) with the Group being responsible for the balance of the cost of providing the benefit as determined from time to time by the consulting actuaries to BSPS. Subject to HM Revenue & Customs limits, BSPS members are eligible for a pension which accrues at a maximum rate of 3% per annum up to two thirds of pensionable salary, with a normal retirement age of 60 years. BSPS also provides for payment of certain benefits in the event of death or disability. Due to the cap on pensionable salary introduced in the Finance Act 1989, which has been maintained by the Company notwithstanding the changes introduced to the legislation with effect from April 2006, the amount of direct contribution by the Company to defined benefit pension schemes for the UK executive director who is a member of BSPS is limited. Arrangements have therefore been made to provide that executive director with an allowance of 30% of base salary above the cap which permits him to make provision, of his choice, in respect of that part of his salary which exceeds the cap. The other UK executive director and any UK executive director newly appointed to the Group is offered a pension allowance of 30% of base salary and has the choice of joining the Defined Contribution Section of the Bunzl Pension Plan ('DC Section') or to opt for a private pension scheme or other investment vehicle. Company contributions to the DC Section match employee contributions but are limited to a maximum of 5% of base salary up to the pensionable salary cap. The Company also provides lump sum life assurance cover of four times base salary.

In the US the main scheme for employees is the non-contributory Bunzl USA, Inc Retirement Plan (the 'US Plan'). Subject to IRS limits, members of the US Plan earn a lifetime pension which accrues 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 $140,000. The US Plan also provides for certain benefits in the event of death or disability. On closure of the US Plan to new entrants all existing participating employees had the choice to continue in the existing scheme or freeze their benefit and join a defined contribution plan, the Retirement Saving Benefit (the 'RSB'). Contributions to the RSB are fully funded by the employer on a sliding scale that is age related. The contributions are a percentage of base salary (maximum 5%) which is capped at $200,000 per annum. Because of the cap on pensionable salary under the US Plan and the RSB, the pensions of senior US executives are limited and arrangements have been made to provide certain executives with supplementary pensions through a Senior Executive Retirement Agreement ('SERA'). Mr P L Larmon's SERA provides for a lifetime pension of $100,000 per annum, payable upon retirement. In 2007, the SERA arrangement was closed to new entrants and a new defined contribution SERA ('DC SERA') was put in place.

Directors' service contracts and terms of appointment

It is the Company's policy that executive directors are normally employed on contracts that provide for 12 months' notice from the Company and six months' notice from the executive. For the UK executive directors there is no predetermined compensation for termination of these contracts. Mr P L Larmon's contract provides that on termination by the Company without cause he is entitled to receive payment of 12 months' base salary plus health insurance coverage, reduced by any interim earnings. There are no provisions for any of the directors for predetermined compensation in excess of one year's remuneration and benefits in kind. The date of each service contract is noted in the table below.

	Date of service contract
M J Roney	1 September 2005
P L Larmon	1 January 2005
B M May	9 December 2005

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. Mr M J Roney served as a non-executive director of Johnson Matthey Plc throughout 2009 and retained fees of £45,000. Neither of the other executive directors hold any such appointments.

In common with many senior executives in the Group, the executive directors are eligible for certain benefits which include the provision of a company car and payment of its operating expenses, or a cash allowance in lieu thereof, in line with prevailing Group policies and, in the case of Mr M J Roney and Mr B M May, private medical plan coverage under the Company's prevailing UK healthcare plan. Mr P L Larmon participates in welfare benefit plans made available to all US employees of the Group covering life insurance, medical, dental and disability cover.

The Chairman and the non-executive directors are paid annual fees for their services. In addition, where relevant, the non-executive directors are paid a fee for chairing the Audit and Remuneration Committees of the Board. Neither the Chairman nor the non-executive directors have service contracts and they are not eligible for pension scheme membership and do not participate in any of the Group's bonus, share option or long term incentive plans. The former Chairman (who retired from the Board on 30 June 2009) received, until his retirement, certain benefits which included the provision of a company car and payment of its operating expenses, private medical plan coverage under the Company's prevailing UK healthcare plan and life assurance cover of four times his annual fee. The Chairman's fee is reviewed annually. The non-executive directors' fees were reviewed in January 2010 and were increased by 3.5%. These fees had not been reviewed since July 2007 and will in future be reviewed annually, based on external market survey data. The fee for the Chairman is determined by the Remuneration Committee and the fees for the non-executive directors are determined by the Board.

Directors' remuneration

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

	Salary/fees 2009 £000	Annual cash bonus 2009 £000	Pension allowance 2009 £000	Benefits 2009 £000	Total 2009 £000	Total 2008 £000
Executive						
M J Roney	**775.0**	**202.3**	**226.4**	**24.9**	**1,228.6**	1,269.2
P L Larmon	**566.9**	**153.5**	**–**	**15.2**	**735.6**	628.2
B M May	**425.0**	**110.9**	**90.9**	**16.4**	**643.2**	665.4
Non-executive						
J F Harris	**172.0**	**–**	**–**	**–**	**172.0**	77.3
C A Banks	**68.0**	**–**	**–**	**–**	**68.0**	68.0
U Wolters	**58.0**	**–**	**–**	**–**	**58.0**	58.0
P W Johnson	**58.0**	**–**	**–**	**–**	**58.0**	58.0
D J R Sleath	**68.0**	**–**	**–**	**–**	**68.0**	64.7
Former Chairman						
A J Habgood	**197.5**	**–**	**–**	**7.5**	**205.0**	401.6
	2,388.4	**466.7**	**317.3**	**64.0**	**3,236.4**	3,290.4

Notes

a) The figures above represent remuneration earned as directors during the relevant financial year including, in the case of the executive directors, the cash element of the bonus, which is paid in the year following that in which it is earned. The deferred element of the bonus is conditionally allocated as shares as described on page 53 and is not included in the table above. Shares relating to the 2008 bonus were allocated in 2009 as shown in the table on page 53 and for the 2009 bonus will be allocated in 2010.

b) The remuneration for Mr P L Larmon is paid or determined in US dollars and has been translated at the average exchange rates for the year of £1: $1.57 in respect of 2009 and £1: $1.85 in respect of 2008.

c) In addition to the fees paid to Mr J F Harris in his capacity as senior independent director, his remuneration for 2009 includes additional fees in his capacity as Interim Chairman for the period 1 July 2009 to 31 December 2009.

d) The remuneration of Mr A J Habgood for 2009 relates to the period 1 January 2009 until 30 June 2009 (the date of his retirement from the Board).

e) Mr P G Rogerson joined the Board on 1 January 2010 as Chairman designate and he will assume the role of Chairman on 1 March 2010. His annual fee is £300,000 and he is not entitled to any benefits.

f) Mr M J Roney is a member of the defined contribution section of the Bunzl Pension Plan. The Company makes matching contributions to this Plan. During 2009 such contributions for Mr M J Roney amounted to £6,105 (2008: £5,820). In addition he received a pension allowance, of 30% of base salary less the Company's contribution to the Pension Plan, as shown in the above table. The values of the pension benefits for the other executive directors are shown in the following table and are not included in the directors' remuneration table above. In addition in 2009 in respect of Mr P L Larmon the Company paid all necessary contributions, on actuarial advice, to the SERA which amounted to £71,271 (2008: £57,626) and paid £184,713 (2008: £156,757) into the DC SERA. These increases are soley attributable to inflation or foreign exchange translation. Mr B M May receives a pension allowance of 30% of that part of his base salary which is not pensionable under BSPS.

	Accrued benefits at 31.12.08 per annum £	Accrued benefits at 31.12.09 per annum £	Transfer value of accrued benefits at 31.12.08 £	Change in transfer value of accrued benefits during the year £	Transfer value of accrued benefits at 31.12.09 £
P L Larmon*	18,143	16,227	102,273	2,012	104,285
B M May	34,704	39,435	455,460	60,293	526,742

*Excluding SERA entitlements.

Notes

a) Of the additional benefits accrued since 1 January 2009, the increases attributable to factors other than inflation or foreign exchange translation were £4,731 for Mr B M May and £nil for Mr P L Larmon.

b) Pension accruals shown are the amounts accrued based on service with Bunzl plc or its subsidiaries.

c) The changes in the transfer values of accrued benefits have been calculated on the basis of actuarial advice in accordance with any relevant actuarial legislation and, in the case of Mr B M May, are net of his contributions. The change in the transfer value of accrued benefits for Mr B M May includes the effect of fluctuation in the transfer value due to factors beyond the control of the Company and the directors, such as changes in market conditions.

d) Mr P L Larmon's benefits under the US Plan are frozen. Mr P L Larmon is now a member of the RSB to which the Company has made contributions in 2009 of £6,369 (2008: £5,405).

e) In addition Mr P L Larmon participates in the Bunzl USA, Inc Deferred Savings (401k) Plan. The Company makes matching contributions to this Plan. During 2009 such contributions for Mr P L Larmon amounted to £7,022 (2008: £5,595).

On behalf of the Board
C A Banks
Chairman of the Remuneration Committee
22 February 2010

FIVE YEAR REVIEW

Continuing operations	**2009 £m**	2008 £m	2007 £m	2006 £m	2005 £m
Revenue	**4,648.7**	4,177.3	3,581.9	3,333.2	2,924.4
Operating profit before intangible amortisation	**295.7**	280.5	242.9	226.3	203.4
Intangible amortisation	**(41.8)**	(36.0)	(24.4)	(19.9)	(15.9)
Operating profit	**253.9**	244.5	218.5	206.4	187.5
Finance income	**16.8**	27.6	21.1	19.6	22.0
Finance cost	**(54.7)**	(65.2)	(48.5)	(36.3)	(32.8)
Profit before income tax	**216.0**	206.9	191.1	189.7	176.7
Profit before income tax and intangible amortisation	**257.8**	242.9	215.5	209.6	192.6
Income tax	**(67.1)**	(64.7)	(61.0)	(60.3)	(56.7)
Profit for the year	**148.9**	142.2	130.1	129.4	120.0
Discontinued operations					
Profit for the year	**–**	–	–	–	4.2
Total profit for the year	**148.9**	142.2	130.1	129.4	124.2
Attributable to:					
Equity holders of the Company	**148.9**	142.2	130.1	129.4	123.6
Minority interests	**–**	–	–	–	0.6
Total profit for the year	**148.9**	142.2	130.1	129.4	124.2
Basic earnings per share	**46.4p**	44.5p	39.8p	37.8p	35.4p
Adjusted earnings per share	**55.9p**	52.7p	45.1p	41.7p	38.7p

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